

SENATE JOINT RESOLUTION NO. 31  
INTRODUCED BY ESSMANN  
BY REQUEST OF THE SENATE TAXATION STANDING COMMITTEE

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY TO EXAMINE THE FUTURE VIABILITY OF THE USE OF PROPERTY TAXES TO FUND EDUCATION, EXAMINE EQUALIZATION THROUGH A STATEWIDE EQUALIZATION DISTRICT THAT COULD LEVY AGAINST SPECIFIC CLASSES OF PROPERTY, AND INQUIRE INTO THE USE OF A STATEWIDE SALES TAX AND USE TAX TO PROVIDE EDUCATION FUNDING THAT WOULD INCLUDE PROPERTY TAX RELIEF IN A PERMANENT MANNER; AND REQUIRING THAT THE FINAL RESULTS OF THE STUDY BE REPORTED TO THE 61ST LEGISLATURE.

WHEREAS, the State of Montana will be undergoing a profound demographic shift in the near future with the percentage of its population over the age of 65 increasing from 14% in 2007 to over 20% in 2019; and

WHEREAS, that aging demographic shows itself in the number of counties with more than 20% of their population over the age of 65 rising from 4 of 56 counties in 2000 to 45 of 56 counties in 2025; and

WHEREAS, during that same time period, the percentage of the state's population represented by children of elementary school attendance age will continue to decline; and

WHEREAS, the current system of school funding and equalization of school funding has resulted in 60 to 65% of the typical homeowner's property tax bill consisting of property taxes for the funding of education; and

WHEREAS, a steadily increasing demographic of Montana residents who are retired and living largely on fixed incomes will be faced with difficult and painful decisions when voting on property tax levies for funding education; and

WHEREAS, it is in the best long-term interest of the aging population of Montana, the generations of children yet to be educated, and the state as a whole to examine if there may be a better way to equalize education funding in Montana that is not reliant on property taxes as its primary means; and

WHEREAS, a study entitled "Disparities in School Mill Levies" and a study entitled "Property Tax Information Related to K-12" presented to the Quality Schools Interim Committee on July 21, 2005, collectively demonstrated that wide variations exist in the distribution of the industrial and business equipment classes of property among the 400 plus school districts in the state and thereby contribute to the difficulty of equalizing school funding through a property tax mechanism; and

WHEREAS, the concept of creating a single, statewide school equalization district to levy a uniform tax on the industrial and business classes of property while leaving the classes of property composed of agricultural lands, forest lands, and residential and commercial property to serve as the tax base for the local school districts deserves further study and analysis; and

WHEREAS, equalizing school funding by means of a statewide school equalization district would permit focusing property tax relief on the classes of property composed of agricultural lands, forest lands, and residential and commercial property; and

WHEREAS, a school funding equalization plan that uses a general statewide sales tax on goods and recreational services to grant property tax relief to owners of homes, commercial properties, and agricultural and forest lands should be put before the voters for review and approval only if there is a companion constitutional amendment guaranteeing that the statewide levies being eliminated by the referendum would be forever prohibited.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim or statutory committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to:

(1) (a) examine future demographics of property taxpayers, school age children, retirees, and other factors relating to the viability of property taxes to fund education; and

(b) examine the distribution or maldistribution of classes of taxable property in counties and school districts;

(2) study the feasibility of a statewide school equalization district with property tax levies against particular classes of property and other sources of statewide revenue; and

(3) study the use of a sales tax and use tax for funding to replace property taxes and provide tax relief for homes, commercial properties, and agricultural and forest lands.

BE IT FURTHER RESOLVED, that:

(1) all aspects of the study be concluded prior to September 15, 2008; and

(2) the final results of the study, including any findings, conclusions, comments, or recommendations of the appropriate committee, be reported to the 61st Legislature.

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