GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
SB0548 - Eliminate government entity property tax levy limitations (Trebas, Jeremy)	
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	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: SB 548 removes the limitation local taxing jurisdictions' mill levies in 15-10-420, MCA. This would allow governments of local taxing jurisdictions (but generally not school districts) to levy based on needs of their enacted budgets. The bill would require the Department of Revenue to provide a report to the Revenue Interim Committee comparing mills levied under SB 548 by local governments relative to current law mill levy limitations. There would be no direct costs to the Department of Revenue.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Under current law, 15-10-420, MCA, certain government entities may increase their mills without a vote at a rate sufficient to increase their property taxes actually assessed in the prior year. There are allowances for inflation (one-half the average rate of inflation for the prior three years) and newly taxable property. This calculated mill amount is then applied to all taxable value in the jurisdiction.
2. SB 548 would eliminate these limitations in 15-10-420, MCA, and allow local taxing jurisdictions to levy mills against taxable value to fund their approved budgets starting in TY 2024.

3. The state mills (95 state equalization mills, 1.5 vo-tech mills, and 6 Montana University System mills) would be set at their statutory mill amounts, instead of being calculated annually subject to 15-10-420, MCA, maximum mill limitations. Because the state has estimated that it would be able to continue levying the maximum amounts in the fiscal note time window, there would be no impact to state revenue.
4. The bill would require the Department of Revenue (DOR) to biennially report to the Revenue Interim Committee what the local taxing jurisdictions' levy authority would have been under the provisions of 15-10-420, MCA, compared to what the local taxing jurisdictions would actually levy with no restrictions in place.
5. The committee would use this report to make recommendations regarding property tax levies.
6. To provide the committee with calculations and comparisons, the DOR would need to obtain more information than is currently available from local governments regarding their mill levies (see technical notes).
7. The work required to create this report would likely be a collaborative effort between the DOR Property Assessment Division and the Tax Policy and Research Office. The amount of additional effort required to perform the calculations and develop the report is difficult to estimate, but DOR anticipates the work would be absorbed and not require additional FTE.

The Office of Public Instruction

8. Specific to K-12 schools and the Office of Public Instruction, sections 20-9-331, 20-9-333, 20-9-360, 20-9-533, MCA, change to remove the references to section 15-10-420, MCA, for the purpose of calculating levies.
9. Sections 20-9-331, 20-9-333, 20-9-360, MCA, are requirements for counties to levy 22, 33, & 40 mills respectively for the collection of equalization aid. The removal of the reference to 15-10-420, MCA, will have no impact due to the statutory requirements of those sections of law.
10. Section 20-9-533, MCA, for technology acquisition and depreciation fund limitations are based on the depreciation of technology equipment, as well as voted initiatives. Although the removal of reference to 15-10-420, MCA, will allow for the potential of greater levy amounts. However, the levy is permitted only through voter approval. Because of voter approval, the impact of SB 548 is estimated to have *de minimis* impact to these school levies. All other school funding levies are governed by the school funding rules in Title 20, MCA, and are generally not affected by the changes in SB 548.

<u>Effect on County or Other Local Revenues or Expenditures:</u>

1. SB 548 would allow local governments to levy the number of mills that would fund their local enacted budgets without the current limitations in 15-10-420, MCA.
2. The local impact is unknown since the budgets and hence mill levy amounts would be at the discretion of the governing bodies of the taxing jurisdictions.
3. As under present law, local jurisdictions can continue to use voted levies.

<u>Technical Notes:</u>

1. The Department of Revenue currently does not have all the local government budget information required to create the committee report outlined in this bill. Several pieces of information would be needed from the local taxing jurisdictions in order to perform the required calculations and comparisons.
2. For local jurisdictions that have banked mills and carry forward authority, it is unknown whether or not the jurisdictions would have chosen to utilize that carry forward authority in a given year. Without further clarification, the DOR would have to make broad assumptions in order to perform the calculations and comparisons regarding carry forward authority requested in the bill.
3. The DOR would also need to make assumptions regarding voter approved mill levies; it is unclear whether a local taxing jurisdiction would actually continue to put initiatives before the voters for approval now that they could simply increase their levies without limitations.

NO SPONSOR SIGNATURE	3/29/23	[illegible]	3-29-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*