



GOVERNOR'S PROPERTY TAX TASK FORCE

June 4, 2024

The Governor's Property Tax Task Force met June 4th to receive and discuss recommendations from its three subcommittees. The following are the items reported for consideration.

Local Government

1. Maintain and update the current Property Tax Assistance Programs
2. Update Tax Increment Financing Laws.
 - a. Tighten the definition of blight
 - b. Modify timing and terms of bonds.
 - c. Limit the length of time a TIF can operate
 - d. Reset the base value of a TIF periodically.
 - e. Repeal the current law that allows taxable value of expiring TIFs to be newly taxable property. This would require the tax base of a TIF to be used to reduce taxes of taxpayers outside the TIF.
3. Modify the revenue growth restriction law.
 - a. Make changes to current law 15-10-420
 - b. Replace current law with a version of SB 511 of 2023 session. This would increase the inflation adjustment and require some of the newly taxable property to be used for property tax reductions. It also might include a population growth adjustment and an overall cap on revenue growth without a vote.
4. Require all future levy elections to be for a dollar amount with varying mills. Repeal the law that allows levy elections to be for mills and varying dollars. This will prevent windfalls for taxing jurisdictions and increases for taxpayers.
5. Require periodic vote on operating levies
6. Have levy elections meet the turnout criteria in place now for bond elections.
 - a. Turnout over 40%--majority
 - b. Turnout 30-40%--60%
 - c. Turnout below 30%--failed

7. Look at Utah Truth in Taxes Law and see if some of it can be used in Montana in addition to current sunshine laws.

Education

1. Super Majority elections (see #6 on page 1)
2. Create a county-wide equalization levy that would fund the local share of the BASE budget (80% of the maximum general fund budget) This would raise taxes in low milling school districts in a county and use the money to lower taxes in high milling districts. Generally, this would raise rural elementary school district taxes and lower urban school taxes.
3. Make the Statewide equalization levies a fixed mill. The 95-mill levy would stay constant so the State would receive a windfall every reappraisal cycle.
4. Still looking at the Big Sky Rebate Program. This would create an additional state-wide property tax levy and use the money to pay down owner occupied residential property taxes. Complicated and probably causes a lot of tax shifting among regions and taxpayer classes.

Tax Fairness

This subcommittee is focusing on a restructuring of the Class 4 property tax process. Class 4 is residential and commercial property.

Their proposal would raise the tax rates on these two types of property. The residential rate would increase from 1.35% to 1.90%. A portion of the value of the first 1.3 million dollars of the value of owner occupied and long-term rental properties would be exempted resulting in a tax rate of 1.10%. All other residential property, second homes, out of state ownership, short term rentals, and corporate owned, and any value above \$1.3 would be taxed at the higher rate to pay for the reduction in the tax rate on owner occupied and long-term rentals.

For commercial property, the first \$2 million dollars in value would be taxed at 1.5% and any value above that would be taxed at 2.10%. These changes would alter the taxable value of all taxing jurisdictions. Many would see an increase in taxable value and a decrease in mills. In that case all property in the other

classes would see tax reductions. In some jurisdictions, mainly urban areas, the taxable value would go down and mill levies would increase shifting taxes to all other classes of property. This happens in most urban areas. The shift between owner/occupied and non-owner occupied is significant. Owners will get an estimated 15-25% reduction and non-owners will pay 40-50% more.

The full Committee will meet twice more and receive the final recommendations from the subcommittees. They will then prepare a report to the Governor. Some legislators on the committee are already contemplating having bills drafted to carry to the 2025 Legislature.

The following charts show the tax changes on owner occupied and commercial property owners. There is no chart showing the increase on the residential properties that are taxed at the higher rate.

Estimated Distributional Impact for Primary Residential Properties									
	Decreases			Increases			Totals		
	Over \$1,000	\$1,000 to \$500	\$500 to \$0	\$0 to \$500	\$500 to \$1,000	Over \$1,000	Decreases	Increases	Total
Statewide	11,876	77,771	123,946	975	180	500	213,593	1,655	215,248
	Decreases			Increases			Totals		
	Over 25%	25% to 15%	15% to 0%	0% to 15%	15% to 25%	Over 25%	Decreases	Increases	Total
Statewide	5,250	127,062	81,281	1,478	163	14	213,593	1,655	215,248

Estimated Distributional Impact for Commercial Properties									
	Decreases			Increases			Totals		
	Over \$1,000	\$1,000 to \$500	\$500 to \$0	\$0 to \$500	\$500 to \$1,000	Over \$1,000	Decreases	Increases	Total
Statewide	12,043	6,992	13,033	150	101	921	32,068	1,172	33,240
	Decreases			Increases			Totals		
	Over 25%	25% to 15%	15% to 0%	0% to 15%	15% to 25%	Over 25%	Decreases	Increases	Total
Statewide	1,598	28,543	1,929	1,147	23	0	32,070	1,170	33,240