

HB 384 INTRODUCED BY RAPP-SVRCEK, ET AL.
AMEND CONSTITUTION TO ALLOW ASSESSING RESIDENTIAL
PROPERTY AT ACQUISITION VALUE

1/21 INTRODUCED
1/21 REFERRED TO TAXATION
1/21 FISCAL NOTE REQUESTED
1/28 FISCAL NOTE RECEIVED
2/11 HEARING
2/13 TABLED IN COMMITTEE

CONSTITUTIONAL AMENDMENT

1 House BILL NO. 384
 2 INTRODUCED BY Lepp-Sonck Campbell Co. D. G. Long
 3 Klaus Senator Richard Hollister
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO SUBMIT TO THE
 5 QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII,
 6 SECTIONS 3 AND 4, OF THE MONTANA CONSTITUTION TO REQUIRE
 7 COUNTY ASSESSORS TO ASSESS RESIDENTIAL PROPERTY BASED ON
 8 ACQUISITION VALUE AND NOT MARKET VALUE; AND PROVIDING AN
 9 EFFECTIVE DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Article VIII, section 3, of The
 13 Constitution of the State of Montana is amended to read:

14 "Section 3. Property tax administration. (1) The
 15 state shall appraise, assess, and equalize the valuation of
 16 all property, except residential property, which is to be
 17 taxed in the manner provided by law.

18 (2) County assessors shall assess residential property
 19 based on acquisition value and not market value."

20 Section 2. Article VIII, section 4, of The
 21 Constitution of the State of Montana is amended to read:

22 "Section 4. Equal valuation of nonresidential
 23 property. All taxing jurisdictions shall use the assessed
 24 valuation of nonresidential property established by the
 25 state."

1 NEW SECTION. Section 3. Effective date. If approved
 2 by the electorate, these amendments are effective January 1,
 3 1989.

4 NEW SECTION. Section 4. Submission to electorate.
 5 These amendments shall be submitted to the electors of
 6 Montana at the general election to be held November 8, 1988,
 7 by printing on the ballot the full title of this act and the
 8 following:

- 9 FOR amending the Montana Constitution to require
- 10 county assessors to assess residential property
- 11 based on acquisition value and not market value.
- 12 AGAINST amending the Montana Constitution to require
- 13 county assessors to assess residential property
- 14 based on acquisition value and not market value.

-End-



STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB384, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to submit to the qualified electors of Montana amendments to Article VIII, Sections 3 and 4, of the Montana Constitution to require county assessors to assess residential property based on acquisition value and not market value; and providing an effective date.

ASSUMPTIONS:

1. The proposed constitutional amendment would require all residential property to be valued at its original acquisition value. If property was purchased in 1940 by the current owner, the 1940 purchase price would go on the tax rolls.
2. The proposal will require county assessors to update all of their residential property records to replace the current value with the acquisition value. About 370,000 records would have to be updated at a significant cost to taxpayers (who have to certify acquisition values) and local governments. Estimates of the cost of the updates are not included in the note.


FISCAL IMPACT:

The proposal will have no effect on revenues in the biennium because it applies to tax year 1989 (FY90 receipts).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Fiscal Impact:

The proposal would have a significant impact on state property tax collections as outdated acquisition prices replace 1982 market values. These reductions would occur beginning in FY90. Precise estimates of the impact are not possible due to the lack of data.

 DATE 1/29/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
PAUL RAPP-SVRCEK, PRIMARY SPONSOR

Fiscal Note for HB384, as introduced.

HB-384

Effect on Expenditures:

The proposal will shift the cost of residential property appraisal from the state to local governments and taxpayers. Under the specific system proposed in HB383, where only a portion of the values are changed, the shift would be as follows (see fiscal note for HB383 for assumptions):

	FY90 and Beyond		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
State Costs	\$10,442,376	\$ 9,621,920	(\$ 820,456)
Local Costs	0	755,970	755,970
Total Costs	\$10,442,376	\$10,377,890	(\$ 64,486)

Local governments would have higher costs the first year of the proposal because all residential property records would have to be updated in the first 6 months of 1989.

Effect on Local Revenues:

The proposal would have a significant impact on local property tax collections as outdated acquisition prices replace 1982 market values. These reductions would occur beginning in FY90. Precise estimates of the impact are not possible due to the lack of data.