Property Taxes

Non Levy Revenue
Property Tax 1.5 Mill
Property Tax 40 Mill
Property Tax 55 Mill
Vehicle Tax

Legislative Fiscal Division

www.leg.state.us/fiscal/

PROPERTY TAX 40 MILL

Revenue Description: The state levies a statewide equalization levy of 40 mills against taxable value of all property in the state.

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, livestock, and mineral net and gross proceeds. Property valued at assessed value includes residential and commercial real estate, agricultural land and timberland.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. SB184, passed during the 1999 session, required that appraised values be phased-in over four years. At the same time, a homestead exemption was created and phased-in for residential real estate, and a homestead exemption was phased-in for commercial real estate. In addition, the tax rates for residential and commercial real estate, agricultural and timberland are being phased-in. Agricultural land and timberland are valued on a productivity basis.

The revenue from the property tax depends on the underlying value of the property, legislated tax rates, as well as state and local mill levies. Prior to fiscal 1996, revenue from the county equalization levy and the statewide levy was deposited in the school equalization account (SEA) and used exclusively for support of public schools. Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedicated revenue and appropriations. Beginning in fiscal 1996 property tax receipts, while still to be used for support of public schools, are deposited in the general fund.

Beginning in fiscal 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. 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 local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), vehicle fees, coal gross proceeds taxes, the local share of the state corporation license taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

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

PROPERTY TAX 55 MILL

Revenue Description:

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, livestock, and mineral net and gross proceeds. Property valued at assessed value includes residential and commercial real estate, agricultural land and timberland.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. SB184, passed during the 1999 session, required that appraised values be phased-in over four years. At the same time, a homestead exemption was created and phased-in for residential real estate, and a homestead exemption was phased-in for commercial real estate. In addition, the tax rates for residential and commercial real estate, agricultural and timberland are being phased-in. Agricultural land and timberland are valued on a productivity basis. The revenue from the property tax depends on the underlying value of the property, legislated tax rates, as well as state and local mill levies. 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 local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), coal gross proceeds taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

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

PROPERTY TAX 1.5 MILL

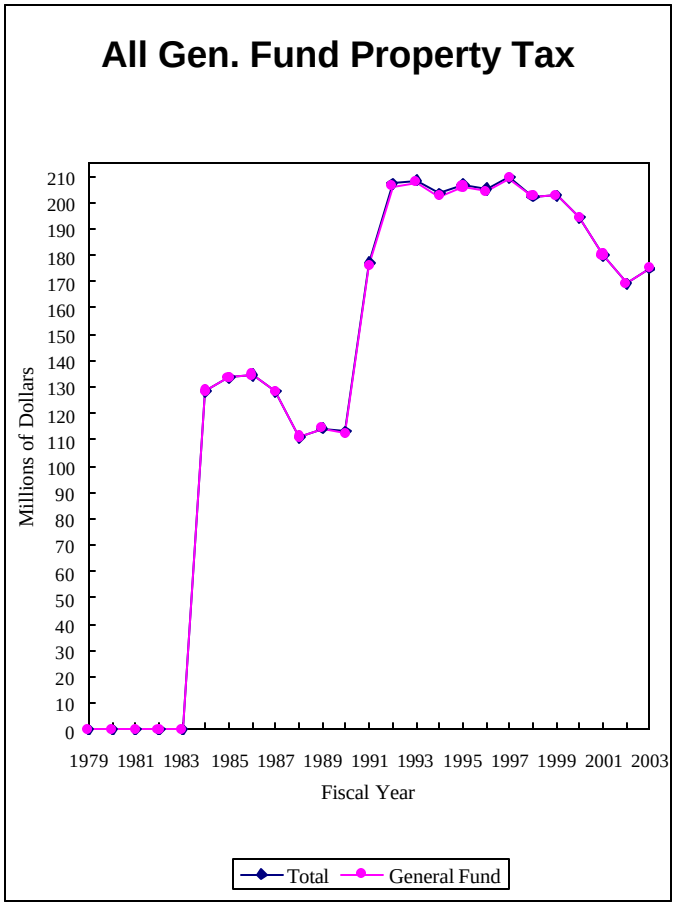
Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), vehicle fees, coal gross proceeds taxes, the local share of the state corporation license taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

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

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	128.445172	128.445172	Not App.
A	1985	133.608178	133.608178	4.02%
A	1986	134.707251	134.707251	0.82%
A	1987	128.225413	128.225413	-4.81%
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	113.238133	112.374543	-1.81%
A	1991	177.024885	176.154583	56.76%
A	1992	207.083963	206.138029	17.02%
A	1993	208.542246	207.646372	0.73%
A	1994	203.356534	202.381945	-2.54%
A	1995	206.856660	205.842671	1.71%
A	1996	205.111108	204.082588	-0.86%
A	1997	209.598273	209.284365	2.55%
A	1998	202.350380	202.350380	-3.31%
A	1999	202.774979	202.774979	0.21%
A	2000	194.196158	194.196158	-4.23%
A	2001	180.050247	180.050247	-7.28%
F	2002	169.089000	169.089000	-6.09%
F	2003	174.895000	174.895000	3.43%



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	$170.971	$169.322	$169.089	$176.690	$174.392	$174.895
Difference	-	(1.649)	(1.882)	-	(2.298)	(1.795)

* This table indicates the 1.5, 40, & 55 Mill revenue sources combined

NON LEVY REVENUE

Non levy revenue includes federal forest receipts, oil and gas revenue, coal gross proceeds revenue, reimbursements from the state, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes and financial institution taxes were non levy revenue. The mills to which non levy revenue is distributed is 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 fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent 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.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

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 current year:
  county equalization accounts (55 mills)
  county transportation account
  county retirement accounts

FINANCIAL CORPORATION TAX

Revenue Description: The corporation income tax is levied against a corporation's net income earned in Montana. Some of these corporations are banks, savings and loans, and financial corporations. Factors that affect financial corporation license tax receipts include the health of the state economy, the spread between interest rates, and loan default rates. Additional factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue.

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income

Distribution: Until July 1, 2000, the corporation tax on financial institutions was collected by the state. Of this amount, twenty percent was distributed to the general fund. The remaining 80.0 percent was sent to the county treasurer in the county in which the financial institution was located. The county treasurer distributed this amount of tax based on the relative proportions of mill levies for counties, school districts, and municipalities as these exist for the current fiscal year. For purposes of this distribution, the county equalization levy (55 mills), the welfare levy (9 mills) and the vo-tech levy (1.5 mills) were considered county levies and received a portion of this revenue. The state equalization levy (40 mills) and the university levy (6 mills) do not receive distributions from this revenue source.

Beginning July 1, 2000, as per House Bill 124, financial institution taxes are no longer distributed across local mills, but instead are deposited 100 percent to the state general fund as corporation taxes (see Corporation Income Tax for a description of House Bill 124).

COAL GROSS PROCEEDS TAX

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent of 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. 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.

Applicable Tax Rate(s): The amount of tax due is 5.0 percent 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.

OIL & NATURAL GAS PRODUCTION TAXES

Revenue Description: The oil production tax is imposed on the production of petroleum and other mineral or crude oil in the state. The natural gas production tax is imposed on the production of natural gas in the state. The revenue from these taxes is submitted to the state, from which the state draws its share for distribution to the general fund, the resource indemnity trust and the Oil and Gas Conservation Board (See *Oil Production Tax* and *Natural Gas Production Tax*). The remaining share is for local distribution and is sent to the county treasurer in the counties in which the production occurred. A portion of the local share is distributed to the statewide mill levies.

Applicable Tax Rate(s): The oil and natural gas production taxes have numerous tax rates and distribution percentages depending on several factors. These factors include whether the oil or natural gas is produced from a stripper well, a horizontal well, an incentive well, from a well initially drilled before July 1, 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest.

Distribution: The local share of the oil and gas production tax is distributed by the county treasurer based on the relative proportions of mill levies for the state, counties, and school districts. The distribution of 5 percent of the revenue from pre-99 wells is based on the mill ratios that existed in fiscal 1990 (which did not include the 40 mills). The distribution of the remaining revenue from pre-99 wells and all the revenue from post-99 wells is distributed on mill ratios that existed in the previous fiscal year.

PERSONAL PROPERTY TAX REIMBURSEMENT

Revenue Description: The 6 mill university levy account, the 9 mill welfare levy account, and the 1.5 mill levy account (general fund), in addition to local governments and school districts, receive personal property reimbursements which were enacted during the June 1989 special legislative session in HB 20. These reimbursements are statutorily appropriated by the legislature and are designed to offset the revenue impacts of the reduction in personal property tax rates enacted in HB 20. The amount distributed to local jurisdictions and to the state accounts are fixed at levels which existed in fiscal 1994. These amounts will be reduced by 10.0 percent per year beginning in fiscal 2000 through fiscal 2009.

Applicable Tax Rate(s): N/A

Distribution: Half of the reimbursements are distributed in November and half in May of each fiscal year.

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.

Applicable Tax Rate(s): N/A

Distribution: Varies

VEHICLE TAX

Revenue Description: Before January 1, 2001, light vehicles (including vans and sport utility vehicles) were taxed at 1.4 percent of the depreciated value of the manufacturer's suggested retail price (MSRP). In addition, buses, trucks, truck tractor's having a manufacturer's rated capacity of more than 1 ton, and certain trailers, were taxed under a fee schedule which varies by age and weight.

Effective January 1, 2001, light vehicles are charged a registration fee as a result of the passage of LR 115 (HB540) by the electorate in November 2000. The fee is $195 for light vehicles of age between zero and four years, $65 for vehicles between five and ten years of age, and $6 for vehicles over ten years old. LR 115 also lowered the registration fees charged on motorcycles and quadricycles. Under the law before LR 115, motorcycles were charged a fee based on four age categories and three engine size categories. Under LR 115 and beginning January 1, 2001, the number of age categories is reduced to three and the number of engine size categories remains the same. The new motorcycles registration fees are reduced relative to those in existence before LR 115.

Applicable Tax Rate(s): Varies

Distribution: Before July 1, 2001, all registration fees from newly titled light vehicles were deposited into the highway restricted state special revenue account. Ten percent of the registration collected on light vehicles was distributed to a state special revenue account to fund certain district court expenses. The remaining 90 percent of light vehicle registrations fees and fees in lieu of taxes for motorcycles and quadricycles were distributed in the relative proportions required by the levies for county, school district, and municipal purposes in the same manner as personal property taxes were distributed. No registration fee revenue from light vehicles and motorcycles and quadricycles was distributed to state mills, nor to the 9-mill welfare levy. The vo-tech levy (1.5 mills) continues to receive a share of this revenue. All other registration fees and fees in lieu of taxes (on large trucks, trailers, motor homes, campers etc.) were distributed in the relative proportions required by the levies for state, county, school district, and municipal purposes based on prior year mills. This revenue source represents one component used to calculate total non levy property tax revenue.

Beginning July 1, 2001, all vehicle fees are deposited in the state general fund. Distribution of the revenue as non levy revenue will cease.

VEHICLE TAX

Revenue Description: Before January 1, 2001, light vehicles (including vans and sport utility vehicles) were taxed at 1.4 percent of the depreciated value of the manufacturer's suggested retail price (MSRP). In addition, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, and certain trailers, were taxed under a fee schedule which varies by age and weight.

Effective January 1, 2001, light vehicles are charged a registration fee as a result of the passage of Legislative Referendum (LR) 115 (HB540) by the electorate in November 2000. The fee is $195 for light vehicles of age between zero and four years, $65 for vehicles between five and ten years of age, and $6 for vehicles over ten years old. LR 115 also lowers the registration fees charged on motorcycles and quadricycles. Under the law before LR 115, motorcycles were charged a fee based on four age categories and three engine size categories. Under LR 115 and beginning January 1, 2001, the number of age categories is reduced to three and the number of engine size categories remains the same.

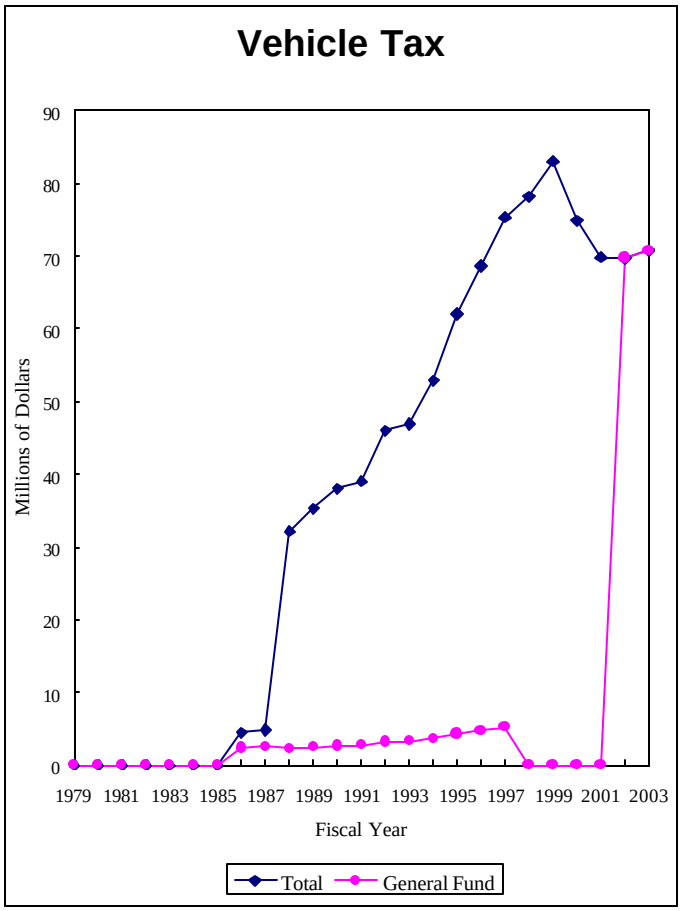
Applicable Tax Rate(s): Varies

Distribution: Before the enactment of House Bill 124 by the 2001 legislature, all registration fees from newly titled light vehicles were deposited into the highway restricted state special revenue account. Ten percent of registration fees collected on light vehicles was distributed to a state special revenue account to fund certain district court expenses. The remaining 90 percent of light vehicle registrations fees and fees in lieu of taxes for motorcycles and quadricycles were distributed in the relative proportions required by the levies for county, school district, and municipal purposes in the same manner as personal property taxes are distributed. No registration fee revenue from light vehicles and motorcycles and quadricycles was distributed to state mills, nor to the 9 mill welfare levy. The vo-tech levy (1.5 mills) continued to receive a share of this revenue. All other registration fees and fees in lieu of taxes (on large trucks, trailers, motor homes, campers etc.) were distributed in the relative proportions required by the levies for state, county, school district, and municipal purposes based on prior year mills. This revenue source represented one component used to calculate total non levy property tax revenue.

As the result of House Bill 124, all these fees are deposited into the state general fund beginning July1, 2001.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	4.524027	2.409577	Not App.
A	1987	4.880792	2.608426	8.25%
A	1988	32.216414	2.255149	-13.54%
A	1989	35.306743	2.471472	9.59%
A	1990	38.024086	2.661686	7.70%
A	1991	39.102029	2.737142	2.83%
A	1992	46.095786	3.226705	17.89%
A	1993	46.976700	3.288369	1.91%
A	1994	52.908729	3.703611	12.63%
A	1995	62.029200	4.342044	17.24%
A	1996	68.641271	4.804889	10.66%
A	1997	75.330243	5.273117	9.74%
A	1998	78.210343	0.000000	-100.00%
A	1999	83.005171	0.000000	Not App.
A	2000	74.950871	0.000000	Not App.
A	2001	69.803308	0.000000	Not App.
F	2002	69.740000	69.740000	Not App.
F	2003	70.786000	70.786000	1.50%



LFD COMMENT

HB 124 required that all vehicle taxes be deposited in the general fund, beginning in fiscal 2002. The LFD estimate of fiscal 2002 vehicle taxes is $69.7 million and executive estimate is $71.4 million. For fiscal 2003, the LFD estimate is $70.8 million and the executive estimate is $72.8 million.

The LFD estimate for fiscal 2002 is the result of two methods. One method counted what the state, counties, cities and schools received in fiscal 2001 and increased this amount by 1.5 percent. The second method simulated the amount of revenue that would have been collected from the flat fee on light vehicles and the fee in lieu of taxes on other vehicles based on calendar 2001 vehicle data provided by the Department of Justice (DOJ) database. Both methods produced estimates very close to $69.7 million. The executive also simulated collections using the DOJ database, but grew collections at a faster rate of 2.0 percent to determine the fiscal 2002 estimate.

The LFD estimate for fiscal 2003 was derived by multiplying the fiscal 2002 estimate by 1.5 percent. The executive increased their fiscal 2002 estimates by 2.0 percent to derive their fiscal 2003 estimates.

(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	$77.319	$71.364	$69.740	$77.291	$72.791	$70.786
Difference	-	(5.955)	(7.579)	-	(4.500)	(6.505)