Property Taxes

Property Tax
55 Mill Property Tax
40 Mill Property Tax
6 Mill Property Tax
1.5 Mill Property Tax

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Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The last reappraisal cycle took effect January 1, 2009.

Beginning January 1, 2009, residential and commercial property as well as agricultural land and timberland reflect the impact of the new reappraisal on assessed values. The current reappraisal cycle is 6 years, during which increases in property values are phased in by 1/6th per year. Property that declines in value was assessed immediately at its new reappraised value. The impact of the 2009 reappraisal on assessed values increased the market value of the average residence by 55.1%. The equivalent increases for commercial property were 34.5%, for agricultural land by 26.8%, and for timberland by 51.7%.

The 2009 legislature passed a reappraisal mitigation bill – HB 658. Beginning in tax year 2009, reappraisal values are phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table. In addition to mitigation through lower tax rates and higher exemptions, HB 658 also: 1) created an upper limit of $1.5 million in market value of residences for which the homestead exemption is available, 2) increased the irrigation costs in valuing irrigated agricultural land, and 3) increased the capitalization rate used to value timberland. In addition the Department of Revenue is required to report to the Revenue and Transportation Interim committee before the next legislative session on a sales- assessment ratio study it will conduct in the interim. MCA 15-10-420 limits the growth from year to year in property tax to one half the rate of inflation. Before HB 658, the calculation allowed each state mill to be rounded up to the nearest whole mill. HB 658 changed MCA 15-10-420 so that each state mill is to be rounded up to the nearest tenth of a mill. If the growth in taxable value exclusive of new property exceeds one-half the rate of inflation, then each state mill levy must be reduced to the point where expected revenue exceeds no more than half the rate of inflation. Newly taxable property was also redefined as current year value less prior year value.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Fifty percent of taxes paid under protest by centrally assessed firms are deposited in the general fund and the rest are deposited in a state special account. Should the state fail in it defense of the taxation of these companies, the protested taxes must be returned to the taxpayer. If the state prevails in the case, the money in the state special account is transferred to the general fund.

Tax Rates and Exemptions Class 3 and Class 4

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million

The state has established programs that lower property taxes for homeowners whose homesteads have increased above certain thresholds due to reappraisal and whose income falls below certain levels. These programs are known as taxpayer assistance programs.

Summary of Legislative Action:

House Bill 293 - Under current law, buildings owned by veteran's organizations are exempt from property taxation. The buildings must be used for educational, fraternal, benevolent, or other charitable purpose to qualify for the exemption.

Effective January 1, 2011, this bill extends the exemption to the land owned by the same veteran's organizations. The land must have been owned since 1960. There are expected to be 91 properties that will qualify which add a total taxable value in TY 2010 of $39,074. The expected revenue reduction to the general fund (95 mills and the 1.5 mills) is expected to be $3,712 in FY 2012 and FY 2013. The 6 mill revenue reduction is expected to be $234 in each year of the 2013 biennium.

House Bill 618 – Effective January 1, 2012, HB 618 exempts property owned by a federally recognized Indian tribe used for essential government services, educational purposes, exclusively for non-profit healthcare facilities, exclusively for use in connection with a cemetery, or is designated as sacred land used exclusively for religious purposes. If the property is designated as a park, it must be open to the general public and be less than 15 acres. There was approximately $25,263 in taxable value statewide in these properties in TY 2010. The impact on the general fund (the 95 mills and the 1.5 mills) is a reduction of $2,556 in FY 2013. The 6-Mill revenue reduction is expected to be $161 in each year of the 2013 biennium.

Senate Bill 265 - This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013.

There are expected to be up to ten applications for property tax abatements for gray water systems each year. The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015. The legislation is effective July 1, 2011.

Senate Bill 372 – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first $2 million of market value of class 8 property owned by an individual or business. The $2 million threshold is raised to $3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year’s collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

Senate Bill 372 reduces revenue to the general fund (95 mills and the 1.5 mills) and the university 6 mills by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline property). The taxable value of class 12 property is reduced because the tax rate for class 12 property is dependent on the effective tax rate of class 8 property. The taxable value of the railcar tax is also dependent on the class 12 tax rate, and therefore state revenue from the railcar tax will also be reduced. The class 12 tax rate is expected to be reduced by 0.01 percentage points in FY 2013.

The reduction in class 8 taxable value as a result of SB 372 will be $29.9 million in tax year 2012 and $31.4 million in tax year 2013. The reduction in class 12 taxable value (as a result of the reduction in the class 12 tax rate) is expected to zero in tax year 2012 and $0.16 million in tax year 2013.

The impact of these taxable value reductions on general fund revenue (the 95 mills and the 1.5 mills) is expected to be $1,262,587 in FY 2012 and $2,932,644 in FY 2013. The reduction in FY 2012 is a result of lower tax liability for class 8 owners who have class 8 equipment that not liened to real property (about 44% of the total). The reduction in revenue to the 6 mill account is expected to be $79,060 in FY 2012 and $183,635 in FY 2013.

Senate Bill 412 - SB 412 creates a temporary property tax exemption for tribal fee land that has an application to be held in trust by the U.S. Department of the Interior. Trust land is tax exempt. If the application is denied by the U.S. Department of the Interior, then the property loses the property tax exemption. There are expected to be approximately 100 properties with a pending application with the U.S. Department of the Interior. These properties would qualify for the exemption.

It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced by $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium. The legislation is effective January 1, 2012.

Senate Bill 266 – Effective January 1, 2011, the tax rate for the coal gross proceeds tax on existing underground mines will be 2.5%, half of the previous law rate. This reduced rate will apply through tax year 2010. The underground mine must have had production in tax year 2010 to qualify for the reduced rate. Tax abatements conferred by locals will not be allowed until the end of the ten-year period in which the reduced tax rate is effective. The expected reduction in 55 mill tax revenues will be approximately $344,000 in FY 2014 and $343,000 in FY 2015.

Revenue Estimate Methodology:

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Data

The property tax received by the state is composed of two kinds of revenue. First there is property tax proper, i.e. each property has a taxable value which is multiplied by a mill levy (a tax rate per thousand dollars of taxable value) set by the government, in this case the state. The second kind of revenue is "non-levy" revenue that is distributed proportionally to each mill levy and is included as property tax revenue.

The state imposes five types of mill levies. These are the 33-mill elementary county equalization levy, the 22-mill high school county equalization levy, the 40-mill state equalization levy, the 6-mill university levy, and the 1.5-mill vocational technical college (vo-tech) levy. The first three (most often called the 95 mills for education) are applied to all property in the state and are deposited in the general fund. The 6-mill levy is applied to all property in the state and is deposited in a special account for university operations. The 1.5-mill levy is also deposited in the general fund and is applied to all property in the counties in which the five vo-tech colleges are located, i.e. Butte-Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark.

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required is historical and future data on the non-levy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The latest taxable value data is for tax year 2010 which began January 1, 2010, and the latest data for the non-levy revenue is FY 2010.

The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by the Department of Revenue on an annual basis, usually in October. TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created, but allows the TIF district to keep the revenue associated with these mill levies. The state does not receive its share of the mill levies applied to incremental TIF property. Thus the taxable value of the state must be adjusted downward by the value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the state special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2010, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10 year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the tax rate reduction and the resulting partial exemption from property taxes does not apply to state mills. The taxable value data received by the department does not include the exempted property and thus for state property tax revenue purposes this property must be added back to the statewide taxable value. For the first time in tax year 2010, abated taxable values were available by class of property and were added back to each class of taxable value to form the tax base for the state mills. Previously these values had been added back without respect to class of property.

Assessed and taxable values are measured on January 1 of the tax year. The taxes are due to the state in the following November and May, i.e. in the fiscal year following the calendar year in which the values are measured. Coal gross proceeds are due to the state in the fiscal year two years after the calendar year in which the coal was produced. Federal forest receipts are received by the federal government in December of each year, and miscellaneous non-levy revenue (primarily interest) is deposited as earned.

Analysis

The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. The table below shows growth rates for each class of property, for TIF and the resulting growth rates in net taxable value.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Statewide Taxable Values by Class

Class of Property	Taxable Value (Millions) 2011	2012	2013	Growth Rates 2011	2012	2013
Net Proceeds	$ 3.18	$ 3.18	3.18	-20.5%	0.0%	0.0%
Gross Proceeds	18.29	18.29	18.29	-23.3%	0.0%	0.0%
Agricultural Land	153.57	149.27	145.09	-4.7%	-2.8%	-2.8%
Residential and Commercial Real Estate	1,396.07	1,441.37	1,488.17	2.0%	3.2%	3.2%
Rural Coops and Pollution Control	38.99	42.11	43.80	4.0%	8.0%	4.0%
Non-Centrally Assessed Public Utilities	1.30	1.35	1.40	2.6%	3.9%	3.9%
Business Equipment	182.31	195.97	205.76	7.5%	7.5%	5.0%
Centrally Assessed Public Utilities	280.63	292.14	311.71	10.4%	4.1%	6.7%
Timberland	6.52	6.39	6.26	-6.7%	-2.0%	-2.0%
Railroad and Airline Property	51.84	52.95	53.60	10.5%	2.1%	1.2%
Electrical Generating and Telecommunications	174.43	181.41	188.66	13.0%	4.0%	4.0%
Electrical Generation by Wind	17.89	23.26	30.23	163.8%	30.0%	30.0%
C02/Qualifying Liquid Pipeline	-	-	-	NA	NA	NA
High Voltage DC Converter	-	-	-	NA	NA	NA
Total Taxable Value	2,325.02	2,407.68	2,496.16	4.0%	3.6%	3.7%
Tax Increment Financing Values	41.95	40.93	40.72	31.0%	-2.4%	-0.5%
Net Taxable Value	2,283.08	2,366.74	2,455.44	2.6%	3.7%	3.7%
Net Vo-tech Value	793.18	821.37	851.56	2.5%	3.6%	3.7%
Net 6 mill Taxable Value	2,325.02	2,407.68	2,496.16	4.0%	3.6%	3.7%

Fiscal Year

Fiscal 2011 taxable values are tax year 2010 taxable values. The property was valued on January 1, 2010, and the revenue from these values is deposited in state coffers in November and May of the following fiscal year. Fiscal 2011 values are known, although preliminary.

For the most part, growth rates are based on historical growth since FY 2001 and on expected changes in tax rates in FY 2012 and 2013.

The growth rate for class 4 – residential and commercial real estate – is an estimate of the amount of new property expected to be added. The growth in new class 4 residential property is assumed to be 3.5%, and the growth in commercial property is assumed to be 2.4 percent, both the average since 2000. It is further assumed that as existing residential and commercial property values are phased in over the reappraisal cycle, the combination of declining tax rates and rising homestead and comstead exemptions will completely offset the growth in phased in value in each year of the forecast period. The only growth in class 4 taxable is assumed to be derived from new property.

Agricultural property is expected to decline in taxable value through FY 2013. The department phased in agricultural assessed values over the 6 year phase in cycle. Department rules required that changes in value between the 2002 reappraisal and the 2008 reappraisal phase in changes in value due to changes in productivity. The department failed to phase these values in but instead assigned the 2008 values immediately in tax year 2009. The department has devised a method to correct this by adjusting the phase in starting in tax year 2010 for the next 5 years. As a result taxable growth will be negative for agricultural land over the forecast period.

Timberland values are also expected to decrease slightly over the forecast period as some timberland is lost to development.

There are several projects in the planning stages or on hold – natural gas electrical generation plants (either in class 5 or class 9), wind power farms (class 14), industrial grade transmission lines (class 13), oil pipelines (class 13) – that may add to the tax base in the forecast period. None of these have been explicitly added into the growth forecasts. The tax base for FY 2011 contains some of this value – i.e. two natural gas electrical generation plants – from which further growth has been estimated. The Montana Alberta Tie Line, if it gets built will be split 50 percent between class 9 – electrical transmission – and class 14 – wind generation and transmission.

Business equipment is expected to grow substantially in FY 2012 as the economy begins to improve in 2011.

The growth in net proceeds and gross proceeds taxable value is based on the projected growth in the mineral values. Net proceeds growth is based on the growth in taxable value of metals as derived from miscellaneous mines tax base. Gross proceeds growth is based on growth rate for metal mines gross proceeds tax base.
There are two new classes of property that have been added to the property tax base beginning in FY 2009. These are class 15, property associated with carbon sequestration, and class 16, property associated transmission lines that connect to other major electrical grids.

Neither of these classes is expected to contain any property before the end of FY 2013.

For the classes of property that are reappraised annually, almost all will experience constant tax rates through 2013. An exception is railroad and airline property. Under the federal 4R act, the tax rate on railroads and airlines, class 12, is a weighted average of tax rates for all commercial and industrial property in the state. This includes business equipment, centrally assessed property and commercial real estate. As the tax rate for commercial property continues to decline while the other commercial and industrial tax rates are constant, the railroad and airline property tax rate also declines.

The figure below shows for FY 2011 through FY 2013 the tax rates for all classes of property as well as the values for the homestead and comstead exemptions.

Tax Rates and Exemptions By Property Tax Class			
	Tax Rates		
	Fiscal Year		
Class of Property	2011	2012	2013
Net Proceeds	100.00%	100.00%	100.00%
Gross Proceeds	3.00%	3.00%	3.00%
Agricultural Land	2.82%	2.72%	2.63%
Residential & Commercial Real Estate	2.82%	2.72%	2.63%
Rural Coops and Pollution Control	3.00%	3.00%	3.00%
Non-Centrally Assessed Public Utilities	3.00%	3.00%	3.00%
Business Equipment	3.00%	3.00%	3.00%
Centrally Assessed Public Utilities	12.00%	12.00%	12.00%
Timberland	0.33%	0.32%	0.31%
Railroad and Airline Property	3.40%	3.38%	3.33%
Electrical Generating and Telecommunications	6.00%	6.00%	6.00%
Electrical Generation by Wind	3.00%	3.00%	3.00%
C02/Qualifying Liquid Pipeline	3.00%	3.00%	3.00%
High Voltage DC Converter	2.25%	2.25%	2.25%
	Exemptions		
Homestead Exemption for Residential Property	39.5%	41.8%	44.0%
Comstead Exemption for Commercial Property	15.9%	17.5%	19.0%

The following table shows the projected property tax revenue from the property tax base and non-levy revenue.

Property Tax Revenue in General Fund and University Account

General Fund Property Tax Revenue	FY 2011	FY 2012	FY 2013
95 mill Revenue	$ 216.89	$ 224.75	$ 233.51
1.5 Mill Revenue	1.17	1.21	1.26
Property Tax in the General Fund	$ 218.06	$ 225.96	$ 234.76
Nonlevy Revenue associated with 95 mills	$ 12.21	$ 13.03	$ 9.28
Protested Taxes - 95 mills and 1.5 mills	(1.18)	(1.18)	(1.18)
Net Property Taxes in General Fund	$ 229.08	$ 237.81	$ 242.86
Percent Growth	3.0%	3.8%	2.1%
6 mills Property Tax Revenue (University Account)	$ 14.11	$ 14.61	$ 15.17
Nonlevy Revenue associated with 6 mills	0.81	0.89	0.87
Protested Taxes - 6 mills	(0.07)	(0.07)	(0.07)
Net Property Taxes in University Account	$ 14.85	$ 15.43	$ 15.97

Once net taxable values are determined, the mill levies are applied. To this are added forecasts of non-levy revenue. Non-levy revenues come from coal gross proceeds, federal forest receipts and miscellaneous revenue (interest on investments, penalty and interest on delinquent taxes, etc). The tax on the gross proceeds for coal is 5% of gross value and is estimated in conjunction with the coal severance tax. Of this total, a state share is distributed to the elementary and high school county equalization levies as they existed in FY 1990. In FY 1990, the elementary and high school county equalization levy was a combined 45 mills. For some of mines, 45 mills was as much as 49 percent of the consolidated mills of all jurisdictions, and for some other mines the 45 mills was as little as 20 percent of the consolidated mills for all jurisdictions.

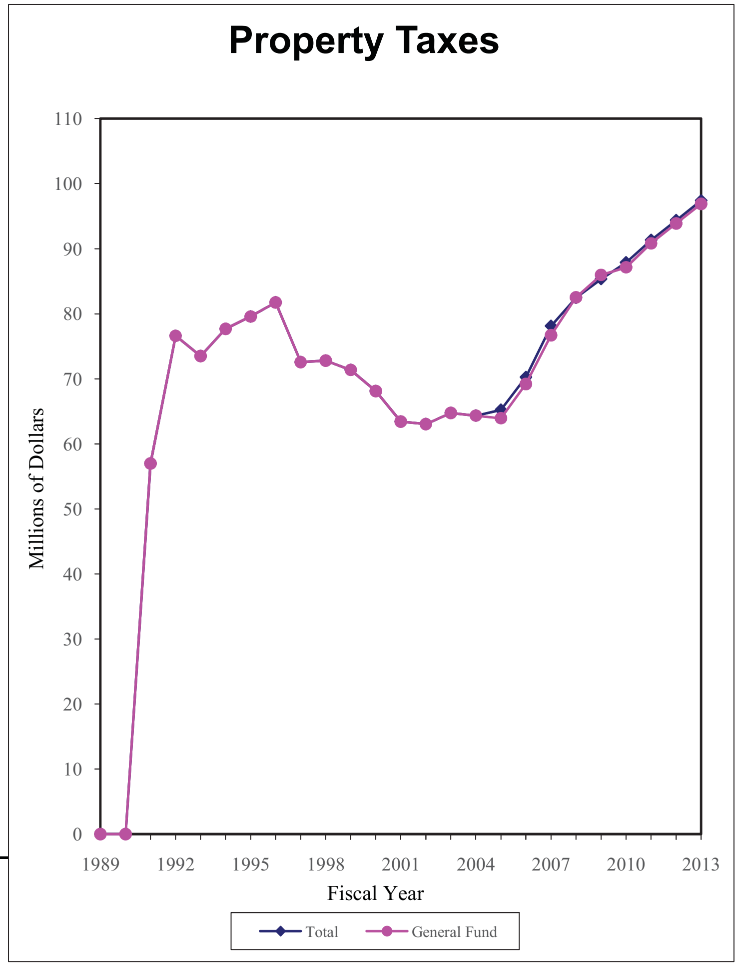
Federal forest receipts are receipts from the federal government in lieu of revenues from the sale of forest products on federal land. By state law, two-thirds of this revenue is distributed to the county road fund in the counties with federal forestland and the remaining one-third is distributed to the county equalization mills and the county retirement and transportation mills. The share distributed to the 55 mills is the proportion that 55 mills is to all countywide mills in the prior year. This is assumed constant at 63.5% over the forecast period. The proportion that the 55 mills is to all countywide mills is multiplied times 1/3 of the federal forest receipts. The previous formula for distributing federal forest payments to counties was sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. The amount of federal forest receipts in total is expected to be around 2.5 times greater than the amount available previously. Thus the amount distributed to the 55 mills will also increase substantially. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $4 million per year.

Miscellaneous receipts distributed to the 95 mills are such things as investment earnings, tax title sales, and penalties and interest on delinquent taxes. In FY 2007, the latest year for which data are available, miscellaneous non-levy revenue was $0.8 million, which is expected to remain constant in the future.

Once property tax revenue adjusted for non-levy revenue is determined, one more adjustment is made. This adjustment is for centrally assessed protested taxes. In FY 2010, certain electrical generation, transmission companies, pipeline companies and telecommunication companies protested a portion of their property taxes. Under state law, half of the protested taxes from these companies is deposited in a special account and half in the general fund. It is expected that $1.2 million will be deposited in the special account each of the next three years on behalf of the 95 mills and an additional $74,000 on behalf of the six mills.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.444609	114.444609	Not App.
A	1990	133.619694	112.374543	-1.81%
A	1991	196.551532	176.154583	56.76%
A	1992	228.220531	206.138029	17.02%
A	1993	231.757476	207.646372	0.73%
A	1994	223.577122	202.381945	-2.54%
A	1995	226.944990	205.842671	1.71%
A	1996	226.234755	204.082588	-0.86%
A	1997	231.943080	209.284365	2.55%
A	1998	224.562154	202.350380	-3.31%
A	1999	225.681256	202.774979	0.21%
A	2000	215.866432	194.196158	-4.23%
A	2001	201.103545	180.050247	-7.28%
A	2002	181.923409	169.339388	-5.95%
A	2003	183.690786	171.679862	1.38%
A	2004	180.905286	169.530994	-1.25%
A	2005	182.587822	167.270350	-1.33%
A	2006	192.118042	177.639199	6.20%
A	2007	206.872427	190.981939	7.51%
A	2008	218.222981	205.043751	7.36%
A	2009	229.945033	217.042057	5.85%
A	2010	239.055986	222.509767	2.52%
F	2011	245.193000	229.084000	2.95%
F	2012	253.832000	237.188000	3.54%
F	2013	257.721000	240.636000	1.45%



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

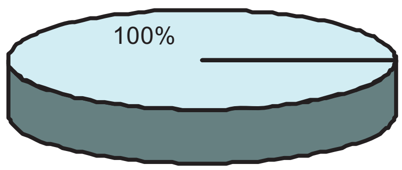
Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)
Tax Distribution (MCA) – 20-9-331(1), 20-9-333(1)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 55 mills generate $55 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



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There are expected to be up to ten applications for property tax abatements for gray water systems each year. The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015. The legislation is effective July 1, 2011.

Senate Bill 372 – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first $2 million of market value of class 8 property owned by an individual or business. The $2 million threshold is raised to $3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year's collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

Senate Bill 372 reduces revenue to the general fund (95 mills and the 1.5 mills) and the university 6 mills by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline property). The taxable value of class 12 property is reduced because the tax rate for class 12 property is dependent on the effective tax rate of class 8 property. The taxable value of the railcar tax is also dependent on the class 12 tax rate, and therefore state revenue from the railcar tax will also be reduced. The class 12 tax rate is expected to be reduced by 0.01 percentage points in FY 2013.

The reduction in class 8 taxable value as a result of SB 372 will be $29.9 million in tax year 2012 and $31.4 million in tax year 2013. The reduction in class 12 taxable value (as a result of the a reduction in the class 12 tax rate) is expected to zero in tax year 2012 and $0.16 million in tax year 2013.

The impact of these taxable value reductions on general fund revenue (the 95 mills and the 1.5 mills) is expected to be $1,262,587 in FY 2012 and $2,932,644 in FY 2013. The reduction in FY 2012 is a result of lower tax liability for class 8 owners who have class 8 equipment that not liened to real property (about 44% of the total). The reduction in revenue to the 6 mill account is expected to be $79,060 in FY 2012 and $183,635 in FY 2013.

Senate Bill 412 - SB 412 creates a temporary property tax exemption for tribal fee land that has an application to be held in trust by the U.S. Department of the Interior. Trust land is tax exempt. If the application is denied by the U.S. Department of the Interior, then the property loses the property tax exemption. There are expected to be approximately 100 properties with a pending application with the U.S. Department of the Interior. These properties would qualify for the exemption.

It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced by $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium. The legislation is effective January 1, 2012.

Senate Bill 266 – Effective January 1, 2011, the tax rate for the coal gross proceeds tax on existing underground mines will be 2.5%, half of the previous law rate. This reduced rate will apply through tax year 2010. The underground mine must have had production in tax year 2010 to qualify for the reduced rate. Tax abatements conferred by locals will not be allowed until the end of the ten-year period in which the reduced tax rate is effective. The expected reduction in 55 mill tax revenues will be approximately $344,000 in FY 2014 and $343,000 in FY 2015.

Property Tax: 55 Mill -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0293 Provide tax exempt status for certain land owned by veterans' organizations		(2,131)	(2,131)
HB0618 Exempt certain tribally owned property from taxation			(1,467)
SB0265 Reduce property taxes on new construction for use of gray water systems			(258)
SB0266 Revise local coal tax gross proceeds tax abatement			
SB0372 Lower business equipment tax -- phase more reduction on state economic growth		(724,716)	(1,683,317)
SB0412 Revise laws to temporarily exempt tribal fee land in trust land process		(1,756)	(1,756)
Total Estimated General Fund Impact	$0	($728,603)	($1,688,929)

% of Total General Fund Revenue:

FY 2004 – 7.54 % FY 2007 – 6.37% FY 2010 – 8.25%
FY 2005 – 6.69% FY 2008 – 6.83%
FY 2006 – 6.29% FY 2009 – 7.19%

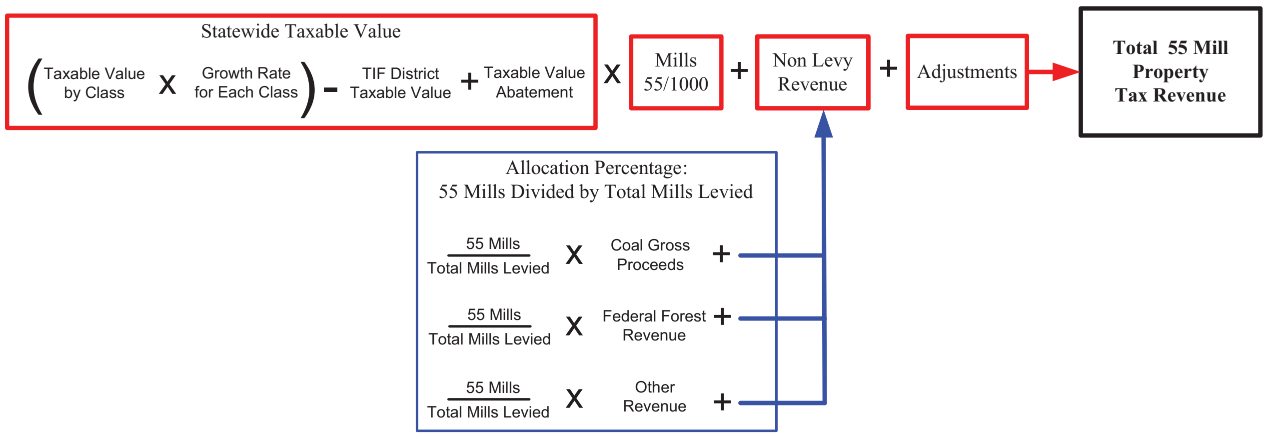
Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under “Property Tax”.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	13.809000	0.000000
Actual	2003	106.028709	106.028709	1691.720391	0.055000	11.424000	0.000000
Actual	2004	104.223809	104.223809	1703.300593	0.055000	12.701000	0.000000
Actual	2005	104.183789	102.415859	1756.251400	0.055000	0.000000	0.000000
Actual	2006	108.949260	107.494822	1836.487799	0.055000	0.000000	0.000000
Actual	2007	115.230438	113.285362	1940.708962	0.055000	0.000000	0.000000
Actual	2008	121.354911	121.432143	2041.767032	0.055000	0.000000	0.000000
Actual	2009	129.079574	129.948902	2117.329701	0.055000	13.051000	0.000000
Actual	2010	135.276964	134.249247	2226.295006	0.055000	12.938000	-2.147637
Forecast	2011	137.776000	137.094000	2283.075518	0.055000	12.207000	0.000000
Forecast	2012	143.524000	142.842000	2372.645960	0.055000	13.028000	0.000000
Forecast	2013	144.883000	144.201000	2465.513680	0.055000	9.280000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Actual	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Actual	2010	4.001643	23.837390	161.073306	1368.081023	37.502192	0.000000	1.265771
Forecast	2011	3.180607	18.291018	153.566272	1396.074017	38.994328	0.000000	1.298339
Forecast	2012	3.232960	24.142205	149.266416	1441.370202	42.113874	0.000000	1.348974
Forecast	2013	3.312724	28.233609	145.086956	1488.166875	43.798429	0.000000	1.401584

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

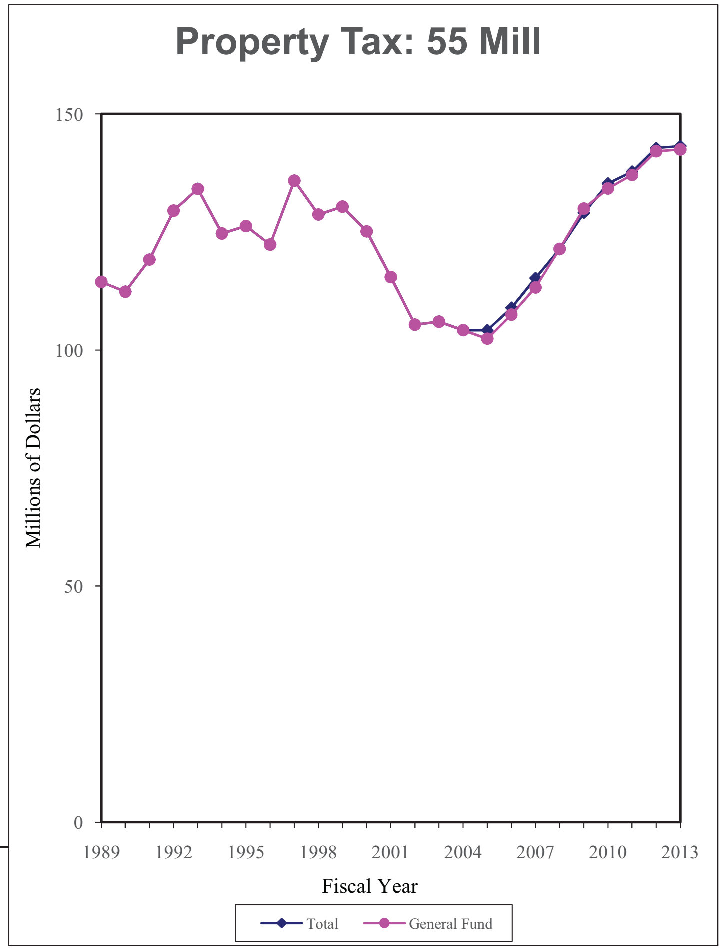
	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Actual	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Actual	2010	169.605684	254.253159	6.988309	46.900613	154.314143	32.014480	23.705989
Forecast	2011	182.309596	280.633075	6.518597	51.836211	174.429895	41.945684	27.057803
Forecast	2012	195.965064	292.139031	6.388225	52.949777	181.407091	40.933881	28.019715
Forecast	2013	205.763317	311.712346	6.260461	53.602466	188.663375	40.721291	29.049461

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

Property Tax: 55 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.444609	114.444609	Not App.
A	1990	112.374543	112.374543	-1.81%
A	1991	119.161125	119.161125	6.04%
A	1992	129.526346	129.526346	8.70%
A	1993	134.154928	134.154928	3.57%
A	1994	124.696589	124.696589	-7.05%
A	1995	126.265989	126.265989	1.26%
A	1996	122.329028	122.329028	-3.12%
A	1997	135.893657	135.893657	11.09%
A	1998	128.708743	128.708743	-5.29%
A	1999	130.388345	130.388345	1.30%
A	2000	125.145645	125.145645	-4.02%
A	2001	115.454627	115.454627	-7.74%
A	2002	105.375801	105.375801	-8.73%
A	2003	106.028709	106.028709	0.62%
A	2004	104.223809	104.223809	-1.70%
A	2005	104.183789	102.415859	-1.73%
A	2006	108.949260	107.494822	4.96%
A	2007	115.230438	113.285362	5.39%
A	2008	121.354911	121.432143	7.19%
A	2009	129.079574	129.948902	7.01%
A	2010	135.276964	134.249247	3.31%
F	2011	137.776000	137.094000	2.12%
F	2012	142.795000	142.113000	3.66%
F	2013	143.194000	142.512000	0.28%



Non Levy Revenue includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion. A description for each individual source follows below.

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal FY 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25% of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $4 million per year.

Property Tax: 55 Mill

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

Collection Frequency: Twice annually (usually October and December).

Applicable Assumptions and/or Relevant Indicators:

Federal Forest Timber Prices
Federal Board Feet Harvested
Mill Levies for County Transportation and Retirement Accounts

Data Source(s): U.S. Forest Service survey, SABHRS

Contacts: U.S. Forest Service

Statutory References:

Tax Rate – NA
Distribution (MCA) – 17-3-211, 17-3-212
Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $4 million per year.

Coal Gross Proceeds Tax

Revenue Description: The state imposes a gross proceeds tax of 5% on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments in the following fiscal year. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Property Tax: 55 Mill

Applicable Tax Rate(s): The amount of tax due is 5% of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year. However, a new mine – Signal Peak in Musselshell County – which recently started production will be subject to the old distribution mechanism under HB 588, a bill passed by the 2009 legislature.

Collection Frequency: The coal gross proceeds tax is collected twice annually in November and May. The state receives the tax revenue in December and June.

Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production
Montana Contract Sales Price
Statewide Average Mill Ratios

Data Source(s): Coal Company Surveys, Department of Revenue, County Treasurers

Contacts: Coal Company Representatives, Department of Revenue, County Treasurers

Statutory References:

Tax Rate (MCA) – 15-23-703(1)
Tax Distribution (MCA) – 15-23-703(3)

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for FY 1990 for the counties in which mines are located.

Other Revenue

Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Applicable Tax Rate(s): N/A

Distribution: Varies

Collection Frequency: Varies

Applicable Assumptions and/or Relevant Indicators: Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections.

Data Source(s): County Collection Reports

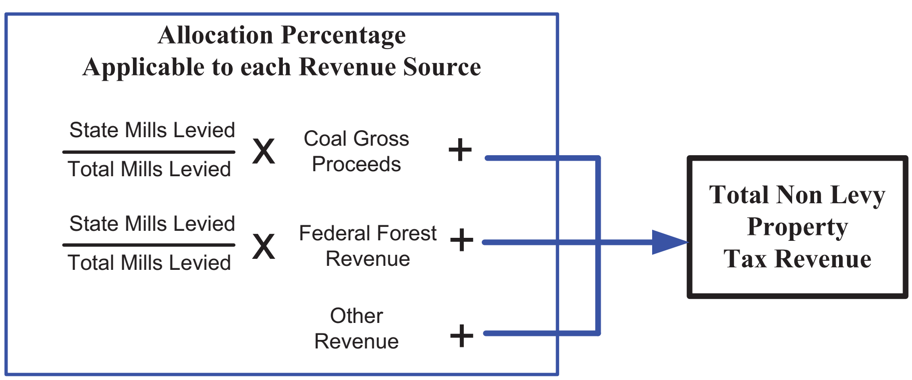
Contacts: Office of Public Instruction

Statutory References: Various

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

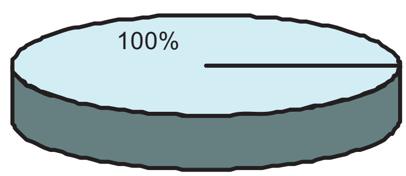
Property Tax: 40 Mill

Statutory Reference:

Tax Rate (MCA) – 20-9-360
Tax Distribution (MCA) – 20-9-360
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 40 mills generate $40 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.
Distribution Chart:



Summary of Legislative Action:

House Bill 293 - Under current law, buildings owned by veteran's organizations are exempt from property taxation. The buildings must be used for educational, fraternal, benevolent, or other charitable purpose to qualify for the exemption.

Effective January 1, 2011, this bill extends the exemption to the land owned by the same veteran's organizations. The land must have been owned since 1960. There are expected to be 91 properties that will qualify which add a total taxable value in TY 2010 of $39,074. The expected revenue reduction to the general fund (95 mills and the 1.5 mills) is expected to be $3,712 in FY 2012 and FY 2013. The 6 mill revenue reduction is expected to be $234 in each year of the 2013 biennium.

House Bill 618 – Effective January 1, 2012, HB 618 exempts property owned by a federally recognized Indian tribe used for essential government services, educational purposes, exclusively for non-profit healthcare facilities, exclusively for use in connection with a cemetery, or is designated as sacred land used exclusively for religious purposes. If the property is designated as a park, it must be open to the general public and be less than 15 acres. There was approximately $25,263 in taxable value statewide in these properties in TY 2010. The impact on the general fund (the 95 mills and the 1.5 mills) is a reduction of $2,556 in FY 2013. The 6 mill revenue reduction is expected to be $161 in each year of the 2013 biennium.

Senate Bill 265 - This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013. The legislation is effective July 1, 2011.

There are expected to be up to ten applications for property tax abatements for gray water systems each year.
The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015.

Senate Bill 372 – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first $2 million of market value of class 8 property owned by an individual or business. The $2 million threshold is raised to $3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year's collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

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The reduction in class 8 taxable value as a result of SB 372 will be $29.9 million in tax year 2012 and $31.4 million in tax year 2013. The reduction in class 12 taxable value (as a result of the a reduction in the class 12 tax rate) is expected to zero in tax year 2012 and $0.16 million in tax year 2013.

The impact of these taxable value reductions on general fund revenue (the 95 mills and the 1.5 mills) is expected to be $1,262,587 in FY 2012 and $2,932,644 in FY 2013. The reduction in FY 2012 is a result of lower tax liability for class 8 owners who have class 8 equipment that not liened to real property (about 44% of the total). The reduction in revenue to the 6 mill account is expected to be $79,060 in FY 2012 and $183,635 in FY 2013.

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It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced by $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium. The legislation is effective January 1, 2012.

Property Tax: 40 Mill -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

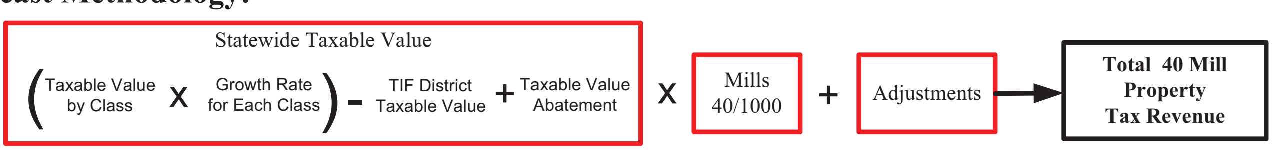
Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0293 Provide tax exempt status for certain land owned by veterans' organizations		(1,550)	(1,550)
HB0618 Exempt certain tribally owned property from taxation			(1,067)
SB0265 Reduce property taxes on new construction for use of gray water systems			(188)
SB0372 Lower business equipment tax -- phase more reduction on state economic growth		(527,066)	(1,224,230)
SB0412 Revise laws to temporarily exempt tribal fee land in trust land process		(1,277)	(1,277)
Total Estimated General Fund Impact	$0	($529,893)	($1,228,312)

% of Total General Fund Revenue:

FY 2004 – 4.66 %
FY 2005 – 4.18%
FY 2006 – 4.05%
FY 2007 – 4.31%
FY 2008 – 4.64%
FY 2009 – 4.76%
FY 2010 – 5.36%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:



Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.705000	-9.888000
Actual	2003	64.767167	64.767167	1691.720391	0.040000	2.983000	-8.475000
Actual	2004	64.339197	64.339197	1703.300593	0.040000	3.889000	-7.063000
Actual	2005	65.236575	63.950808	1756.251400	0.040000	0.000000	-5.650000
Actual	2006	70.257071	69.199414	1836.487799	0.040000	0.000000	-4.238000
Actual	2007	78.129591	76.712447	1940.708962	0.040000	0.000000	-2.825000
Actual	2008	82.458974	82.517881	2041.767032	0.040000	0.000000	-1.413000
Actual	2009	85.343248	85.976790	2117.329701	0.040000	0.000000	0.000000
Actual	2010	87.887783	87.145170	2226.295006	0.040000	0.000000	-1.561918
Forecast	2011	91.323000	90.827000	2283.075518	0.040000	0.000000	0.000000
Forecast	2012	94.906000	94.410000	2372.645960	0.040000	0.000000	0.000000
Forecast	2013	98.621000	98.125000	2465.513680	0.040000	0.000000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Actual	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Actual	2010	4.001643	23.837390	161.073306	1368.081023	37.502192	0.000000	1.265771
Forecast	2011	3.180607	18.291018	153.566272	1396.074017	38.994328	0.000000	1.298339
Forecast	2012	3.232960	24.142205	149.266416	1441.370202	42.113874	0.000000	1.348974
Forecast	2013	3.312724	28.233609	145.086956	1488.166875	43.798429	0.000000	1.401584

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Actual	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Actual	2003	118.3489260	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Actual	2004	118.2969880	212.1109300	6.7892870	45.6302570	125.6225470	33.5621400	3.1883180
Actual	2005	117.2409840	219.9928240	6.7913820	45.0740610	120.4850650	27.7669030	4.0883170
Actual	2006	123.0549460	238.7666750	6.7937650	44.2672200	122.8459890	25.4644200	4.1368460
Actual	2007	135.6127930	248.3201880	6.8155190	41.5768140	130.4757120	28.8302010	18.8545270
Actual	2008	138.6583487	264.3238030	6.8223730	43.0036190	152.9419110	30.1203630	18.0988540
Actual	2009	151.3174882	260.1899820	6.8156200	43.5673840	154.6111560	25.7521500	20.0206040
Actual	2010	169.6056835	254.2531590	6.9883090	46.9006130	154.3141430	32.0144800	23.7059890
Forecast	2011	182.3095957	280.6330750	6.5185970	51.8362110	174.4298950	41.9456840	27.0578030
Forecast	2012	195.9650640	292.1390310	6.3882250	52.9497770	181.4070910	40.9338810	28.0197148
Forecast	2013	205.7633170	311.7123460	6.2604610	53.6024660	188.6633750	40.7212910	29.0494610

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

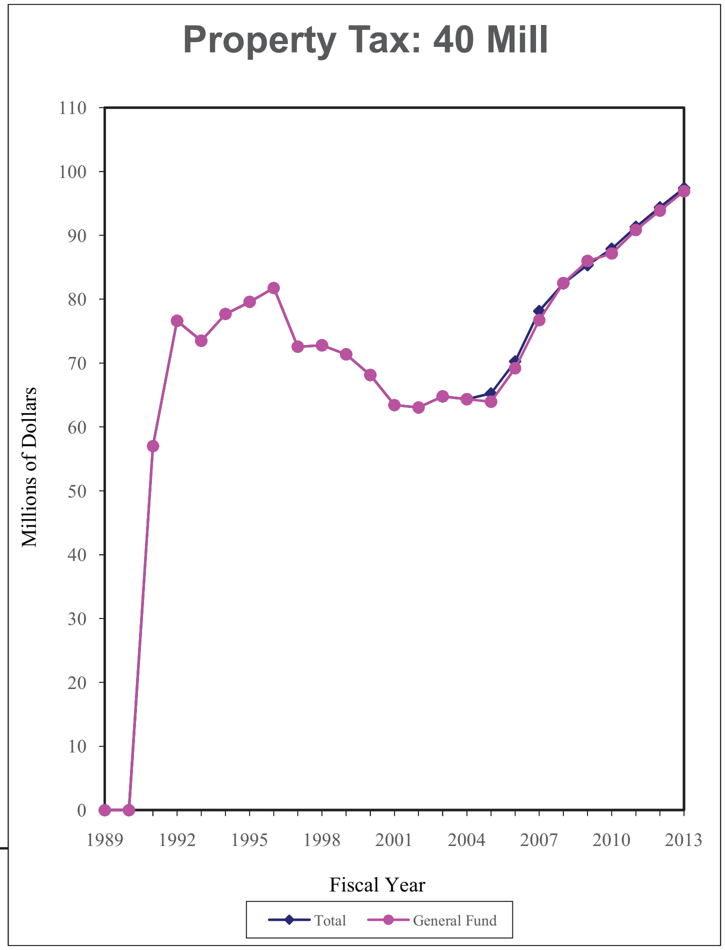
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	56.993458	56.993458	Not App.
A	1992	76.611683	76.611683	34.42%
A	1993	73.491444	73.491444	-4.07%
A	1994	77.685356	77.685356	5.71%
A	1995	79.576682	79.576682	2.43%
A	1996	81.753560	81.753560	2.74%
A	1997	72.560534	72.560534	-11.24%
A	1998	72.792875	72.792875	0.32%
A	1999	71.370740	71.370740	-1.95%
A	2000	68.119545	68.119545	-4.56%
A	2001	63.423977	63.423977	-6.89%
A	2002	63.044975	63.044975	-0.60%
A	2003	64.767167	64.767167	2.73%
A	2004	64.339197	64.339197	-0.66%
A	2005	65.236575	63.950808	-0.60%
A	2006	70.257071	69.199414	8.21%
A	2007	78.129591	76.712447	10.86%
A	2008	82.458974	82.517881	7.57%
A	2009	85.343248	85.976790	4.19%
A	2010	87.887783	87.145170	1.36%
F	2011	91.323000	90.827000	4.22%
F	2012	94.376000	93.880000	3.36%
F	2013	97.393000	96.897000	3.21%



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

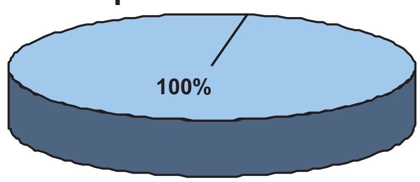
Statutory Reference:

Tax Rate (MCA) – 15-10-107
Tax Distribution (MCA) – 15-10-107
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 6 mills generate $6 in state property taxes.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Distribution Chart:



Summary of Legislative Action:

House Bill 293 - Under current law, buildings owned by veteran's organizations are exempt from property taxation. The buildings must be used for educational, fraternal, benevolent, or other charitable purpose to qualify for the exemption.

Effective January 1, 2011, this bill extends the exemption to the land owned by the same veteran's organizations. The land must have been owned since 1960. There are expected to be 91 properties that will qualify which add a total taxable value in TY 2010 of $39,074. The expected revenue reduction to the general fund (95 mills and the 1.5 mills) is expected to be $3,712 in FY 2012 and FY 2013. The 6 mill revenue reduction is expected to be $234 in each year of the 2013 biennium.

House Bill 618 – Effective January 1, 2012, HB 618 exempts property owned by a federally recognized Indian tribe used for essential government services, educational purposes, exclusively for non-profit healthcare facilities, exclusively for use in connection with a cemetery, or is designated as sacred land used exclusively for religious purposes. If the property is designated as a park, it must be open to the general public and be less than 15 acres. There was approximately $25,263 in taxable value statewide in these properties in TY 2010. The impact on the general fund (the 95 mills and the 1.5 mills) is a reduction of $2,556 in FY 2013. The 6 mill revenue reduction is expected to be $161 in each year of the 2013 biennium.

Senate Bill 265 - This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013.

There are expected to be up to ten applications for property tax abatements for gray water systems each year.
The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015. The legislation is effective July 1, 2011.

Senate Bill 372 – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first $2 million of market value of class 8 property owned by an individual or business. The $2 million threshold is raised to $3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year's collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

Senate Bill 372 reduces revenue to the general fund (95 mills and the 1.5 mills) and the university 6 mills by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline property). The taxable value of class 12 property is reduced because the tax rate for class 12 property is dependent on the effective tax rate of class 8 property. The taxable value of the railcar tax is also dependent on the class 12 tax rate, and therefore state revenue from the railcar tax will also be reduced. The class 12 tax rate is expected to be reduced by 0.01 percentage points in FY 2013.

The reduction in class 8 taxable value as a result of SB 372 will be $29.9 million in tax year 2012 and $31.4 million in tax year 2013. The reduction in class 12 taxable value (as a result of the a reduction in the class 12 tax rate) is expected to zero in tax year 2012 and $0.16 million in tax year 2013.

The impact of these taxable value reductions on general fund revenue (the 95 mills and the 1.5 mills) is expected to be $1,262,587 in FY 2012 and $2,932,644 in FY 2013. The reduction in FY 2012 is a result of lower tax liability for class 8 owners who have class 8 equipment that not liened to real property (about 44% of the total). The reduction in revenue to the 6 mill account is expected to be $79,060 in FY 2012 and $183,635 in FY 2013.

Senate Bill 412 - SB 412 creates a temporary property tax exemption for tribal fee land that has an application to be held in trust by the U.S. Department of the Interior. Trust land is tax exempt. If the application is denied by the U.S. Department of the Interior, then the property loses the property tax exemption. There are expected to be approximately 100 properties with a pending application with the U.S. Department of the Interior. These properties would qualify for the exemption.

It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium. The legislation is effective January 1, 2012.

Property Tax: 6 Mill -- Legislation Passed by 62nd Legislature
Estimated State Special Revenue Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0293 Provide tax exempt status for certain land owned by veterans' organizations		(234)	(234)
HB0618 Exempt certain tribally owned property from taxation			(161)
SB0265 Reduce property taxes on new construction for use of gray water systems			(30)
SB0372 Lower business equipment tax -- phase more reduction on state economic growth		(79,060)	(183,635)
SB0412 Revise laws to temporarily exempt tribal fee land in trust land process		(193)	(193)
Total Estimated State Special Revenue Fund Impact	$0	($79,487)	($184,253)

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:

Statewide Taxable Value: (Taxable Value by Class X Growth Rate for Each Class) - TIF District Taxable Value + Taxable Value Abatement

X Mills 6/1000 + Adjustments → **Total 6 Mill Property Tax Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	12.298211	0.000000	1698.239447	0.006000	1.588000	0.000000
Actual	2003	12.010924	0.000000	1722.523223	0.006000	1.082000	0.000000
Actual	2004	11.374292	0.000000	1736.862733	0.006000	0.000000	0.000000
Actual	2005	12.244984	0.000000	1784.018303	0.006000	0.000000	0.000000
Actual	2006	11.952119	0.000000	1861.952219	0.006000	0.000000	0.000000
Actual	2007	12.516793	0.000000	1969.539163	0.006000	0.000000	0.000000
Actual	2008	13.312517	0.000000	2071.887395	0.006000	0.000000	0.000000
Actual	2009	14.422151	0.000000	2143.081851	0.006000	0.667291	0.000000
Actual	2010	14.770970	0.000000	2258.309486	0.006000	0.737512	-0.234288
Forecast	2011	14.925891	0.000000	2352.079005	0.006000	0.813891	0.000000
Forecast	2012	15.540498	0.000000	2441.599556	0.006000	0.890498	0.000000
Forecast	2013	16.085757	0.000000	2535.284432	0.006000	0.873757	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Actual	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Actual	2010	4.001643	23.837390	161.073306	1368.081023	37.502192	0.000000	1.265771
Forecast	2011	3.180607	18.291018	153.566272	1396.074017	38.994328	0.000000	1.298339
Forecast	2012	3.232960	24.142205	149.266416	1441.370202	42.113874	0.000000	1.348974
Forecast	2013	3.312724	28.233609	145.086956	1488.166875	43.798429	0.000000	1.401584

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Actual	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Actual	2010	169.605684	254.253159	6.988309	46.900613	154.314143	32.014480	23.705989
Forecast	2011	182.309596	280.633075	6.518597	51.836211	174.429895	41.945684	27.057803
Forecast	2012	195.965064	292.139031	6.388225	52.949777	181.407091	40.933881	28.019715
Forecast	2013	205.763317	311.712346	6.260461	53.602466	188.663375	40.721291	29.049461

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

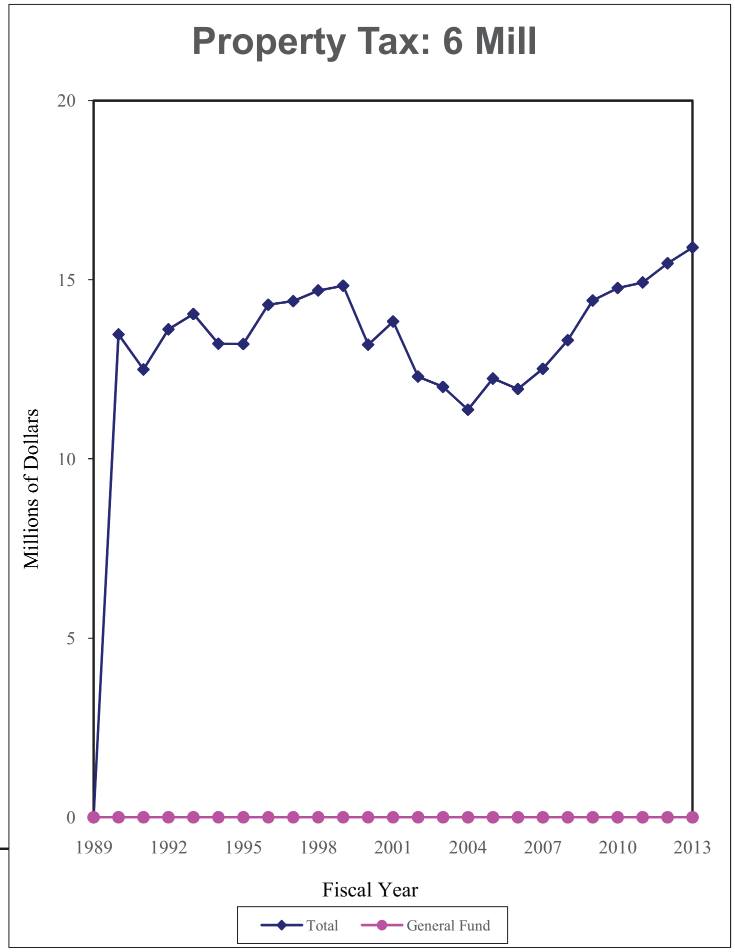
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000000	0.000000	Not App.
A	1990	13.474561	0.000000	Not App.
A	1991	12.496650	0.000000	Not App.
A	1992	13.617908	0.000000	Not App.
A	1993	14.043891	0.000000	Not App.
A	1994	13.216589	0.000000	Not App.
A	1995	13.205272	0.000000	Not App.
A	1996	14.303006	0.000000	Not App.
A	1997	14.403716	0.000000	Not App.
A	1998	14.702250	0.000000	Not App.
A	1999	14.833917	0.000000	Not App.
A	2000	13.189138	0.000000	Not App.
A	2001	13.837616	0.000000	Not App.
A	2002	12.298211	0.000000	Not App.
A	2003	12.010924	0.000000	Not App.
A	2004	11.374292	0.000000	Not App.
A	2005	12.244984	0.000000	Not App.
A	2006	11.952119	0.000000	Not App.
A	2007	12.516793	0.000000	Not App.
A	2008	13.312517	0.000000	Not App.
A	2009	14.422151	0.000000	Not App.
A	2010	14.770970	0.000000	Not App.
F	2011	14.926000	0.000000	Not App.
F	2012	15.461000	0.000000	Not App.
F	2013	15.902000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in FY 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

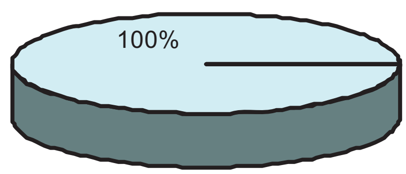
Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)
Tax Distribution (MCA) – 20-25-439(2)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value,1.5 mills generate $1.50 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



Summary of Legislative Action:

House Bill 293 - Under current law, buildings owned by veteran's organizations are exempt from property taxation. The buildings must be used for educational, fraternal, benevolent, or other charitable purpose to qualify for the exemption.

Effective January 1, 2011, this bill extends the exemption to the land owned by the same veteran's organizations. The land must have been owned since 1960. There are expected to be 91 properties that will qualify which add a total taxable value in TY 2010 of $39,074. The expected revenue reduction to the general fund (95 mills and the 1.5 mills) is expected to be $3,712 in FY 2012 and FY 2013. The 6 mill revenue reduction is expected to be $234 in each year of the 2013 biennium.

House Bill 618 – Effective January 1, 2012, HB 618 exempts property owned by a federally recognized Indian tribe used for essential government services, educational purposes, exclusively for non-profit healthcare facilities, exclusively for use in connection with a cemetery, or is designated as sacred land used exclusively for religious purposes. If the property is designated as a park, it must be open to the general public and be less than 15 acres. There was approximately $25,263 in taxable value statewide in these properties in TY 2010. The impact on the general fund (the 95 mills and the 1.5 mills) is a reduction of $2,556 in FY 2013. The 6 mill revenue reduction is expected to be $161 in each year of the 2013 biennium.

Senate Bill 265 - This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013.

There are expected to be up to ten applications for property tax abatements for gray water systems each year.
The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015. The legislation is effective July 1, 2011.

Property Tax: 1.5 Mill

Senate Bill 372 – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first $2 million of market value of class 8 property owned by an individual or business. The $2 million threshold is raised to $3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year's collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

Senate Bill 372 reduces revenue to the general fund (95 mills and the 1.5 mills) and the university 6 mills by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline property). The taxable value of class 12 property is reduced because the tax rate for class 12 property is dependent on the effective tax rate of class 8 property. The taxable value of the railcar tax is also dependent on the class 12 tax rate, and therefore state revenue from the railcar tax will also be reduced. The class 12 tax rate is expected to be reduced by 0.01 percentage points in FY 2013.

The reduction in class 8 taxable value as a result of SB 372 will be $29.9 million in tax year 2012 and $31.4 million in tax year 2013. The reduction in class 12 taxable value (as a result of the a reduction in the class 12 tax rate) is expected to zero in tax year 2012 and $0.16 million in tax year 2013.

The impact of these taxable value reductions on general fund revenue (the 95 mills and the 1.5 mills) is expected to be $1,262,587 in FY 2012 and $2,932,644 in FY 2013. The reduction in FY 2012 is a result of lower tax liability for class 8 owners who have class 8 equipment that not liened to real property (about 44% of the total). The reduction in revenue to the 6 mill account is expected to be $79,060 in FY 2012 and $183,635 in FY 2013.

Senate Bill 412 - SB 412 creates a temporary property tax exemption for tribal fee land that has an application to be held in trust by the U.S. Department of the Interior. Trust land is tax exempt. If the application is denied by the U.S. Department of the Interior, then the property loses the property tax exemption. There are expected to be approximately 100 properties with a pending application with the U.S. Department of the Interior. These properties would qualify for the exemption.

It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced by $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium. The legislation is effective January 1, 2012.

Property Tax: 1.5 Mill -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0293 Provide tax exempt status for certain land owned by veterans' organizations		(32)	(32)
HB0618 Exempt certain tribally owned property from taxation			(22)
SB0265 Reduce property taxes on new construction for use of gray water systems			(4)
SB0372 Lower business equipment tax -- phase more reduction on state economic growth		(10,805)	(25,097)
SB0412 Revise laws to temporarily exempt tribal fee land in trust land process		(26)	(26)
Total Estimated General Fund Impact	$0	($10,863)	($25,181)

% of Total General Fund Revenue:

FY 2004 – 0.07 %
FY 2005 – 0.06%
FY 2006 – 0.06%
FY 2007 – 0.06%
FY 2008 – 0.06%
FY 2009 – 0.06%
FY 2010 – 0.07%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Forecast Methodology:

Statewide Taxable Value

(Taxable Value by Class X Growth Rate for Each Class) - TIF District Taxable Value + Taxable Value Abatement X Mills 1.5/1000 → Total 1.5 Mill Property Tax Revenue

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Actual	2003	0.883986	0.883986	586.588275	0.001500	0.000000	0.000000
Actual	2004	0.967988	0.967988	596.512999	0.001500	0.000000	0.000000
Actual	2005	0.922474	0.903683	608.056452	0.001500	0.000000	0.000000
Actual	2006	0.959592	0.944963	662.811261	0.001500	0.000000	0.000000
Actual	2007	0.995605	0.984130	693.488490	0.001500	0.000000	0.000000
Actual	2008	1.096579	1.093727	721.234291	0.001500	0.000000	0.000000
Actual	2009	1.100060	1.116365	743.920985	0.001500	0.000000	0.000000
Actual	2010	1.120269	1.115350	759.598309	0.001500	0.000000	0.000000
Forecast	2011	1.168000	1.163000	778.415232	0.001500	0.000000	0.000000
Forecast	2012	1.211000	1.206000	807.082111	0.001500	0.000000	0.000000
Forecast	2013	1.257000	1.252000	837.770587	0.001500	0.000000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Actual	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Actual	2010	4.001643	23.837390	161.073306	1368.081023	37.502192	0.000000	1.265771
Forecast	2011	3.180607	18.291018	153.566272	1396.074017	38.994328	0.000000	1.298339
Forecast	2012	3.232960	24.142205	149.266416	1441.370202	42.113874	0.000000	1.348974
Forecast	2013	3.312724	28.233609	145.086956	1488.166875	43.798429	0.000000	1.401584

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Actual	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Actual	2010	169.605684	254.253159	6.988309	46.900613	154.314143	32.014480	23.705989
Forecast	2011	182.309596	280.633075	6.518597	51.836211	174.429895	41.945684	27.057803
Forecast	2012	195.965064	292.139031	6.388225	52.949777	181.407091	40.933881	28.019715
Forecast	2013	205.763317	311.712346	6.260461	53.602466	188.663375	40.721291	29.049461

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000000	0.000000	Not App.
A	1990	0.863590	0.000000	Not App.
A	1991	0.870302	0.000000	Not App.
A	1992	0.945934	0.000000	Not App.
A	1993	0.895874	0.000000	Not App.
A	1994	0.974589	0.000000	Not App.
A	1995	1.013989	0.000000	Not App.
A	1996	1.028520	0.000000	Not App.
A	1997	1.144082	0.830174	Not App.
A	1998	0.848762	0.848762	2.24%
A	1999	1.015894	1.015894	19.69%
A	2000	0.930968	0.930968	-8.36%
A	2001	1.171643	1.171643	25.85%
A	2002	0.918612	0.918612	-21.60%
A	2003	0.883986	0.883986	-3.77%
A	2004	0.967988	0.967988	9.50%
A	2005	0.922474	0.903683	-6.64%
A	2006	0.959592	0.944963	4.57%
A	2007	0.995605	0.984130	4.14%
A	2008	1.096579	1.093727	11.14%
A	2009	1.100060	1.116365	2.07%
A	2010	1.120269	1.115350	-0.09%
F	2011	1.168000	1.163000	4.27%
F	2012	1.200000	1.195000	2.75%
F	2013	1.232000	1.227000	2.68%