

HOUSE OF REPRESENTATIVES
PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE 2/5/91

NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIR	✓		
REP. ED DOLEZAL	✓		
REP. ORVAL ELLISON		✓	
REP. RUSSELL FAGG	✓		
REP. DAVID HOFFMAN	✓		
REP. ED MCCAFFREE	✓		
REP. MARK O'KEEFE	✓		
REP. TED SCHYE	✓		
REP. FRED THOMAS		✓	
REP. DAVE WANZENRIED	✓		
REP. DAN HARRINGTON, CHAIRMAN			

EXHIBIT 1 Pg. 1062
 DATE 2/5/91
 HB SC P. 791

OFFICE OF THE GOVERNOR
 BUDGET AND PROGRAM PLANNING



STAN STEPHENS, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

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HELENA, MONTANA 59620

February 5, 1991

To: Judy Ripplingale, Deputy Director
 Department of Revenue

From: Curtis Nichols, Deputy Director
 Office of Budget and Program Planning

Subject: Taxable value calculation of nontax revenue for GTB purposes

House Bill 28 required the inclusion of the "taxable value of nontax revenue" in the determination of eligibility for GTB aid and the calculation of the statewide, county, and district mill values that are used to determine the amounts of aid provided. The nontax revenue is "capitalized" into a taxable value by dividing the amount of revenue received by the mill levy of the respective district or county. The determination is made based on the previous years levy and nontax revenue. For example, if a district levied 10 mills for the general fund in FY 1991 and received \$5,000 from vehicle fees, the taxable value of this nontax revenue would be \$500,000. This calculation is illustrated below.

Nontax revenue	\$5,000		\$500,000
<u>Mills</u>	<u>.010</u>		

The implication of this procedure is that if the district had a \$500,000 tax base and applied its 10 mill levy it would have received the \$5,000.

This procedure leads to some strange circumstances for individual districts and generates unstable results as a whole. Some examples are listed below to illustrate.

	Polson Elem	Fertile Prairie ES	Sunburst Elem	Havre High
<u>FY 1991</u>				
Nontax revenue	\$13,991	\$5,230	\$7,257	\$72,601
Tax rate (mills)	1.54	.45	17.3	28.3
Taxable value nontax revenue	\$9,085,344	\$11,622,978	\$419,482	\$2,565,428
Taxable value of Oil & Gas	<u>0</u>	<u>13,985,177</u>	<u>6,006,833</u>	<u>7,332,338</u>
Total value nontax revenue	\$9,085,344	\$25,608,155	\$6,426,315	\$9,897,766
<u>FY 1992</u>				
Nontax revenue	\$13,991	\$5,230	\$7,257	\$72,601
Tax rate (mills)	0	0	.86	2.88
Taxable value nontax revenue	\$0	\$0	\$8,438,372	\$25,208,681
LGST Oil & Gas	\$0	\$6,244	\$94,152	\$183,005
Taxable value of Oil & Gas	<u>\$0</u>	<u>\$0</u>	<u>\$109,479,070</u>	<u>\$63,543,403</u>
Total value nontax revenue	\$0	\$0	\$117,917,442	\$88,752,084

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The instability of this method is clearly illustrated by the significant loss of taxable value experienced in Polson and Fertile Prairie when their mill levy drops to zero. This is not a loss in real taxable value nor a loss in nontax revenue but it does affect the districts eligibility for GTB aid and the amount of GTB aid they could receive. Polson, which in this case was ineligible for GTB aid in FY 1991 primarily due to the capitalization of nontax revenues by its low tax rate will be eligible in FY 1992. The steep rise in taxable value of nontax revenue in Sunburst and Havre due to their lower mill levies add significantly to the statewide GTB level and cost and also make Havre who was previously eligible for GTB aid no longer eligible. Note that if Sunburst reduces taxes by .86 Mill (to zero) its and the statewide value will fall by \$118 million.

The irrationality of this method is illustrated by the great divergence in taxable value for relatively similar amounts of nontax revenue. Sunburst and Fertile Prairie have similar amounts of nontax revenue yet the taxable value differs by \$11 million. If Fertile Prairie levy fell to zero so would its taxable value for nontax revenue.

It may be valuable to use a form of capitalization of nontax revenue for comparing the equalization levels of the public school system however it is not necessary to do so in the calculations of GTB aid and eligibility. This procedure is unstable and produces irrational results as currently applied.

VISITOR'S REGISTER

AGENCY(S) Property Tax SUBCOMMITTEE
ASSESSMENT COMMITTEE DATE 2/5/91
DEPARTMENT House of Rep. Rep. Cohen, V.C.

NAME	REPRESENTING	SUP- PORT	OP- POSE
<i>Samantha Bruchez</i>	<i>MAPP</i>		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.