



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0054 - Revise centrally assessed property appraisals (Hertz, Greg )

**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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$874,000)	(\$1,061,000)	(\$918,000)
State Special Revenue	\$0	(\$55,200)	(\$67,000)	(\$58,000)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>(\$874,000)</u>	<u>(\$1,061,000)</u>	<u>(\$918,000)</u>

**Description of fiscal impact:** Beginning TY 2024, SB 54 would institute a two-year reappraisal cycle for most centrally assessed property, all of which are currently appraised annually. Overall, centrally assessed property values generally increase every year. By holding values constant over two years, state and local governments would forgo the change in taxable value of an annual appraisal in the second year of appraisal cycle which would then be captured in the subsequent first year of the cycle. The one-time deferral of the marginal change carries-through relative to the fiscal baseline. SB 54, as amended in the Senate Taxation Committee, extends the period taxpayers can formally object their valuations (from 15 days to up to 30 days).

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue (DOR)**

- Under current law all taxable property in Montana, other than class 3 agricultural land, class 4 residential and commercial property, and class 10 forest land property, are assessed annually. Classes 3 and 4 are assessed on a two-year basis, and forest land is assessed on six-year cycle.

2. Under SB 54, most centrally assessed property would move to a two-year assessment cycle. Roughly one half of this centrally assessed property would have a two-year cycle starting in the even-year and the other half in odd-year. Specifically, centrally electric utilities, electric cooperatives, and airlines would be appraised in even years. Telecommunications companies, telephone cooperatives, and pipelines would be appraised on odd years. Railroads would continue to be appraised annually.
3. The Senate Taxation Committee amendment extends the taxpayer assessment objection notification period from 15 days to up to 30 days.
4. HJR 2 provides taxable value forecasts for each tax class, which were used to estimate taxable values for each centrally assessed industry type. For each industry, differences in taxable values were calculated for TY 2023 through TY 2026 according to the proposed appraisal schedule. The table below contains these differences in taxable value. Although two-year appraisals do not begin until TY 2024, taxable value and general fund differences were calculated for TY 2023 because they were required to calculate the succeeding years. There will be no actual difference in taxable values in TY 2023 (FY 2024).

<b>Fiscal Year Taxable Value Differences from Present Law by Industry Due to a Change to a Two-Year Assessment Cycles Under SB 54</b>				
<b>Industry</b>	<b>Estimated Change in Taxable Value</b>			
	<b>TY23/FY24</b>	<b>TY24/FY25</b>	<b>TY25/FY26</b>	<b>TY26/FY27</b>
Airlines - Freight	\$44,000	\$0	(\$7,000)	\$0
Airlines - Passenger	\$216,000	\$0	(\$35,000)	\$0
Electric Cooperatives	(\$548,000)	\$0	(\$566,000)	\$0
Electric Utilities	(\$9,756,000)	\$0	(\$10,554,000)	\$0
Pipelines	\$0	(\$8,641,000)	\$0	(\$9,095,000)
Railroad	\$0	\$0	\$0	\$0
Telecommunication	\$0	(\$319,000)	\$0	(\$324,000)
Telephone Cooperatives	\$0	(\$242,000)	\$0	(\$249,000)
<b>Grand Total</b>	<b>(\$10,044,000)</b>	<b>(\$9,202,000)</b>	<b>(\$11,163,000)</b>	<b>(\$9,668,000)</b>

5. Differences in taxable value were used to calculate the change in property tax general fund 95 mill revenue and the 6-mill state special revenue for Montana University System by the applicable millage.

<b>Change in State General Fund and University 6-mill State Special Revenue under SB 54</b>			
	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Fund	(\$874,000)	(\$1,060,000)	(\$918,000)
University SSR	(\$55,200)	(\$67,000)	(\$58,000)

6. It is expected that there will be some shifting of the timing costs by splitting the assessment workload across years given the nature of the entities that are centrally assessed. Under present law, the department has very tight timelines to analyze enterprise data, and work with taxpayers, establishing assessed value, and certify value. Expenditure changes from this bill are assumed to net out and are anticipated to be absorbed by the department.

**Montana Tax Appeal Board (MTAB)**

7. SB 54 reduces the number of new appraisals of centrally assessed property and may reduce the number of appeals to MTAB.



**Montana Association of Counties**

8. There may be initial fiscal impact to local government’s but those would be recouped in the subsequent year. It is unknown if the changing in the appraisal process will change the number of formal objections relative to current law DOR appraisal determination.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	(\$874,000)	(\$1,060,000)	(\$918,000)
State Special Revenue (02)	\$0	(\$55,200)	(\$67,000)	(\$58,000)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>(\$929,200)</u>	<u>(\$1,127,000)</u>	<u>(\$976,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$874,000)	(\$1,060,000)	(\$918,000)
State Special Revenue (02)	\$0	(\$55,200)	(\$67,000)	(\$58,000)

**Effect on County or Other Local Revenues or Expenditures:**

**Department of Revenue**

1. The change in the timing of reappraisal leads to small reductions in taxable value for centrally assessed property. In local jurisdictions the reductions would shift to all other local property taxpayers and holding total jurisdiction revenue at its present law level. The estimated taxable value reduction is about 0.21% of all statewide taxable value. This average shift will vary based on the proportional weight of affected centrally assessed property in the jurisdiction.

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<i>Sponsor’s Initials</i>	<i>Date</i>	<i>Budget Director’s Initials</i>	<i>Date</i>