

HOUSE BILL 402

Introduced by Wyatt, et al.

1/25	Introduced
1/25	Referred to Taxation
1/26	First Reading
1/29	Fiscal Note Requested
2/05	Hearing
2/07	Fiscal Note Received
2/07	Fiscal Note Printed
	Died in Committee

1 HOUSE BILL NO. 402
 2 INTRODUCED BY [Signature] [Signature] [Signature]
 3 [Signature] [Signature] [Signature]
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THAT ALL REAL
 5 PROPERTY AND IMPROVEMENTS SUBJECT TO TAXATION BE REAPPRAISED
 6 EVERY 3 YEARS RATHER THAN EVERY 5 YEARS; REQUIRING THAT
 7 ONE-THIRD OF ALL REAL PROPERTY AND IMPROVEMENTS SUBJECT TO
 8 TAXATION IN EACH COUNTY BE APPRAISED EACH YEAR DURING THE
 9 3-YEAR APPRAISAL CYCLE; REQUIRING THAT WHEN REAPPRAISAL
 10 SHOWS AN INCREASE IN VALUE, THE INCREASE BE PHASED IN OVER A
 11 3-YEAR PERIOD; ELIMINATING THE REQUIREMENT FOR THE
 12 DEPARTMENT OF REVENUE TO MAKE ADJUSTMENTS TO PROPERTY
 13 ASSESSMENTS THROUGH THE USE OF SALES AND ASSESSMENT RATIO
 14 STUDIES; REQUIRING THAT THE 3-YEAR APPRAISAL CYCLE PROCESS
 15 BEGIN JANUARY 1, 1993; AMENDING SECTIONS 15-7-102, 15-7-103,
 16 15-7-111, 15-7-132, 15-7-133, AND 15-10-412, MCA; AND
 17 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
 18 DATE."
 19

20 WHEREAS, Article VIII, sections 3 and 4, of the Montana
 21 Constitution require the state to appraise, assess, and
 22 equalize the valuation of all property subject to taxation;
 23 and

24 WHEREAS, each party affected by the taxation of
 25 property, including taxpayers, elementary schools and high

1 schools, counties, cities, the Montana University System,
 2 and the myriad of special districts, has an interest in the
 3 timely, accurate, equitable, and full valuation of property
 4 subject to taxation; and

5 WHEREAS, Montana's Legislatures and the Department of
 6 Revenue have attempted over the past 18 years to develop an
 7 appropriate and equitable process for the valuation of
 8 property subject to taxation; and

9 WHEREAS, the execution of property reappraisal for the
 10 purposes of taxation has been beset with problems during
 11 every cycle of reappraisal since 1972; and

12 WHEREAS, the Department of Revenue is required to
 13 complete a comprehensive 5-year reappraisal by January 1,
 14 1993, that will have taken 7 years; and

15 WHEREAS, once the comprehensive reappraisal due to be
 16 completed January 1, 1993, is completed and implemented, the
 17 Legislature desires to assure each party with an interest in
 18 the timely, accurate, equitable, and full valuation of
 19 property subject to taxation that such a valuation process
 20 will be implemented with diligence and in the shortest
 21 period of time that is practical and responsible; and

22 WHEREAS, the existing statutorily required 5-year cycle
 23 has been practically implemented as a 7-year cycle; and

24 WHEREAS, legislative attempts to mitigate the effects of
 25 the implementation of new valuations resulting from the



1 practical 7-year reappraisal cycle through the use of
2 statistically valid sales and assessment ratio studies have
3 engendered little short of the ire and disfavor of the
4 parties whose interests must be served; and

5 WHEREAS, a 3-year cycle of property reappraisal promises
6 to be a vast improvement on the processes previously
7 executed.

8 THEREFORE, the Legislature of the State of Montana finds
9 that:

10 (1) it is appropriate and desirable to require that all
11 property subject to taxation be reappraised over a 3-year
12 period, with one-third of the property in each county being
13 appraised each year of the 3-year cycle;

14 (2) reappraised property showing an increase in value
15 should have the increase phased in in equal parts over a
16 3-year period; and

17 (3) with the implementation of a 3-year reappraisal
18 cycle coupled with a phasein of reappraised values, there is
19 no longer a need for annual adjustments through the use of
20 sales and assessment ratio studies.

21
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

23 **Section 1.** Section 15-7-102, MCA, is amended to read:

24 "15-7-102. Notice of classification and appraisal to
25 owners -- appeals. (1) It shall--be is the duty of the

1 department of revenue, through its agent as specified in
2 subsection (2), to cause to be mailed to each owner and
3 purchaser under contract for deed a notice of the
4 classification of the land owned or being purchased by him
5 and the appraisal of the improvements on the land only if
6 one or more of the following changes pertaining to the land
7 or improvements have been made since the last notice:

- 8 (a) change in ownership;
- 9 (b) change in classification;
- 10 (c) change in valuation; or
- 11 (d) addition or subtraction of personal property
- 12 affixed to the land.

13 (2) The county assessor shall assign each assessment to
14 the correct owner or purchaser under contract for deed and
15 mail the notice of classification and appraisal on a
16 standardized form, adopted by the department, containing
17 sufficient information in a comprehensible manner designed
18 to fully inform the taxpayer as to the classification and
19 appraisal of his property and of changes over the prior tax
20 year.

21 (3) If the owner of any land and improvements is
22 dissatisfied with the appraisal or classification of his
23 land or improvements, he may submit his objection in writing
24 to the department's agent. The department shall give
25 reasonable notice to the taxpayer of the time and place of

1 hearing and hear any testimony or other evidence that the
 2 taxpayer may desire to produce at that time and afford the
 3 opportunity to other interested persons to produce evidence
 4 at the hearing. After the hearing, the department shall
 5 determine the true and correct appraisal and classification
 6 of the land or improvements and notify the taxpayer of its
 7 determination. In the notification, the department ~~must~~
 8 shall state its reasons for revising the classification or
 9 appraisal. When the proper appraisal and classification have
 10 been determined, the land ~~shall~~ must be classified and the
 11 improvements appraised in the manner ordered by the
 12 department.

13 (4) Whether a hearing as provided in subsection (3) is
 14 held or not, the department or its agent may not adjust an
 15 appraisal or classification upon a taxpayer's objection
 16 unless:

17 (a) the taxpayer has submitted his objection in
 18 writing; and

19 (b) the department or its agent has stated its reason
 20 in writing for making the adjustment.

21 (5) A taxpayer's written objection to a classification
 22 or appraisal and the department's notification to the
 23 taxpayer of its determination and the reason for that
 24 determination are public records. Each county appraiser
 25 shall make the records available for inspection during

1 regular office hours.

2 (6) If ~~any a~~ property owner feels aggrieved at the
 3 classification ~~and/or~~ or the appraisal made by the
 4 department, he ~~shall-have~~ has the right to appeal to the
 5 county tax appeal board and then to the state tax appeal
 6 board, whose findings ~~shall-be~~ are final subject to the
 7 right of review in the courts. ~~The-property-owner-may-appeal~~
 8 ~~the---base---year---valuation---and---the---classification~~
 9 ~~determination;--The-property-owner-may-not-appeal-the--yearly~~
 10 ~~percentage--adjustments--that--are-specified-in-15-7-111-and~~
 11 ~~that-may-be-made-as-a-result-of-the-sales--assessment--ratio~~
 12 ~~study;--the--stratum;--or--area-designations-as-specified-in~~
 13 ~~15-7-111;~~

14 ~~{7}--The--percentage--adjustments;--stratum;--and--area~~
 15 ~~designations--must--be--adopted--by--administrative-rule;--An~~
 16 ~~annual-hearing-must-be--held--to--accept--testimony--on--the~~
 17 ~~percentage--adjustments;--stratum;--and--area-designations;--The~~
 18 ~~department-shall-present-its-findings-and-the-proposed-rules~~
 19 ~~to-the-revenue-oversight-committee."~~

20 **Section 2.** Section 15-7-103, MCA, is amended to read:

21 "15-7-103. Classification and appraisal -- general and
 22 uniform methods. (1) It is the duty of the department of
 23 revenue to implement the provisions of 15-7-101 through
 24 15-7-103 by providing:

25 (a) for a general and uniform method of classifying

1 lands in the state for the purpose of securing an equitable
2 and uniform basis of assessment of said the lands for
3 taxation purposes;

4 (b) for a general and uniform method of appraising city
5 and town lots;

6 (c) for a general and uniform method of appraising
7 rural and urban improvements;

8 (d) for a general and uniform method of appraising
9 timberlands.

10 (2) All lands ~~shall~~ must be classified according to
11 their use or uses and graded within each class according to
12 soil and productive capacity. In ~~such~~ the classification
13 work, use ~~shall~~ must be made of soil surveys and maps and
14 all other pertinent available information.

15 (3) All lands must be classified by parcels or
16 subdivisions not exceeding 1 section each, by the sections,
17 fractional sections, or lots of all tracts of land that have
18 been sectionized by the United States government, or by
19 metes and bounds, whichever yields a true description of the
20 land.

21 (4) All agricultural lands must be classified and
22 appraised as agricultural lands without regard to the best
23 and highest value use of adjacent or neighboring lands.

24 (5) In any periodic revaluation of taxable property
25 completed under the provisions of 15-7-111 after January 1,

1 1986, all property classified in 15-6-134 must be appraised
2 on its market value ~~in the same year. The department shall~~
3 ~~publish a rule specifying the year used in the appraisal.~~
4 Changes in market value resulting from a comprehensive
5 reappraisal executed under 15-7-111 must be phased in as
6 provided in 15-7-111.

7 (6) All sewage disposal systems and domestic use water
8 supply systems of all dwellings may not be appraised,
9 assessed, and taxed separately from the land, house, or
10 other improvements in which they are located. In no event
11 may the sewage disposal or domestic water supply systems be
12 included twice by including them in the valuation and
13 assessing them separately."

14 **Section 3.** Section 15-7-111, MCA, is amended to read:

15 "15-7-111. Periodic revaluation of taxable property --
16 ~~publication of sales assessment ratio studies -- appeal of~~
17 ~~revaluations.~~ (1) The department of revenue shall administer
18 and supervise a program for the revaluation of all taxable
19 property within the state ~~at least~~ every 5 3 years. A
20 comprehensive written reappraisal plan ~~shall~~ must be
21 promulgated by the department. The reappraisal plan adopted
22 ~~shall~~ must provide that all property in each county ~~shall~~
23 must be revalued ~~at least~~ every 5 3 years. The department
24 shall furnish a copy of the plan and all amendments to the
25 plan to the board of county commissioners in each county.

1 (2) Within each county, the department shall reappraise
2 one-third of all real property and improvements subject to
3 taxation in each year of the 3-year revaluation period so
4 that all real property and improvements subject to taxation
5 in the county are revalued during the 3-year period.

6 (3) Property reappraised in each year of the 3-year
7 period that experienced:

8 (a) an increase in value must have the increase phased
9 in in equal parts over the 3 years following the year of
10 reappraisal;

11 (b) no increase in value must retain the value for the
12 3-year period unless a new value is established because of
13 expansion, addition, replacement, remodeling, removal, or
14 destruction of improvements on or to the property as it was
15 initially assessed. The new value is the appraised value for
16 the taxable year immediately succeeding the year in which
17 the new value is determined.

18 (c) a decrease in value must have the decrease
19 recognized in the first year following the year of
20 reappraisal.

21 (2)(4) The new values determined each year during a
22 3-year revaluation cycle must be provided to the taxpayers
23 at the end of the revaluation cycle but may not be placed on
24 the tax rolls until 1 year following the completion of the
25 revaluation cycle each taxpayer whose property was

1 reappraised during the year and must also be available for
2 public inspection.

3 (3)(5) A taxpayer shall may appeal the new value in
4 advance of its placement on the tax rolls by filing an
5 appeal pursuant to 15-15-102 before the first Monday in June
6 or 15 days after receiving notice of the new valuation
7 amount, whichever is later, or be barred from appealing for
8 untimeliness.

9 (4) For the taxable year beginning January 1, 1990, and
10 for every taxable year thereafter, the department shall
11 conduct a stratified sales assessment ratio study of all
12 residential land and improvements, agricultural 1-acre
13 homesites and improvements, and commercial land and
14 improvements. The sales assessment ratio based on property
15 sales finalized and recorded by no later than November 1
16 must be used to determine appraisals for the immediately
17 succeeding tax year.

18 (5) The study required in subsection (4) must be based
19 on:

20 (a) commonly accepted statistical standards and
21 methodology;

22 (b) a statistically valid sample of sales, using data
23 from realty transfer certificates filed for up to 3 taxable
24 years prior to the year the study is made, taking into
25 account the dates of the included sales in the statistical

1 analysis; and

2 (c) the assessments and sales for areas of the state
3 that are economically, demographically, and geographically
4 similar in order to determine the sales assessment ratios
5 for a specific area.

6 (6) For purposes of conducting the study required by
7 subsection (4), the department shall partition the state
8 into as many as 100 areas for residential property and as
9 many as 20 areas for commercial property. The areas must
10 contain statistically sufficient numbers of sales and be as
11 economically and demographically homogeneous as reasonably
12 practicable.

13 (7) The department shall use the following procedure to
14 validate sales information:

15 (a) Department staff who did not participate in the
16 determination of appraised values are required to review the
17 sales transactions evidenced by a realty transfer
18 certificate. The review must be conducted to determine
19 whether each sale used in the study was a valid,
20 arm's-length transaction. Only valid, arm's-length sales may
21 be used in the sales assessment ratio study.

22 (b) The sales information entered in the
23 computer-assisted appraisal system is considered
24 confidential, as provided in 15-7-308. However, the
25 department shall annually publish a report containing the

1 results of all sales assessment ratio studies done in each
2 of the areas described in subsection (6). The report
3 containing the results of the study must be made available
4 to the public by request or by general disclosure.

5 (c) The department shall exclude from the sales
6 assessment ratio study any parcels in which the improvements
7 have been remodeled, reconstructed, or expanded between the
8 time of the assessment and the time of the sales.

9 (d) The department shall exclude sales assessment
10 ratios of less than 50% or greater than 200%.

11 (8) (a) The department shall have equalized property
12 values throughout the state and may not make further
13 adjustments to values under this section when the
14 assessments for each stratum within each area identified in
15 subsection (6) are rescaled to bring all ratios to common
16 value and when the sample size produces a standard error
17 of less than 5%.

18 (b) Under the method described in subsection (8) (a),
19 taxable property in each area is considered revalued for
20 each tax year, based on the results of the sales assessment
21 ratio study and the adjustments required by that study.

22 (c) Assessments in an area are considered equalized
23 under subsection (8) (a) if the ratio for the area is within
24 plus or minus 5% of common value.

25 **Section 4.** Section 15-7-132, MCA, is amended to read:

1 "15-7-132. Purpose. (1) It is the purpose of 5-18-115
2 and 15-7-131 through 15-7-133 to provide an additional 2
3 years for completion of the current revaluation cycle,
4 implemented pursuant to 15-7-111 through 15-7-114, in order
5 to permit the department of revenue to comply with the
6 revaluation requirements of 15-7-111 through 15-7-114 in a
7 manner that implements the policy provided for in 15-7-131.

8 (2) It is not necessary for the department to commence
9 another 5-year revaluation cycle pursuant to 15-7-111 until
10 January 1, 1993."

11 **Section 5.** Section 15-7-133, MCA, is amended to read:

12 "15-7-133. Extension of current revaluation cycle. (1)
13 Notwithstanding the provisions of 15-7-111 through 15-7-114,
14 the current revaluation cycle, implementing 15-7-111,
15 scheduled to end on December 31, 1990, and representing a
16 5-year period commencing January 1, 1986, is hereby extended
17 for an additional 2 years, ending December 31, 1992. The new
18 values determined during this period must be placed on the
19 tax rolls in accordance with 15-7-111(2).

20 (2) It is not necessary for the department to commence
21 another 5-year revaluation cycle pursuant to 15-7-111 until
22 January 1, 1993.

23 (3) The extension provided for in subsection (1) does
24 not affect the validity of any assessment made or any taxes
25 levied during the period from January 1, 1986, to December

1 31, 1992."

2 **Section 6.** Section 15-10-412, MCA, is amended to read:

3 "15-10-412. Property tax limited to 1986 levels --
4 clarification -- extension to all property classes. Section
5 15-10-402 is interpreted and clarified as follows:

6 (1) The limitation to 1986 levels is extended to apply
7 to all classes of property described in Title 15, chapter 6,
8 part 1.

9 (2) The limitation on the amount of taxes levied is
10 interpreted to mean that, except as otherwise provided in
11 this section, the actual tax liability for an individual
12 property is capped at the dollar amount due in each taxing
13 unit for the 1986 tax year. In tax years thereafter, the
14 property must be taxed in each taxing unit at the 1986 cap
15 or the product of the taxable value and mills levied,
16 whichever is less for each taxing unit, except in a taxing
17 unit that levied a tax in tax years 1983 through 1985 but
18 did not levy a tax in 1986, in which case the actual tax
19 liability for an individual property is capped at the dollar
20 amount due in that taxing unit for the 1985 tax year.

21 (3) The limitation on the amount of taxes levied does
22 not mean that no further increase may be made in the total
23 taxable valuation of a taxing unit as a result of:

24 (a) annexation of real property and improvements into a
25 taxing unit;

1 (b) construction, expansion, or remodeling of
 2 improvements;
 3 (c) transfer of property into a taxing unit;
 4 (d) subdivision of real property;
 5 (e) reclassification of property;
 6 (f) increases in the amount of production or the value
 7 of production for property described in 15-6-131 or
 8 15-6-132;
 9 (g) transfer of property from tax-exempt to taxable
 10 status;
 11 (h) revaluations caused by:
 12 (i) cyclical reappraisal; or
 13 (ii) expansion, addition, replacement, or remodeling of
 14 improvements; or
 15 (i) increases in property valuation pursuant to
 16 15-7-111~~(4)~~ through-~~(8)~~ in order to equalize property values
 17 annually.
 18 (4) The limitation on the amount of taxes levied does
 19 not mean that no further increase may be made in the taxable
 20 valuation or in the actual tax liability on individual
 21 property in each class as a result of:
 22 (a) a revaluation caused by:
 23 (i) construction, expansion, replacement, or remodeling
 24 of improvements that adds value to the property; or
 25 (ii) cyclical reappraisal;

1 (b) transfer of property into a taxing unit;
 2 (c) reclassification of property;
 3 (d) increases in the amount of production or the value
 4 of production for property described in 15-6-131 or
 5 15-6-132;
 6 (e) annexation of the individual property into a new
 7 taxing unit;
 8 (f) conversion of the individual property from
 9 tax-exempt to taxable status; or
 10 (g) increases in property valuation pursuant to
 11 15-7-111~~(4)~~-through-~~(8)~~ in order to equalize property values
 12 annually.
 13 (5) Property in classes four, twelve, and fourteen is
 14 valued according to the procedures used in 1986, including
 15 the designation of 1982 as the base year, until the
 16 reappraisal cycle beginning January 1, 1986, is completed
 17 and new valuations are placed on the tax rolls and a new
 18 base year designated, if the property is:
 19 (a) new construction;
 20 (b) expanded, deleted, replaced, or remodeled
 21 improvements;
 22 (c) annexed property; or
 23 (d) property converted from tax-exempt to taxable
 24 status.
 25 (6) Property described in subsections (5)(a) through

1 (5)(d) that is not class four, class twelve, or class
2 fourteen property is valued according to the procedures used
3 in 1986 but is also subject to the dollar cap in each taxing
4 unit based on 1986 mills levied.

5 (7) The limitation on the amount of taxes, as clarified
6 in this section, is intended to leave the property appraisal
7 and valuation methodology of the department of revenue
8 intact. Determinations of county classifications, salaries
9 of local government officers, and all other matters in which
10 total taxable valuation is an integral component are not
11 affected by 15-10-401 and 15-10-402 except for the use of
12 taxable valuation in fixing tax levies. In fixing tax
13 levies, the taxing units of local government may anticipate
14 the deficiency in revenues resulting from the tax
15 limitations in 15-10-401 and 15-10-402, while understanding
16 that regardless of the amount of mills levied, a taxpayer's
17 liability may not exceed the dollar amount due in each
18 taxing unit for the 1986 tax year unless:

19 (a) the taxing unit's taxable valuation decreases by 5%
20 or more from the 1986 tax year. If a taxing unit's taxable
21 valuation decreases by 5% or more from the 1986 tax year, it
22 may levy additional mills to compensate for the decreased
23 taxable valuation, but in no case may the mills levied
24 exceed a number calculated to equal the revenue from
25 property taxes for the 1986 tax year in that taxing unit.

1 (b) a levy authorized under Title 20 raised less
2 revenue in 1986 than was raised in either 1984 or 1985, in
3 which case the taxing unit may, after approval by the voters
4 in the taxing unit, raise each year thereafter an additional
5 number of mills but may not levy more revenue than the
6 3-year average of revenue raised for that purpose during
7 1984, 1985, and 1986;

8 (c) a levy authorized in 50-2-111 that was made in 1986
9 was for less than the number of mills levied in either 1984
10 or 1985, in which case the taxing unit may, after approval
11 by the voters in the taxing unit, levy each year thereafter
12 an additional number of mills but may not levy more than the
13 3-year average number of mills levied for that purpose
14 during 1984, 1985, and 1986.

15 (8) The limitation on the amount of taxes levied does
16 not apply to the following levy or special assessment
17 categories, whether or not they are based on commitments
18 made before or after approval of 15-10-401 and 15-10-402:

19 (a) rural improvement districts;
20 (b) special improvement districts;
21 (c) levies pledged for the repayment of bonded
22 indebtedness, including tax increment bonds;
23 (d) city street maintenance districts;
24 (e) tax increment financing districts;
25 (f) satisfaction of judgments against a taxing unit;

- 1 (g) street lighting assessments;
- 2 (h) revolving funds to support any categories specified
- 3 in this subsection (8);
- 4 (i) levies for economic development authorized pursuant
- 5 to 90-5-112(4); and
- 6 (j) elementary and high school districts.
- 7 (9) The limitation on the amount of taxes levied does
- 8 not apply in a taxing unit if the voters in the taxing unit
- 9 approve an increase in tax liability following a resolution
- 10 of the governing body of the taxing unit containing:
- 11 (a) a finding that there are insufficient funds to
- 12 adequately operate the taxing unit as a result of 15-10-401
- 13 and 15-10-402;
- 14 (b) an explanation of the nature of the financial
- 15 emergency;
- 16 (c) an estimate of the amount of funding shortfall
- 17 expected by the taxing unit;
- 18 (d) a statement that applicable fund balances are or by
- 19 the end of the fiscal year will be depleted;
- 20 (e) a finding that there are no alternative sources of
- 21 revenue;
- 22 (f) a summary of the alternatives that the governing
- 23 body of the taxing unit has considered; and
- 24 (g) a statement of the need for the increased revenue
- 25 and how it will be used.

- 1 (10) (a) The limitation on the amount of taxes levied
- 2 does not apply to levies required to address the funding of
- 3 relief of suffering of inhabitants caused by famine,
- 4 conflagration, or other public calamity.
- 5 (b) The limitation set forth in this chapter on the
- 6 amount of taxes levied does not apply to levies to support a
- 7 city-county board of health as provided in Title 50, chapter
- 8 2, if the governing bodies of the taxing units served by the
- 9 board of health determine, after a public hearing, that
- 10 public health programs require funds to ensure the public
- 11 health. A levy for the support of a local board of health
- 12 may not exceed the 5-mill limit established in 50-2-111.
- 13 (11) The limitation on the amount of taxes levied by a
- 14 taxing jurisdiction subject to a statutory maximum mill levy
- 15 does not prevent a taxing jurisdiction from increasing its
- 16 number of mills beyond the statutory maximum mill levy to
- 17 produce revenue equal to its 1986 revenue.
- 18 (12) The limitation on the amount of taxes levied does
- 19 not apply to a levy increase to repay taxes paid under
- 20 protest in accordance with 15-1-402."
- 21 NEW SECTION. Section 7. Saving clause. [This act] does
- 22 not affect rights and duties that matured, penalties that
- 23 were incurred, or proceedings that were begun before [the
- 24 effective date of this act].
- 25 NEW SECTION. Section 8. Effective date --

LC 0361/01

1 **applicability.** [This act] is effective on passage and
2 approval and applies to taxable years beginning on or after
3 January 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0402, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill requiring all real property and improvements subject to taxation be reappraised every three years, beginning January 1, 1993, rather than every five years; requiring that one-third of all real property in each county be appraised each year during the three-year cycle; requiring that when reappraisal shows an increase in value, the increase be phased in over a three-year period; and eliminating the requirement for the Department of Revenue to make adjustments to property assessments through the use of sales and assessment ratio studies.

ASSUMPTIONS:

1. Staff requirements are estimated by comparison to Maryland which administers a reappraisal cycle similar to that which would be implemented under HB0402. Estimates are adjusted to take into consideration differences in the number of parcels, geographic densities, and the implementation of a computer-assisted mass appraisal system (CAMAS). Staff levels comparable to Maryland would require the addition of four industrial appraisers, 19 county appraisers, and 34 property tax clerks.
2. Each appraisal year would create a new base year.
3. CAMAS would require considerable modification.

FISCAL IMPACT:

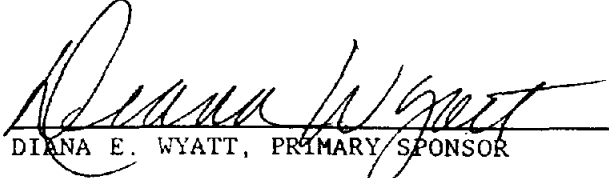
Department of Revenue: County Appraisal Offices and Helena Central Office

Expenditures:

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	328.46	328.46	0.00	328.46	356.96	28.50
Personal Services	7,898,051	7,898,051	0	7,894,230	8,503,420	609,190
Operating Expenses	1,697,512	1,997,512	300,000	1,710,326	2,108,803	398,477
Equipment	109,656	109,656	0	109,656	356,509	246,853
Debt Service	155,884	155,884	0	155,884	155,884	0
Total	9,861,103	10,161,103	300,000	9,870,096	11,124,616	1,254,520
<u>Funding:</u>						
General Fund	9,861,103	10,161,103	300,000	9,870,096	11,124,616	1,254,520

continued on next page


 ROD SUNDSTED, BUDGET DIRECTOR
 Office of Budget and Program Planning
 DATE 2-6-91


 DIANA E. WYATT, PRIMARY SPONSOR
 DATE 7 Feb 91
 Fiscal Note for HB0402, as introduced. **HB 402**

Fiscal Note Request, HB0402, as introduced.

Form BD-15

Page 2

LONG RANGE EFFECTS:

HB0402 applies to taxable years beginning January 1, 1993. Costs associated with system modifications, estimated at \$600,000 would be incurred in the 1993 biennium only. Costs in the 1995 biennium, estimated at \$2.78 million, would represent the fully-implemented biennial costs of HB0402.

TECHNICAL NOTES:

Section 2 of HB0402 requires the department to reappraise one-third of each county in each year of the three-year reappraisal cycle but does not specify a method for the department to partition a county into thirds.

The reference to new value on page 9, lines 11-17, should be incorporated into section (a) (lines 8-10). Otherwise, it would allow additional new construction value only if the reappraisal initially showed no increase in value.

HB 402