MONTANA LEGISLATURE
OFFICE OF RESEARCH & POLICY ANALYSIS

15-10-420: INCLUDING INCOME FACTOR

REVENUE INTERIM COMMITTEE
MEGAN MOORE - MARCH 2024

MONTANA'S LEVY LIMIT FACTORS IN INFLATION, NEW PROPERTY

At the January Revenue Interim Committee meeting, there was interest in including ability to pay in the levy limit calculated under 15-10-420. Montana's current levy limit allows revenue equal to the prior year's revenue adjusted by half the average rate of inflation for the prior 3 years plus growth from current year newly taxable property.

Information provided at the January meeting summarized levy limits in other states. This report provides additional detail about Maine's levy limit calculation, which uses an income factor.

MAINE'S LIMIT BASED ON PERSONAL INCOME AND NEW PROPERTY

Since 2005, Maine's levy limit has been based on local property growth and statewide average personal income growth. Maine uses statewide income data, but the U.S. Bureau of Economic Analysis also publishes personal income by county. January discussions about using an income measure specifically mentioned using localized personal income information.

Average personal income growth

10-year average percent change in personal income in the state as estimated by U.S. Bureau of Economic Analysis

Property growth factor

the percentage equivalent to a fraction with a numerator of newly taxable property and a denominator of total taxable value

Growth limitation factor

average personal income growth + property growth factor

Levy Limit

Prior year levy limit * (1 + growth limitation factor)

Sample calculations using Revenue Interim Committee member cities or counties and Maine's levy limit formula with the substitution of county average personal income growth resulted in maximum revenue calculations close to the limits under 15-10-420. The maximum revenue amounts under the modified Maine limit were 1.5% to 2.7% higher than the calculations under Montana law.