

Sept. 16, 2021 – DRAFT

Rep. Jones Request

Preliminary Analysis with Three Tests with Simple Assumptions for Quick Analysis

- 95 + 6 mills
- Local mills Gallatin County
- Local mills Cascade County

Ballot Issue #9:

- 1) Limits annual increases in valuations of primary residences to either 2.0% or the inflation rate (whichever is lower) when assessing property taxes and establishes [TY] 2019 as the base year for such valuations.
- 2) Provides for reassessment after transfer, construction, or significant improvement. – NOT FULLY MODELED AT THIS TIME only allowed growth of new property at 1-2.5%
- 3) Requires the Legislature to limit total ad valorem property taxes on primary residences to 1.0% or less of valuation. Authorizes the Legislature to assess other real property based upon acquisition value. – NOT MODELED AT THIS TIME

Assumptions:

- 1) The percentage of owner-occupied homes (for class 4 residential property) in Montana is 68.1%, based on numbers from the US Census Bureau. Non-owner occupied includes rentals and vacation homes.
- 2) The total increase in total valuation of primary residences will be greater than 2.0% due to home sales, new construction, etc. This calculation assumed 2.5% for Gallatin County and 1.0% for Cascade County in addition to the 2% allowed.
- 3) Property valuations will continue to grow with the same respective trends they have had for the last five years except for class 4. Class 4 is assumed to grow at the average annual growth for the past 4 of the past 5 years (FY 17, 18, 20, 21 (FY 19 looked unusual)).

Observations for FY 2030 from this limited analysis:

- 1) Owner occupied class 4 residential will pay less taxes than they would have otherwise. Statewide mill taxes paid is anticipated to be proportionally lower by 14% in FY 2030. Correspondingly all other property tax classes would be higher notably non-owner-occupied housing (including rentals) increase 6%; 3% for electrical utilities and commercial; 1% for agriculture, telecommunications and electrical generation and business equipment. All other classes are anticipated to proportionally change by less than 1%.
- 2) The total statewide property tax collections in FY 2030 is roughly estimated to be \$120 million less than current law.
- 3) Gallatin county will pay an estimated 1.4% proportionally less statewide taxes. Cascade county will pay an estimated 0.3% proportionally more statewide taxes.
- 4) The class shift in Gallatin county is more substantial than the statewide numbers, with owner occupied homes paying proportionally lower taxes (16% compared to 14% statewide). Other notable higher than statewide impacts are to non-owner occupied (including rentals) at 9% and commercial 5%.
- 5) As calculated, the class shift in Cascade is slightly less than the statewide numbers.