GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
SB0192 - Property tax reform for intangible personal property (Dunwell, Mary Ann)	
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

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	$2,517,000	$2,529,000	$2,542,000
State Special Revenue	$0	$159,000	$159,800	$160,600
Net Impact-General Fund Balance:	$0	$2,517,000	$2,529,000	$2,542,000

Description of fiscal impact: SB 192 would narrow the definition of intangible personal property by excluding goodwill and other forms of property that lack physical existence. Financial instruments, licenses, copyrights and a few other forms of intellectual property would retain their exemption. The assessed market value of certain centrally assessed companies would rise. SB 192 excludes from the newly taxable property calculation any personal property value growth resulting from this bill on or before January 1, 2024. The bill would affect centrally assessed valuations beginning TY 2024 (FY 2025).

FISCAL ANALYSIS

Assumptions:

1. The concept of intangible personal property is not easily grasped since it lacks a physical presence and cannot be seen or touched. Intangible personal property is statutorily defined in 15-6-218, MCA. Under current law Intangible personal property can be exempt class 8 personal property, or exempt personal property owned by a centrally assessed company. The only centrally assessed industries that use the current goodwill exemption are airlines and telecommunications. There is also one pipeline company that takes a very small exemption.

2. SB 192 would may certain current law intangible personal property taxable by excluding goodwill and other forms of property that lack physical existence, from the exemption . The table below contains the TY 2022 assessed market value of all centrally assessed companies by industry under current law and SB 192.

Industry	Market Value Current Law	Market Value SB 192	Difference
Airlines	$353,657,156	$375,797,361	$22,140,205
Pipelines	$2,941,795,079	$2,941,795,080	$1
Telecommunication	$955,813,967	$1,385,925,253	$430,111,286
Total	**$4,251,266,202**	**$4,703,517,694**	**$452,251,492**

3. Some industries contain multiple tax classes while others contain only one. Respective tax rates for each tax class were applied to market values to determine the TY 2022 taxable values by industry under current law and SB 192. Removing goodwill from IPP would have increased the taxable value in the state by an estimated $26,250,171 in TY 2022.

Industry	Taxable Value Current Law	Taxable Value SB 192	Difference
Airlines	$10,821,912	$11,499,402	$677,490
Pipelines	$326,423,298	$326,423,298	$0
Telecommunications	$56,056,214	$81,628,895	$25,572,681
Total	**$393,301,424**	**$419,551,595**	**$26,250,171**

4. HJ 2 growth rates for each tax class were applied to determine the taxable value differences for TY 2023 to TY 2026. These differences were multiplied by the state mills to determine the fiscal impact of SB 192.

	Taxable Value Difference by Year				
Industry	**TY 2022**	**TY 2023**	**TY 2024**	**TY 2025**	**TY 2026**
Airlines	$677,490	$661,219	$663,553	$667,949	$673,224
Pipelines	$0	$0	$0	$0	$0
Telecommunications	$25,572,681	$25,700,545	$25,829,047	$25,958,193	$26,087,984
Total TV Difference	**$26,250,171**	**$26,361,763**	**$26,492,600**	**$26,626,141**	**$26,761,208**
Revenue Effects	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
95 Mills	$2,494,000	$2,504,000	$2,517,000	$2,529,000	$2,542,000
6 Mills	$157,500	$158,200	$159,000	$159,800	$160,600

5. SB 192 would apply to centrally assessed valuations beginning TY 2024 (FY 2025).
6. It is expected that the costs associated with SB 192 would be part of the normal valuation processes.

Fiscal Impact: **Department of Revenue**	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
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:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$0	$2,517,000	$2,529,000	$2,542,000
State Special Revenue (02)	$0	$159,000	$159,800	$160,600
TOTAL Revenues	$0	$2,676,000	$2,688,800	$2,702,600
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	$2,517,000	$2,529,000	$2,542,000
State Special Revenue (02)	$0	$159,000	$159,800	$160,600

Effect on County or Other Local Revenues or Expenditures:

1. Based on TY 2022 data it is estimated that SB 192 would increase Statewide taxable value 0.73%. Jurisdictions with greater than average shares of this property would see more reduction in millage while jurisdictions with lower-than-average shares of this property would be less affected.

Technical Notes:
Department of Revenue

1. SB 192 removes the exemption for certain intangible personal property and while this property becomes taxable that increase in taxable value cannot be include as newly taxable property when calculating the maximum mill levy calculation (15-10-420, MCA). However, under unit valuation and allocation of that value will be difficult to ascertain what component of valuation change is "newly taxable value" to be excluded and what is true growth. Currently, newly taxable value for centrally assessed property is calculated by comparing the prior year's value to the current year's value. Any increase in value within a taxing jurisdiction is considered newly taxable. Excluding the portion of value increase due to SB 192 will be difficult.

MA | 1/25/23 | | 1-25-23

Sponsor's Initials | *Date* | *Budget Director's Initials* | *Date*