HOUSE BILL NO. 882

2/19	Introduced
2/19	Referred to Taxation
2/19	Fiscal Note Requested
2/25	Fiscal Note Received
3/27	Hearing
	Died in Committee

CONSTITUTIONAL AMENDMENT

HOUSE BILL NO. 882

INTRODUCED BY SALES Ellerd Switzer Devlin Compton C. Smith Gilbert Williams Jenkins

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING ARTICLE VIII OF THE CONSTITUTION OF THE STATE OF MONTANA BY REPEALING SECTIONS 3 AND 4 THAT PROVIDE FOR STATEWIDE APPRAISAL, ASSESSMENT, AND EQUALIZATION AND BY REPLACING THOSE PROVISIONS WITH A PROHIBITION AGAINST STATE-IMPOSED TAXES ON REAL OR PERSONAL PROPERTY, BY ALLOWING A LOCAL GOVERNMENT OPTION TO TAX REAL AND PERSONAL PROPERTY, AND BY REQUIRING THE STATE TO IMPOSE A GENERAL SALES TAX OF UP TO 5 PERCENT TO RECOVER REVENUE LOSSES FROM THE PROHIBITION AGAINST STATE-IMPOSED PROPERTY TAXES; PROVIDING THAT THE ACT BE SUBMITTED TO THE ELECTORS OF THE STATE OF MONTANA; AND PROVIDING A CONTINGENT EFFECTIVE DATE."

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

Section 1. Repealer. Sections 3 and 4, Article VIII, of the Constitution of the State of Montana, are repealed.

Section 2. There is a new section in Article VIII of the Constitution of the State of Montana that reads:

"Section 15. State prohibited from levying property tax -- local option. The legislature is prohibited from imposing a tax on the value of real or personal property. A local government unit may, at its option, impose a tax on

real and personal property to defray the expenses of the local government unit."

Section 3. There is a new section in Article VIII of the Constitution of the State of Montana that reads:

"Section 16. Sales tax. The state shall levy a general sales tax of up to 5% to recover revenue losses because of the provisions of section 15."

Section 4. Effective date. If approved by the electorate, the amendments and repealers set forth in sections 1 through 3 are effective July 1, 1989.

Section 5. Submission to electorate. The amendments and repealers set forth in sections 1 through 3 shall be submitted to the electors of the State of Montana at the general election to be held in November 1986 by printing on the ballot the full title of this act and the following:

☐ FOR prohibiting state-imposed property taxes, allowing local governments to impose property taxes, and requiring a state sales tax to recover revenue losses.

☐ AGAINST prohibiting state-imposed property taxes, allowing local governments to impose property taxes, and requiring a state sales tax to recover revenue losses.

-End-

INTRODUCED BILL
HB 882

STATE OF MONTANA

REQUEST NO. FNN 481-85

FISCAL NOTE

Form BD-15

In compliance with a written request received February 19 19 85 , there is hereby submitted a Fiscal Note for H.B. 882 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending Article VIII of the constitution of the state of Montana by repealing Sections 3 and 4 that provide for statewide appraisal, assessment, and equalization and by replacing those provisions with a prohibition against state-imposed taxes on real or personal property, by allowing a local government option to tax real and personal property, and by requiring the state to impose a general sales tax of up to 5 percent to recover revenue losses from the prohibition against state-imposed property taxes; providing that the act be submitted to the electors of the state of Montana; and providing a contingent effective date.

FISCAL IMPACT:

No effect on revenue during the 86-87 biennium or the 88-89 biennium since the amendment has an effective date of July 1, 1989.

If the amendment were to receive an affirmative vote in November 1986, the 1987 and 1989 Legislative Sessions would have the opportunity to consider a sales tax bill and to provide for phasing out state administration of the property tax system.

Property tax administration will cost the state approximately $11.2 million in FY 86 and $10.9 million in FY 87. Part (or perhaps all) of these costs will be shifted back to local government in order to maintain the property tax as a revenue source for local government units. The taxable value of the state is estimated to be $2.397 billion for FY 86 and $2.444 billion for FY 87. Approximately 50% of the tax base arises from centrally assessed property (i.e.: railroads, airlines, utilities, net proceeds, gross proceeds, etc). Because of the specialized nature of the assessment procedures involved, it is improbable that county government would be able to duplicate them and, consequently, the local tax bases would, in all likelihood, shrink in direct relation to the difficulty the local authority experienced in valuing this type of property. This, in turn, would shift the tax burden to property which is not centrally assessed in the current system.

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 22, 1985

HB 882

FN10:L/3

Request No. FNN 481-85
Form BD-15 page 2

FISCAL IMPACT: (continued)

If a sales tax were in effect during the 86-87 biennium, each 1% increment would generate \$46.0 million in FY 86 and \$47.5 million in FY 87. This estimate assumes exemption of off-premise food, tobacco, drugs, and motor fuels from the sales tax base. Under current law, property taxes arising from the 6 mill levy for the university system and 45 mill levy for the school foundation programs will amount to approximately \$122.3 million in FY 86 and \$124.8 million in FY 87. Thus, a sales tax of approximately 2.66% would be needed to recover the revenue.