



Montana Budget and Policy Center
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December 16, 2021

The Honorable Austin Knudson
Attn: Assistant Solicitor General Brent Mead
Montana Department of Justice
215 North Sanders
Helena, MT 59620

RE: Public comment on Ballot Issue #9

Dear Assistant Solicitor General Mead:

On December 7, 2021, your office requested comments on the proposed Ballot Issue #9. We appreciate the opportunity to comment on the proposed language. The Montana Budget & Policy Center is a nonprofit organization that provides in-depth research and analysis on tax, budget, and economic policies to promote opportunity and fairness for all Montanans.

1. The proposed ballot statement should be a true and impartial statement of the “purpose and implications of the issue.”

Section 13-27-312(4) requires the ballot statement to be a “true and impartial explanation of the proposed ballot issue...” The structure of the text of the initiative first includes the 2019 state valuation as the base year for valuations. For the ballot statement to be consistent with the structure of initiative, we recommend rewording the draft ballot statement, as follows, which provides a clear outline of the structure and flow of the ballot initiative.

“[Initiative number] establishes 2019 state valuations as the base year for the valuations and provides for reassessment by the state if a residential property has been newly constructed or significantly improved or has a change of ownership. It limits annual increases in valuations of residential property to either 2% or the inflation rate (whichever is lower) when assessing property taxes. It establishes 2019 state valuations as the base year for the valuations. It provides for reassessment by the state if a residential property has been newly constructed or significantly improved or has a change of ownership. It requires the Legislature to limit total ad valorem property taxes on residential property to 1% or less of the assessed valuation. It requires the Legislature to define “residential property” and provide for the application and implementation of the provisions of the initiative and permits the Legislature to assess other real property based on acquisition value.”

2. The proposed fiscal statement should accurately represent the loss of state revenue.

The proposed fiscal statement inaccurately describes the fiscal impact as a reduction in “statewide property taxes.” Rather, the fiscal note estimates the projected reduction in state property tax *revenue*. The fiscal note estimates only include the loss in revenue to the state and “statewide” implies

that estimate includes the effect to all statewide taxing jurisdictions, including local governments and schools. Additionally, "state property tax revenue," as opposed to "statewide property taxes," more accurately describes the loss in *revenue* to the state and the reduction in taxes, as opposed to only referring to the reduction in taxes with "statewide property taxes."

We recommend rewording the proposed fiscal statement, as follows, to provide an accurate and impartial explanation of the loss of state revenue.

"[Initiative number] reduces statewide property taxes revenue by \$24 million in 2025, \$34 million in 2026, and \$29 million in 2027 by capping allowable increases in residential property valuations."

3. The proposed fiscal statement should accurately reflect an estimate of the impact to local governments and schools.

Section 13-27-312(3) requires a fiscal statement be included on the ballot statement. Section 13-27-312(4) requires the statement be a "true and impartial explanation of the proposed ballot issue in plain, easily understood language and may not be arguments or written so as to create prejudice for or against the issue." The fiscal note states, "the initiative will have the greatest effect on local jurisdiction revenue" and "based on current allocations, the statewide reduction in local collections would be approximately five times the state impact." While the exact changes in local property tax revenue are unclear, the state currently receives approximately 17 percent of property tax revenue, with counties receiving 27 percent, local schools receiving 35 percent, and the remainder going to county-wide schools, cities, towns, fire and other districts. As a result of this ballot initiative, there would be a large, negative impact to some local taxing jurisdictions and/or schools; this impact should be accurately represented in the fiscal statement.

We recommend rewording the fiscal statement, as follows, to reflect an accurate representation of the estimated revenue impact to local governments and school districts.

"[Initiative number] will also have an undetermined but substantial negative impact on local government and school district property taxes funding, subject to legislative action."

4. The ballot statement should include an advisement that the initiative will likely cause significant material harm to one or more business interests in Montana.

Section 13-27-312(9)(b) requires the attorney general to inform the secretary of state if the ballot issue is "likely to cause significant material harm to one or more business interests in Montana."

The fiscal note states the "revenue reductions would shift to all other non-residential property..." Other classes of property include many types of property owned by businesses such as centrally assessed property, commercial property, business equipment, pollution control equipment, railroad and airline property, telecommunications and electric property, wind generation property, carbon dioxide and liquid pipelines, and other electrical utility property. The property tax impacts to other classes of property produced by this ballot initiative would likely cause significant material harm to many business interests in Montana.

We appreciate the opportunity to provide public comments. Thank you for your time and consideration on this matter.

Sincerely,

Rose Bender

Rose Bender
Deputy Director of Research
Montana Budget and Policy Center