

Local Government Levy Limits

Current Law, 2023 Proposals, & National
Comparison

Local Government Interim Committee and Revenue Interim Committee

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January 23, 2024



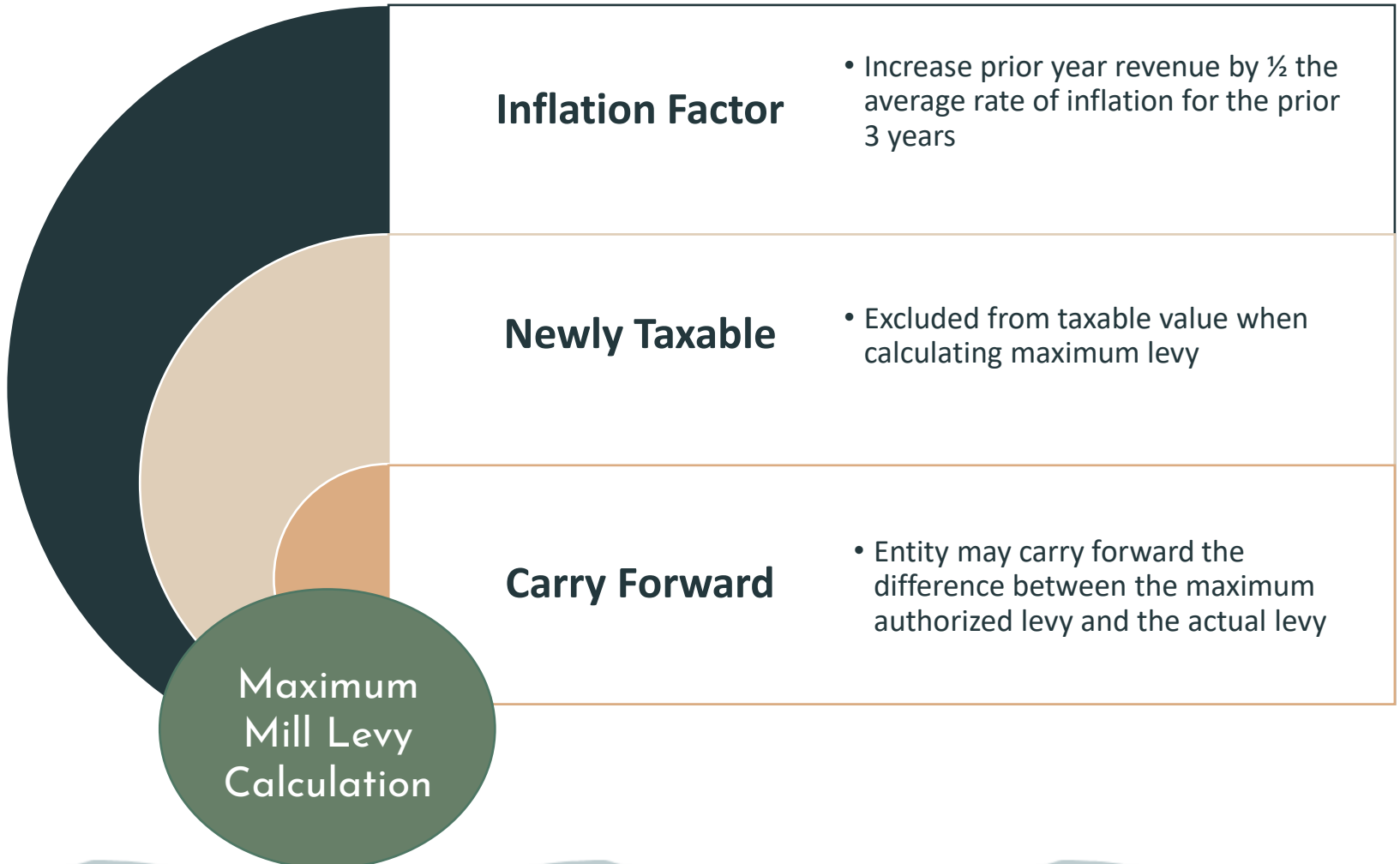
Part 1: Current Law & 2023 Bills

What are Levy Limits and Why Do They Matter?

- Cap a taxing jurisdiction's total revenue or growth in revenue
- Impact on taxpayers varies based on property's assessed value
- Recent legislation to amend maximum revenue calculation (15-10-420)

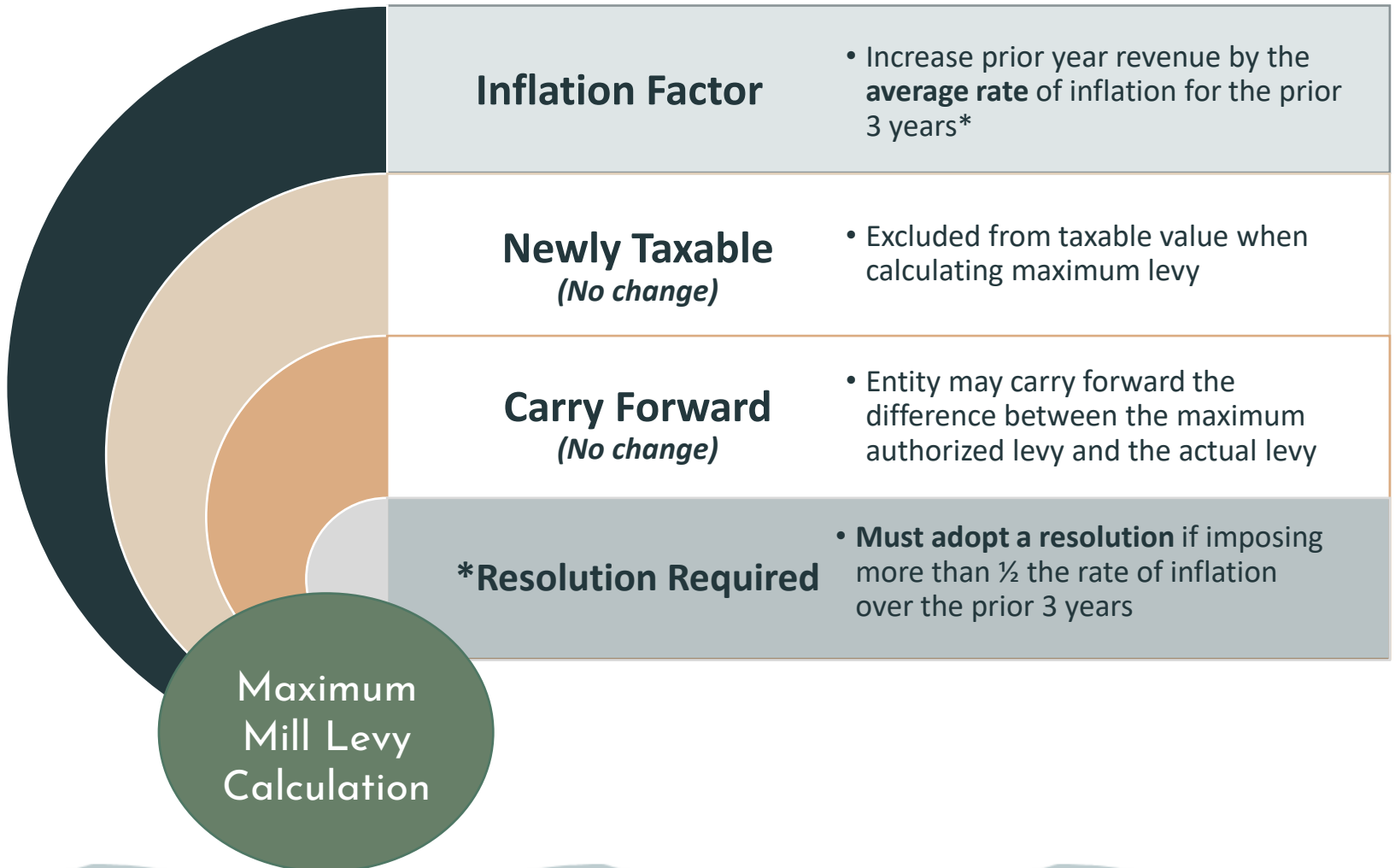
Current Calculation

(15-10-420, MCA)

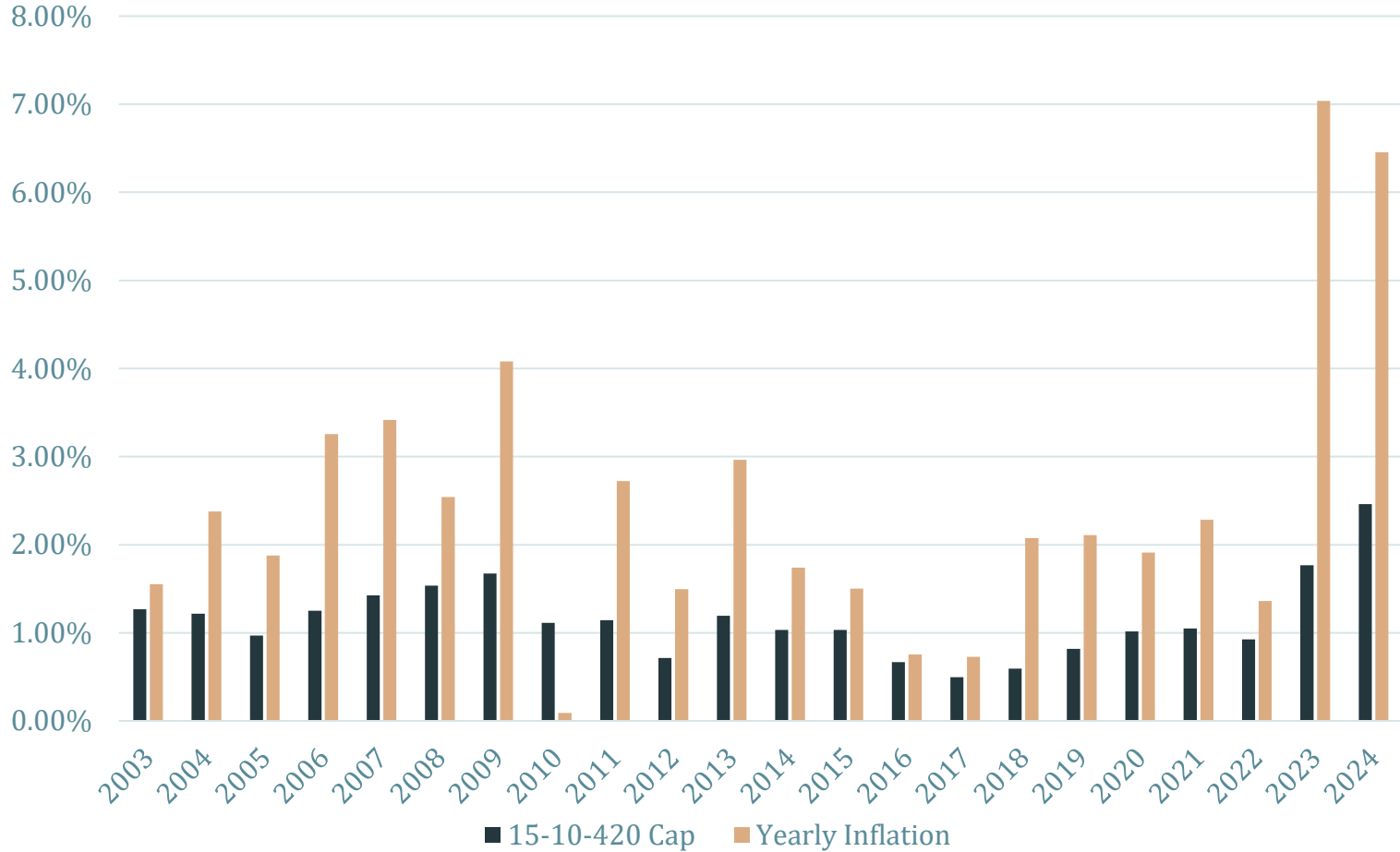


House Bill 481

(amends 15-10-420, MCA)



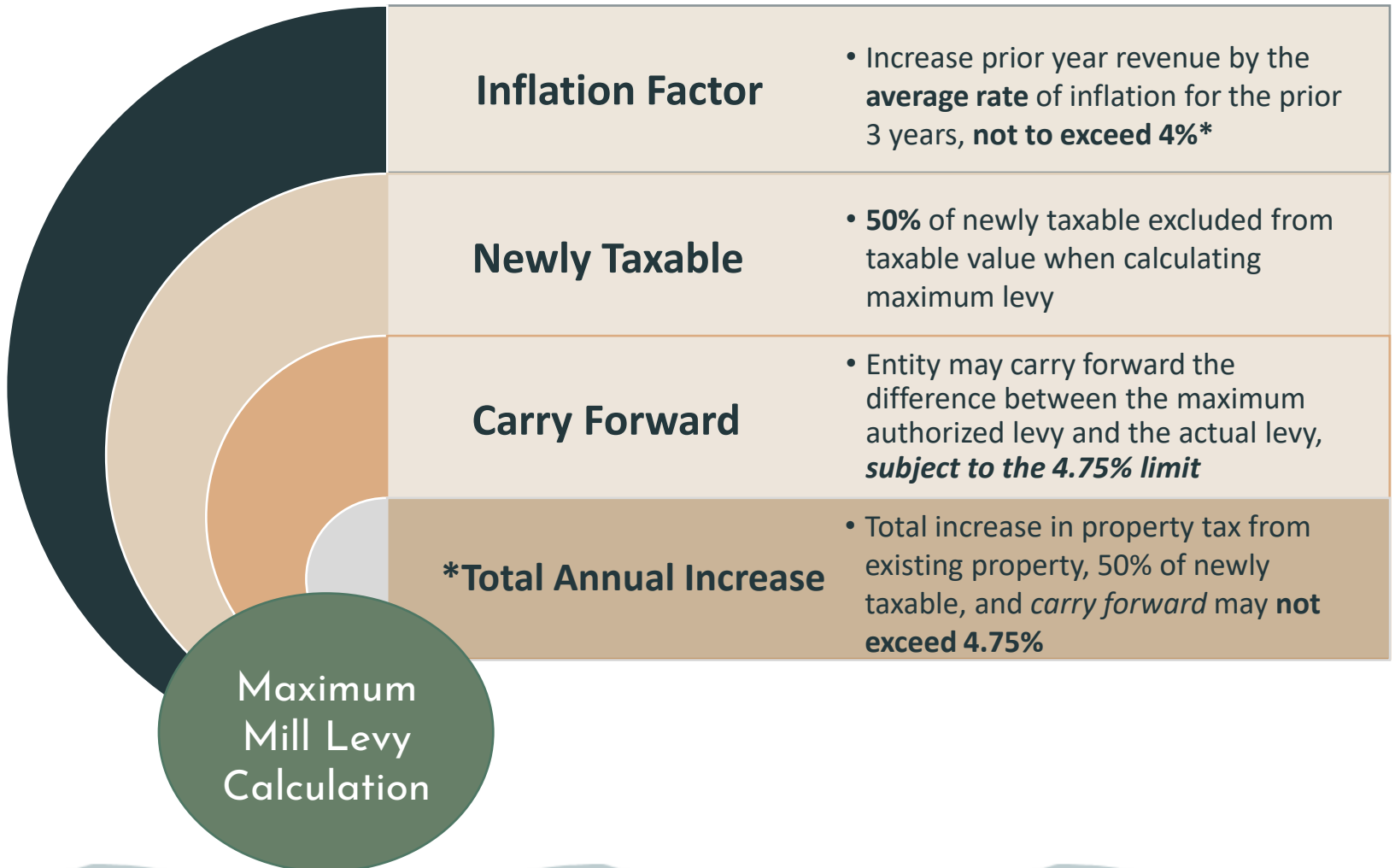
15-10-420 Levy Cap Compared to Actual Inflation



15-10-420 (1)(a): ...a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus **one-half of the average rate of inflation for the prior 3 years.**

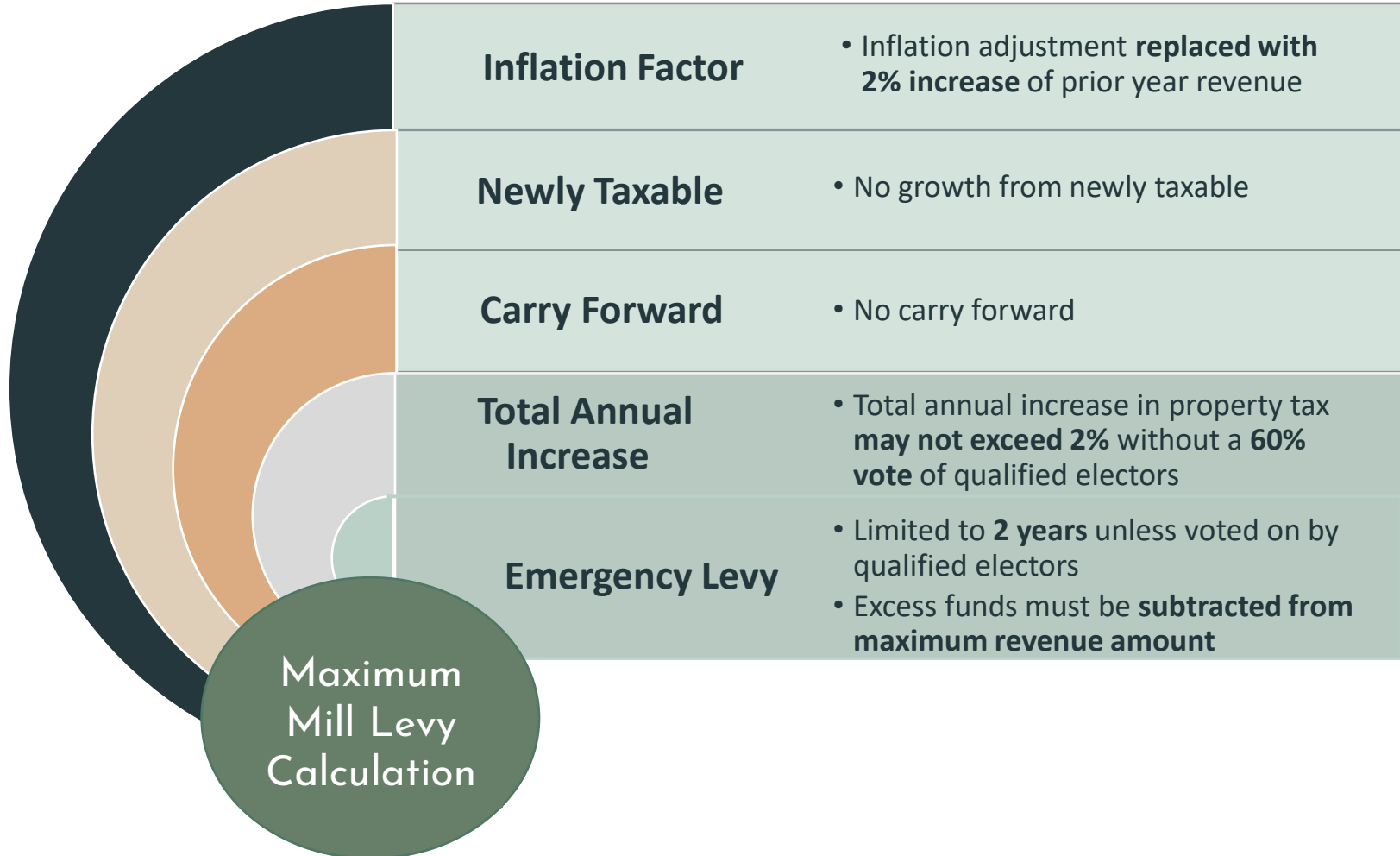
Senate Bill 511

(amends 15-10-420, MCA)



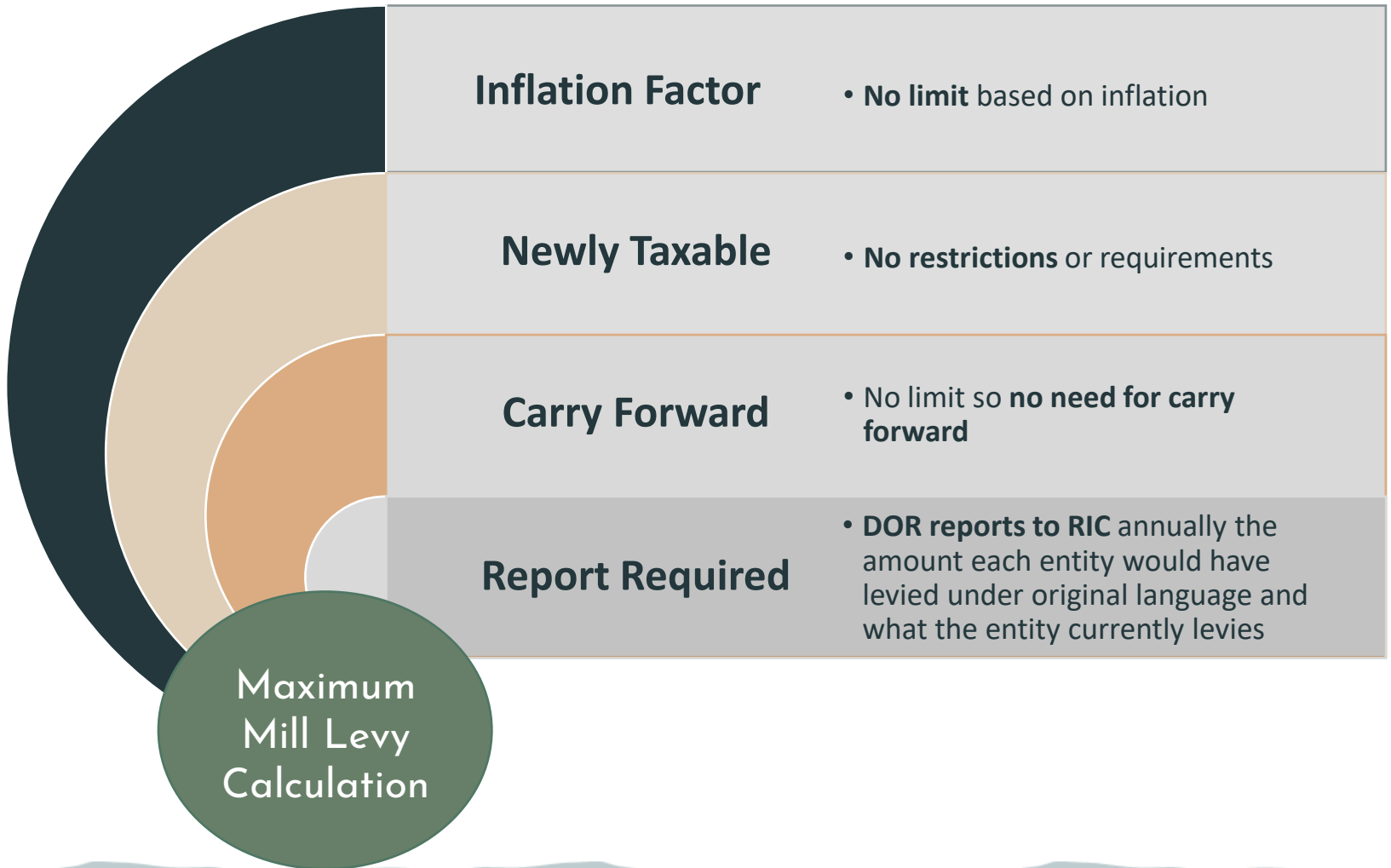
Senate Bill 519

(amends 15-10-420, MCA)



Senate Bill 548

(amends 15-10-420, MCA)



Bill Comparison Table

	Current Language	HB 481	SB 511	SB 519	SB 548
Inflation Factor	Increase prior year revenue by ½ the average rate of inflation for the prior 3 years	Increase prior year revenue by the average rate of inflation for the prior 3 years	Increase prior year revenue by the average rate of inflation for the prior 3 years, not to exceed 4%	No inflationary adjustment	No inflationary adjustment
Newly Taxable	Excluded from taxable value when calculating maximum levy	<i>(No Change)</i>	50% of newly taxable excluded from taxable value when calculating maximum levy	No growth from newly taxable	No restrictions or requirements
Additional Provisions		Must adopt a resolution if imposing more than ½ the rate of inflation over the prior 3 years	Total annual increase in property tax from existing property, 50% of newly taxable, <i>and carry forward may not exceed 4.75%</i>	Total annual increase in property tax may not exceed 2% without a 60% vote of qualified electors	DOR reports to RIC annually the amount each entity would have levied under original language and what the entity currently levies
Status of Legislation		Tabled in (S) Taxation	(S) Third Reading Failed 25-25	Tabled in (S) Taxation	(S) Second Reading Failed 20-30

Taxes from New Property vs. Newly Taxable



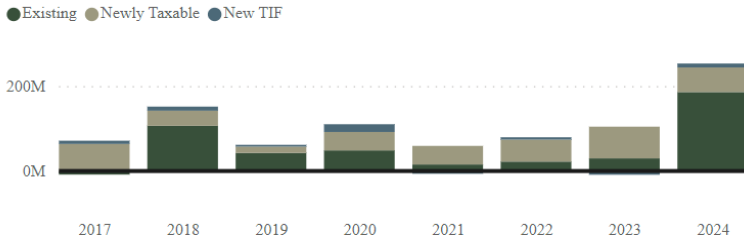
New & Existing Property by Taxing Unit

Data Sources:
 • Montana Department of Revenue
 • Montana Office of Public Instruction
 • Montana Department of Administration

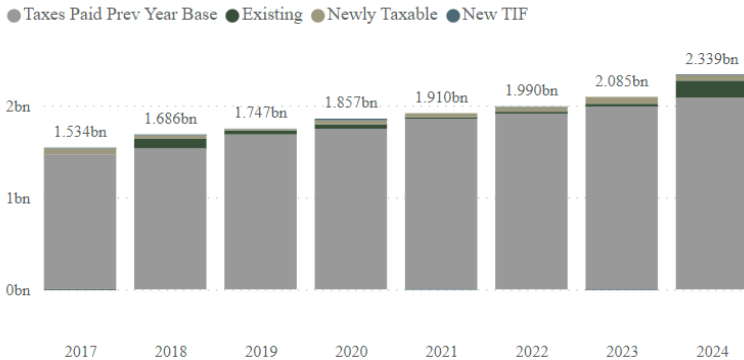
Compound Annual Growth Rates (CAGRs)

Existing CAGR = 2.69%
 New Property CAGR = 2.68%
 TIF CAGR = 0.43%

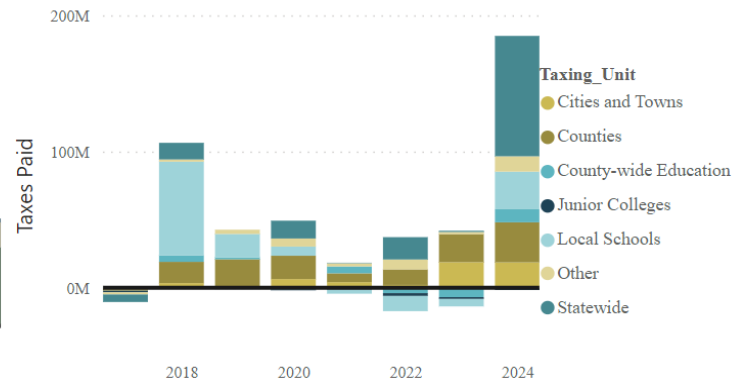
New Taxes Paid



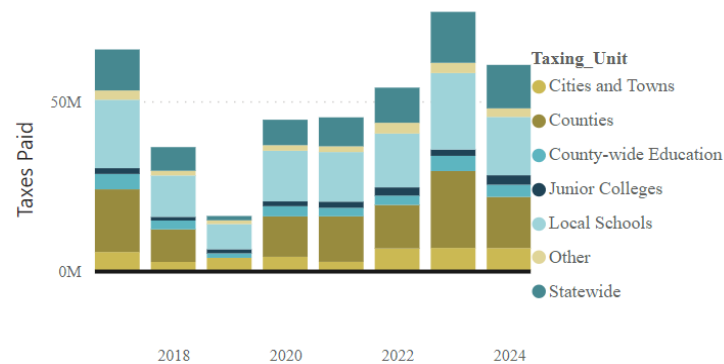
Total Taxes Paid



Tax Increases on Existing Property



Taxes from New Property



Slicer Options

Taxing Unit

- Cities and Towns
- Counties
- County-wide Education
- Junior Colleges
- Local Schools
- Other
- Statewide

County Name

All

Municipality

All

NOTE: Due to the nature of these data, there are many calculated fields in this dashboard. These fields are calculated estimates based on available data. If you have questions or concerns, please contact the Legislative Fiscal Division.

Part 2: Example Calculations

- Counties and cities located within LGIC and RIC member districts
- Impact of proposed legislation on maximum revenue
- May not be representative of effects across state

2023-2024 Max Revenue Growth

	2023 Revenue	Current Law % Change	HB 481 % Change	SB 511 % Change	SB 519 % Change
County					
Anaconda-Deer Lodge*	\$4,826,977	51%	54%	4.75%	2%
Cascade	\$21,879,977	8%	11%	4.75%	2%
Lake	\$7,360,731	5%	8%	4.75%	2%
Liberty	\$1,274,309	5%	7%	4.75%	2%
Sanders*	\$4,539,706	8%	10%	4.75%	2%
Yellowstone	\$40,195,131	8%	10%	4.75%	2%
City					
East Helena	\$721,916	17%	20%	4.75%	2%
Great Falls	\$18,133,319	11%	13%	4.75%	2%
Helena	\$10,017,697	4%	7%	4.75%	2%
Missoula*	\$29,715,848	6%	8%	4.75%	2%

*Not levying maximum revenue in 2024

- Current law and HB 481: growth varies because of newly taxable property and carry forward
- SB 511 and SB 519: same percentage growth

2024 Max Revenue Comparison

	Current Law	HB 481 Difference		SB 511 Difference		SB 519 Difference	
County	2024 Max Revenue	\$	%	\$	%	\$	%
Anaconda-Deer Lodge*	\$7,296,387	\$154,923	2%	-\$2,240,010	-31%	-\$2,372,841	-33%
Cascade	\$23,673,865	\$567,598	2%	-\$754,624	-3%	-\$1,357,018	-6%
Lake	\$7,765,409	\$186,300	2%	-\$54,794	-1%	-\$257,532	-3%
Liberty	\$1,333,996	\$32,084	2%	\$843	0.06%	-\$34,180	-3%
Sanders*	\$4,888,300	\$114,588	2%	-\$132,864	-3%	-\$257,825	-5%
Yellowstone	\$43,348,337	\$1,044,480	2%	-\$1,245,529	-3%	-\$2,348,852	-5%
City	2024 Max Revenue	\$	%	\$	%	\$	%
East Helena	\$847,363	\$20,366	2%	-\$91,188	-11%	-\$111,006	-13%
Great Falls	\$20,090,008	\$482,445	2%	-\$1,095,387	-5%	-\$1,593,650	-8%
Helena	\$10,428,790	\$250,606	2%	\$65,118	0.6%	-\$211,141	-2%
Missoula*	\$31,444,032	\$745,887	2%	-\$317,616	-1%	-\$1,133,173	-4%

*Not levying maximum revenue in 2024

- HB 481: all > current law because of full inflation
- SB 511: most < current law; > for areas with low newly taxable
- SB 519: all < current law

SB 511 & SB 519: Newly Taxable

Great Falls

2024 Max: \$20,090,008

2024 Newly Taxable: 7.2%

SB 511 Difference:

-\$1,095,387 or -5%

SB 519 Difference:

-\$1,593,650 or -8%

Helena

2024 Max: \$10,428,790

2024 Newly Taxable: 1.5%

SB 511 Difference:

\$65,118 or 0.6%

SB 519 Difference:

-\$211,141 or -2%

SB 511 & SB 519: Carry forward

Lake

2024 Max: \$7,765,409

2024 Newly Taxable: 2.9%

2024 Carry forward: 0 mills

SB 511 Difference:

-\$54,794 or -1%

SB 519 Difference:

-\$257,532 or -3%

Sanders*

2024 Max: \$4,888,300

2024 Newly Taxable: 2.5%

2024 Carry forward: 2.35 mills

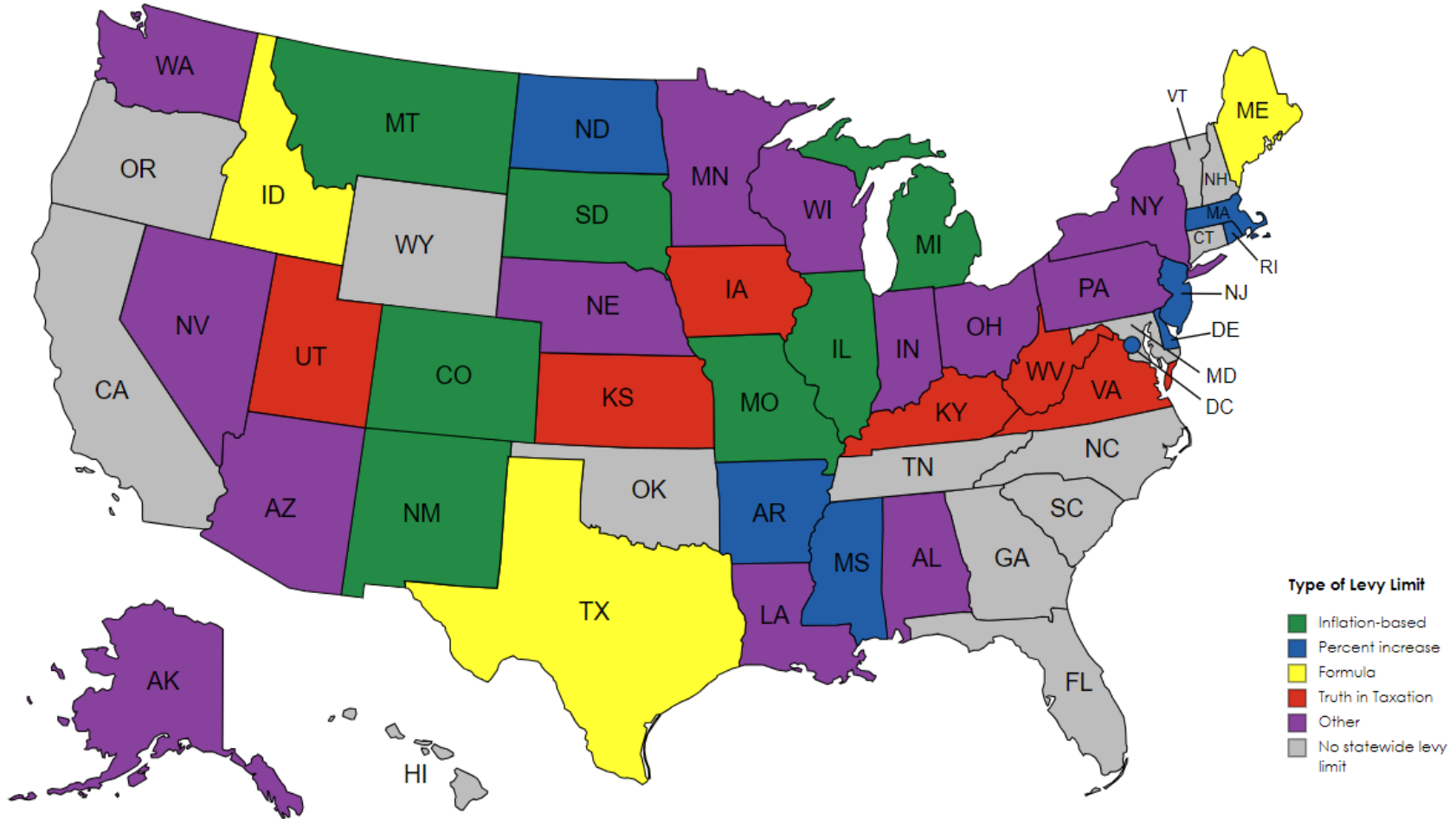
SB 511 Difference:

-\$132,864 or -3%

SB 519 Difference:

-\$257,825 or -5%

Part 3: National Comparison



Inflation-Based Levy Limits

Prior revenue adjusted by inflation (7 states)

- South Dakota – lower of 3% or inflation
- Illinois, New Mexico – lower of 5% or inflation
- Missouri – lowest of assessment growth, inflation, 5%
- Colorado – lower of TABOR inflation or 5.5%

- **Montana – half 3-year average**
- Michigan – change in CPI

Significant Features of the Property Tax. <https://www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax/access-property-tax-database/tax-limits-truth-in-taxation> Lincoln Institute of Land Policy and George Washington Institute of Public Policy. (Tax Limits and Truth in Taxation; accessed: 11/27/2023 10:11:39 AM)

Percent Increase Levy Limits

Prior revenue adjusted by percentage (7 states)

- New Jersey – 2%
- Massachusetts – 2.5%
- Rhode Island – 4%
- DC – residential, lower of 7% or actual increase; commercial, 10%
- Mississippi – 7% school, 10% non-school
- Arkansas – 10%
- North Dakota – 12% (up to 70 mills)
- Delaware – 15%

Formula Driven Levy Limits

Prior revenue adjusted by formula (3 states)

- Idaho – 3% plus 90% of new growth, 8% max
- Maine – formula includes inflation, assessment growth, income growth
- Texas – higher of 3.5% over prior year plus unused amount from prior 3 years or rate to raise \$500,000

Truth in Taxation Levy Limits

Growth above limit requires public hearing (6 states)

- Kansas, Utah – 0%
- Virginia, West Virginia – 1%
- Iowa – 2%
- Kentucky – 4%

Other Levy Limits

Other types of limits or multiple limits (13 states)

- Nebraska: Voters request limit by petition
- Nevada: 6% levy limit and limit on individual growth
- Ohio: voter approved levies recalculated, separately by class
- Pennsylvania: limit varies based on county population
- Washington: ordinance allows growth, amount varies by population

Interesting Levy Limit Findings

- Override procedure: 23 states
- Growth from new construction: 17 states
- Limit applies to schools: 14 states
- Exclusions: bonds, debt service
- State role: Maine, Minnesota, Missouri
- Converted a levy limit to truth in taxation: Kansas

Next: Panel on Policies to Include in 15-10-420

- Jason Rittal, Montana Association of Counties
- Kelly Lynch, Montana League of Cities and Towns
- Bob Story, Montana Taxpayers Association
- Kris Goss, Montana School Boards Association