

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



## STATE OF MONTANA

## FISCAL NOTE

REQUEST NO. FNN 481-85Form 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:

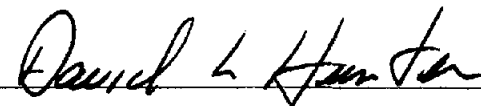
An act amending Article VIII of the constitution of the state of Montana by repealing Sections 3 and 4 that provide for statewide appraisal, assessment, and equalization and by replacing those provisions with a prohibition against state-imposed taxes on real or personal property, by allowing a local 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.



BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 22, 1985  
HB 882

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.