



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0516

Title: Revising property entry laws for property tax valuation purposes

Primary Sponsor: Harvey, Derek J

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$298,427	\$562,348	\$570,096	\$577,054
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$298,427)</u>	<u>(\$562,348)</u>	<u>(\$570,096)</u>	<u>(\$577,054)</u>

Description of fiscal impact: HB 516 makes changes to the law that permits entry on property by the Department of Revenue staff without being subject to the trespass laws of 45-6-203, MCA. With a few exceptions, this bill would switch the requirement from the taxpayer having to provide written notice to the Department of Revenue if they want to be contacted and present in order for Department of Revenue staff to enter onto their property to requiring the Department of Revenue contact everyone prior to going onto someone's property. HB 516 require additional resources for the Department of Revenue.

FISCAL ANALYSIS

Assumptions:

1. Current law allows Department of Revenue staff to access property for appraisal purposes without having to have the consent of the property owner. Staff who enter onto property for appraisal related purposes are not subject to the trespass laws found in 45-6-203, MCA.
2. HB 516 changes that process and only allows for Department of Revenue staff to enter onto a property without the owner's prior consent if:
 - a. the property was sold in the last 12 months or
 - b. the property had new construction on the property within the last 12 months.

3. All other instances would require the Department of Revenue to contact the taxpayer and establish a date and time to enter the property. Accessing a property without contacting the property owner beforehand would subject staff to being charged with trespassing.
4. There is no statewide permitting requirement and building permitting varies greatly across the state from county to county. A permit is the biggest indicator that the Department of Revenue has for new construction and indicates that an appraiser needs to review the property. Because there is no statewide permitting process, new construction on many properties occur without a permit.
5. New construction and property characteristics are added and picked up through comprehensive review of an area when an appraiser is already in the area for another reason, such as new construction or sales verification.
6. From 2019 to 2020 there was 18,401 total new improvements added to property tax records. This is the total number of new residences, commercial structures, and other buildings or structures added from 2019 to 2020.
7. Estimating that 33% or 6,072 of these would have been discovered while doing other field work and would have been the properties the Department of Revenue would have not been able to pick up immediately without contacting the property owner under this bill.
8. Assuming under the new process of having to contact the owner, establish access permission, and then go back to the property, the Department of Revenue would contact 50% of property owners. This would add an additional 3.0 hours total time between contacting the owner and driving back to the property. This would total 9,108 extra hours of staff time ($6,072 \times 50\% \times 3.0$ hours).
9. For the remaining 6,072 properties, the Department of Revenue would estimate attributes and value of the new improvements. Additionally, it is assumed that half of these properties would then appeal the Department of Revenue's estimate, requiring an average of 3.0 hours per appeal, or 4,554 extra hour of staff time ($6,072 \times 50\% \times 50\% \times 3.0$ hours).
10. The additional annual staff time, 13,662 hours is estimated to require 7.0 additional FTE per year.
11. The Department of Revenue appraisers drove an estimated 750,000 miles in FY 2020. It is assumed HB 516 will require an estimated 25% more miles (187,500) to be driven. Assuming an average of 18 miles per gallon, and \$2.50 per gallon, it is estimated that HB 516 will require an additional \$26,040 in fuel costs.
12. The Department of Revenue estimates it will send out 10,000 letters requesting access. These letters are estimated to cost \$0.65 each or \$6,500 in added mailing costs each year.
13. HB 516 applies to tax year beginning after December 31, 2021. Therefore FY 2022 costs are anticipated to be half of the full year costs.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.50	7.00	7.00	7.00
<u>Expenditures:</u>				
Personal Services	\$234,468	\$474,645	\$480,436	\$486,316
Operating Expenses	\$43,253	\$87,703	\$89,660	\$90,738
Equipment	\$20,706	\$0	\$0	\$0
TOTAL Expenditures	<u>\$298,427</u>	<u>\$562,348</u>	<u>\$570,096</u>	<u>\$577,054</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$298,427</u>	<u>\$562,348</u>	<u>\$570,096</u>	<u>\$577,054</u>
TOTAL Funding of Exp.	<u>\$298,427</u>	<u>\$562,348</u>	<u>\$570,096</u>	<u>\$577,054</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$298,427)	(\$562,348)	(\$570,096)	(\$577,054)

NOT SIGNED BY SPONSOR

_____ 3/2/21 AS for KA 3/1/21
 Sponsor's Initials Date Budget Director's Initials Date