



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0263

Title: Revise forest lands property taxes and rates

Primary Sponsor: Cuffe, Mike

Status: As Amended in Senate Committee

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</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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$37,000)	(\$75,000)	\$0	\$0
State Special Revenue	(\$2,000)	(\$5,000)	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$37,000)</u>	<u>(\$75,000)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 263 as amended, changes the tax rates for class 10 property at varying percentages of forest productivity value for tax years (TY) 2021 and 2022 before returning to the current law rate in TY 2023.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, class 10 forest land property has a six-year reappraisal cycle. The last year of the current cycle is TY 2020. TY 2021 will be the first year of the next six-year cycle. The current law tax rate for class 10 property is 0.37%.
- SB 263 as amended changes the rates for class 10 property in TY 2021 to 0.34% and to 0.31% in TY 2022. Starting in TY 2023, SB 263 returns the class 10 rate equal to 0.37% which is the same as current law.
- The following table shows the class 10 property market value, taxable value under current law, the taxable value under SB 263, and the difference in taxable value for TY 2020 through TY 2024.

Class 10 Forest Land Values Under Current Law and SB 263 as Amended				
Tax Year	Productivity Value	Taxable Value	Taxable Value under SB 263	Change
2020	\$1,316,347,000	\$4,870,000	\$4,870,000	\$0
2021	\$1,313,041,000	\$4,858,000	\$4,464,000	(\$394,000)
2022	\$1,309,743,000	\$4,846,000	\$4,060,000	(\$786,000)
2023	\$1,306,453,000	\$4,834,000	\$4,834,000	\$0
2024	\$1,303,172,000	\$4,822,000	\$4,822,000	\$0

- The TY 2021 and TY 2022 difference in taxable value is then multiplied by the state general fund mills and the Montana University System (MUS) mills. Real property taxes are billed in the fiscal year subsequent to the tax year. The general fund revenue reduction in FY 2022 is \$37,000, and in FY 2023 the reduction is \$75,000. The University 6-mill state special revenue reduction in FY 2022 is \$2,000, and \$5,000 in FY 2023.
- The costs associated with administering SB 263 are expected to be minimal and would be absorbed as part of the department’s annual processes.

Fiscal Impact:	FY 2022	FY 2023	FY 2024	FY 2025
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
Expenditures:				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0

Funding of Expenditures:	FY 2022	FY 2023	FY 2024	FY 2025
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0

Revenues:	FY 2022	FY 2023	FY 2024	FY 2025
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
General Fund (01)	(\$37,000)	(\$75,000)	\$0	\$0
State Special Revenue (02)	(\$2,000)	(\$5,000)	\$0	\$0
TOTAL Revenues	(\$39,000)	(\$80,000)	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):	FY 2022	FY 2023	FY 2024	FY 2025
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
General Fund (01)	(\$37,000)	(\$75,000)	\$0	\$0
State Special Revenue (02)	(\$2,000)	(\$5,000)	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

- The statewide taxable value reduction due to SB 263 is 0.011% of the FY 2022 statewide tax base, and -0.022% of the FY 2023 statewide tax base. Local mills in jurisdictions with property affected by SB 263 would rise proportionally, offsetting the loss of tax base.

<u>MJC</u>	<u>3-16-21</u>	<u>KA</u>	<u>3-15-21</u>
Sponsor's Initials	Date	Budget Director's Initials	Date