

Assumptions for sales tax model: County Commission chose to place a 4% tax on restaurant/bar sales, rental cars, guides/outfitters, and lodging (75% of the 4% currently assessed). They chose to direct 90% of the revenue from that tax directly to property tax reduction. From the data presented on 04 18, we know that a 4% tax will generate \$25,588,390. 90% of that is **\$23,029,551**.

This example is based upon an actual property in Flathead County. The numbers are real, and this hypothetical tax reduction illustrates an 85% savings on county tax assessments. An 85% reduction in county taxes equates to an 18% reduction of the overall tax bill. (Remember, the overall tax bill, though sent out by the county and collected by the county, is not set by the county government.)

This is an actual property pulled from Flathead County Data

1 From the budgeting process, we know that the County needs \$31,030,899 in order to meet their budgetary needs (DOR-LGS website). **\$23,029,551** of that amount has now been covered by the 4% sales tax, leaving **\$4,582,224** left to be collected from property taxpayers. We send the new number through the mill calculation to

2 This is the taxable amount of property available to the County. We sourced this number from each county's published budget document for FY22, TY21 (screenshot below)

In Flathead County, the county-wide taxable value for that year was \$328,874,513. **We subtracted the County-wide TEDD/TIF amount and were left with \$325,886,358.** That number includes newly taxable property.

4% SALES TAX APPLIED			
STEP 1			
\$4,582,224	\$4,582,224	\$4,582,224	Specific Dollar Amount to be Levied
\$ 325,886,358	\$ 325,886,358	\$ 325,886,358	Certified Taxable Value of the taxing jurisdiction - Use the most-recent available
\$325,886	\$325,886	\$325,886	Revenue Generated per Mill
14.06	14.06	14.06	Approximate Mills required to Generate Specific Dollar Amount
STEP 2			
\$300,000	\$505,600	\$600,000	Assessed Market Value of Home
0.0135	0.0135	0.0135	Tax Rate - 15-6-134(3)(a)
\$4,050	\$6,826	\$8,100	Taxable Value subject to mill levy
14.06	14.06	14.06	Mills to be Levied (From Step 1)
\$56.95	\$95.97	\$113.89	Tax Assessed

3 One mill will generate \$1 for each \$1,000 in taxable value, so we divide the amount of money needed by 1,000 to determine how many mills need to be collected

4 Since 1 mill will raise \$325K, and after the tax is applied we must raise **\$4,582,224**, we must then divide the amount that we **must raise** by the value of each mill to determine exactly how many mills we must apply

5 The Taxable Value is determined by taking the **Assessed Market Value of a property** and multiplying it by the **tax rate as determined by 15-6-134(3)(a)**. This is how much of the home is subject to mill levy.

6 \$95.97 is the amount that the homeowner will *now* have to pay in County taxes after the 90% from tax revenue is applied

For this property, Flathead County levied \$643. That was the County portion of the overall tax bill, which is the portion over which the County Commissioners have direct control. Under our scenario, the county would only have to have levied \$95.97, which is a savings of \$547.03; 85% of their County tax bill.

The overall tax bill for this home was approximately \$3,062. Under our scenario, the overall tax bill would have been \$2,514.97, a savings of 18% on their overall tax bill.

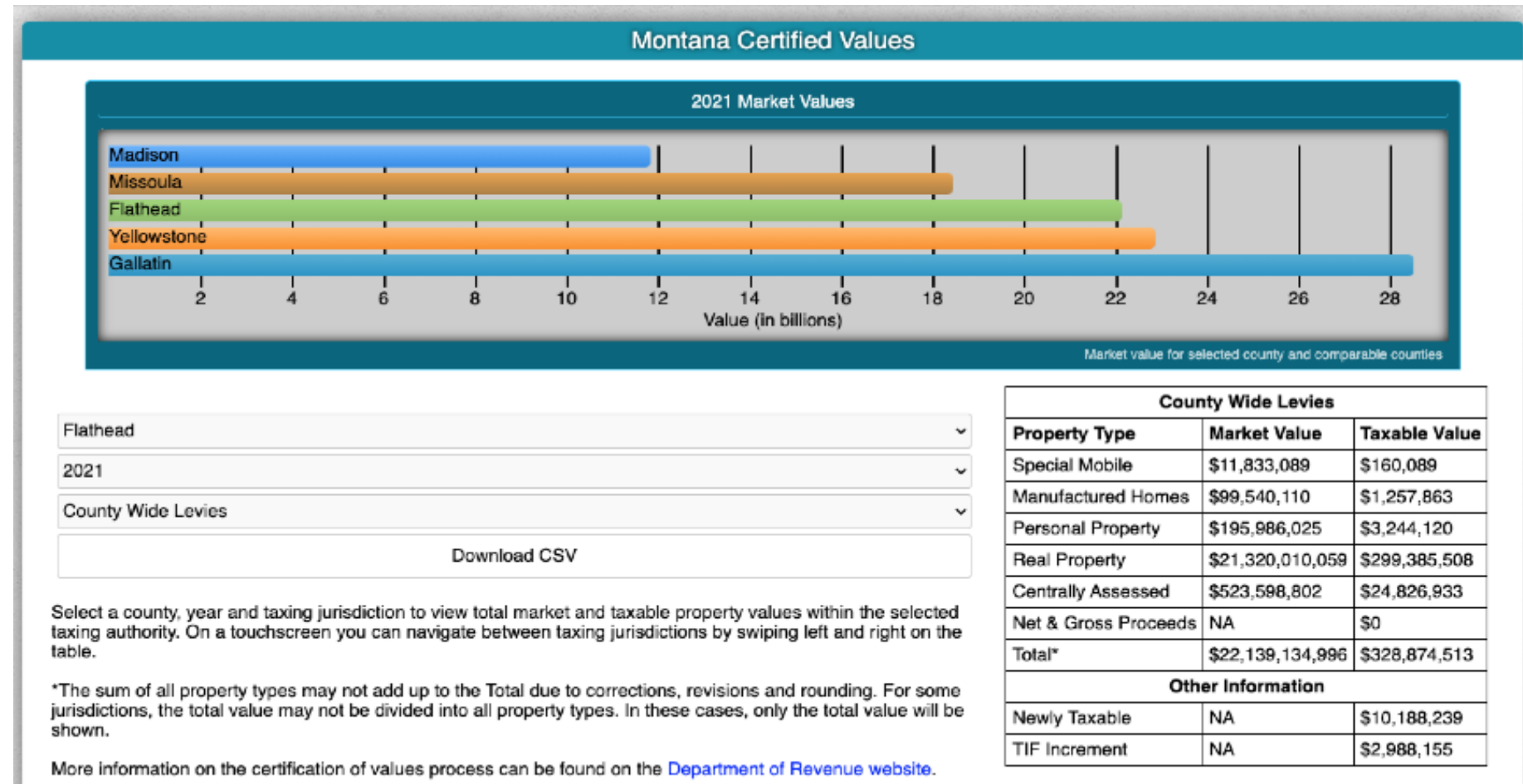


Is the juice worth the squeeze?

Family of four, living in a Flathead County valued at \$505,600. They do not live in city limits. We have created their overall benefit based upon four different spending scenarios, because lives change from month to month, and every family is different.

Amount spent on taxable/tourism categories	Amount paid in tax per month	Amount paid in tax/year
\$ 100	\$ 4	\$ 48
\$ 300	\$ 12	\$ 144
\$ 500	\$ 20	\$ 240
\$ 1,000	\$ 40	\$ 480

So now let's put this family of four into the house above. Assume they paid \$200 in sales tax from their activity that year. That means they came out ahead, by \$347



Presentation to the Local Government Interim Committee, July 17, 2024