

HB 395 INTRODUCED BY BRANDEWIE, ET AL.
AMEND CONSTITUTION TO LIMIT REAL AND PERSONAL
TAX TO A PERCENTAGE OF MARKET VALUE

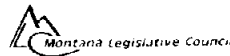
1/22 INTRODUCED
1/22 REFERRED TO TAXATION
2/16 HEARING
2/23 FISCAL NOTE REQUESTED
3/02 FISCAL NOTE RECEIVED
3/20 COMMITTEE REPORT--BILL PASSED AS AMENDED
3/24 2ND READING NOT PASSED AS AMENDED 52 47

CONSTITUTIONAL AMENDMENT

1 *House* BILL NO. *395*
 2 INTRODUCED BY *David Ramirez* *HARR* *Henry*
 3 *Wilson* *Heidberg* *Richardson* *Sherr*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO SUBMIT TO THE
 5 QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII,
 6 SECTION 3, OF THE MONTANA CONSTITUTION TO LIMIT THE TAX ON
 7 REAL AND PERSONAL PROPERTY TO THREE-FOURTHS OF ONE PERCENT
 8 OF MARKET VALUE; AND PROVIDING AN EFFECTIVE DATE."
 9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 Section 1. Article VIII, section 3, of The
 12 Constitution of the State of Montana is amended to read:
 13 "Section 3. Property tax administration. (1) The
 14 state shall appraise, assess, and equalize the valuation of
 15 all property which is to be taxed in the manner provided by
 16 law.
 17 (2) The maximum amount of any tax on real and personal
 18 property may not exceed three-fourths of one percent (0.75%)
 19 of the market value of the property.
 20 (3) The limitation on taxes in subsection (2) does not
 21 apply to taxes pledged to repay the interest and redemption
 22 charges on any indebtedness approved before January 1, 1989.
 23 (4) The limitation on taxes in subsection (2) does not
 24 apply to:
 25 (a) special assessments not subject to levy; or

1 (b) levies for rural improvement districts or special
 2 improvement districts."
 3 NEW SECTION. Section 2. Effective date. If approved
 4 by the electorate, this amendment is effective January 1,
 5 1989.
 6 NEW SECTION. Section 3. Submission to electorate.
 7 This amendment shall be submitted to the electors of Montana
 8 at the general election to be held November 8, 1988, by
 9 printing on the ballot the full title of this act and the
 10 following:
 11 FOR amending the Montana Constitution to limit the
 12 tax on real and personal property to three-fourths
 13 of one percent of the market value of the property.
 14 AGAINST amending the Montana Constitution to limit
 15 the tax on real and personal property to
 16 three-fourths of one percent of the market value of
 17 the property.

-End-



-2- INTRODUCED BILL
HB-395

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB395, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to submit to the qualified electors of Montana an amendment to Article VIII, Section 3, of the Montana Constitution to limit the ad valorem tax on real and personal property to three-quarters of one percent of market value.

ASSUMPTIONS:

1. If approved by the electorate, the proposal would apply to tax year 1989 (FY90 receipts).
2. The proposal would apply to all real and personal property and to assessed values as determined by state statute (see technical note).
3. 1986 property tax data for counties and cities/towns was used to assess the potential impact of the proposal. Average 1986 county mill levies are used for the counties; actual city levies are used for the cities. These assessed values and mill levies are assumed to apply to tax year 1989.
4. It is assumed that the university and school foundation levies have priority over all other levies.

FISCAL IMPACT:

The proposal will have no effect on revenue or expenditures in the biennium.

LONG RANGE IMPACT OF THE PROPOSAL:

Fiscal Impact:

Assuming the proposal applies to all real and personal property and the cap applies to assessed values (market or other basis), the proposal would reduce revenues from the school foundation and university levies by \$33,022,000. This impact is reduced to \$92,700 when net and gross proceeds, and agricultural land, which are not assessed on a market value basis, are removed from the cap (see technical note).

Effect of Local Government Revenues:

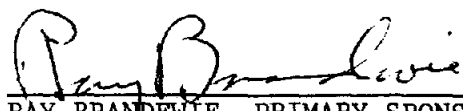
The proposal, assuming that it applies to all classes of property, would reduce local revenues by \$302,706,000 per year. Removing net and gross proceeds, and agricultural land from the cap reduces the impact to \$217,432,000. Most of the relief goes to personal property. Class four land and improvements (residential and commercial property) would receive \$87,181,000 in tax relief.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

State statutes require that all property is to be assessed at 100 percent of market value except Classes 1,2,3 and 13 (15-8-111, MCA). These properties are assessed using standards other than market value. Yet, the proposal applies the cap to all real and personal property.

 DATE 2/26/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

 DATE _____
RAY BRANDEWIE, PRIMARY SPONSOR

Fiscal Note for HB395, as introduced.

HB 395

Constitutional Amendment for 0.75% Cap on Property Taxes
All Property Except Classes 1, 2, 3 and 13

County	Taxable Value	Market Value	Current Tax Liability	Proposed Tax Liability at 0.75% Cap	Tax Liability Lost	Current Effective Tax Rate
BEAVERHEAD	12,047,482	225,030,919	3,631,096	1,687,632	(1,943,464)	1.61%
BIG HORN	30,833,580	422,882,755	3,775,493	2,618,599	(1,156,894)	0.89%
BLAINE	10,866,925	171,587,507	1,993,264	1,138,411	(854,854)	1.16%
BROADWATER	10,297,311	142,969,740	2,150,287	1,042,516	(1,107,771)	1.50%
CARBON	14,275,317	283,369,254	3,637,310	2,088,081	(1,549,229)	1.28%
CARTER	3,702,164	62,189,140	1,058,783	466,419	(592,364)	1.70%
CASCADE	87,841,404	1,738,302,041	35,035,570	13,030,717	(22,004,853)	2.02%
CHOUTEAU	14,360,646	239,770,773	3,638,204	1,778,111	(1,860,092)	1.52%
CUSTER	14,905,353	284,806,177	6,042,674	2,135,132	(3,907,542)	2.12%
DANIELS	5,666,361	96,979,917	1,865,667	727,178	(1,138,489)	1.92%
DAWSON	18,912,397	327,493,461	6,192,144	2,456,201	(3,735,943)	1.89%
DEER LODGE	9,055,383	180,786,432	3,715,604	1,355,215	(2,360,389)	2.06%
FALLON	12,158,689	158,403,689	1,260,973	992,001	(268,973)	0.80%
FERGUS	14,779,796	274,953,039	5,493,954	2,055,763	(3,438,191)	2.00%
FLATHEAD	91,186,089	1,870,330,402	30,414,914	14,020,657	(16,394,256)	1.63%
GALLATIN	63,554,422	1,276,244,961	21,088,886	9,570,252	(11,518,635)	1.65%
GARFIELD	3,235,636	59,198,709	614,134	408,407	(205,727)	1.04%
GLACIER	16,356,890	245,854,580	3,949,951	1,814,482	(2,135,470)	1.61%
GOLDEN VALLE	4,226,522	54,467,089	940,805	398,961	(541,844)	1.73%
GRANITE	5,429,585	82,775,044	1,769,102	620,813	(1,148,289)	2.14%
HILL	25,936,831	461,833,723	7,274,824	3,448,595	(3,826,229)	1.58%
JEFFERSON	16,037,250	228,815,486	5,010,700	1,716,116	(3,294,584)	2.19%
JUDITH BASIN	6,204,883	95,182,887	1,582,765	713,738	(869,027)	1.66%
LAKE	29,844,554	631,567,567	7,453,377	4,718,807	(2,734,569)	1.18%
LEWIS AND CL	65,887,995	1,302,156,754	24,994,422	9,731,549	(15,262,873)	1.92%
LIBERTY	6,443,117	103,908,686	1,180,397	688,746	(491,651)	1.14%
LINCOLN	29,843,232	512,057,034	7,168,472	3,810,958	(3,357,514)	1.40%
MADISON	13,144,568	236,419,945	3,112,911	1,730,848	(1,382,062)	1.32%
MCCONE	5,880,087	107,175,172	1,650,053	803,797	(846,255)	1.54%
MEAGHER	6,366,841	87,187,013	1,598,477	652,038	(946,439)	1.83%
MINERAL	5,384,006	80,865,074	1,979,518	606,488	(1,373,030)	2.45%
MISSOULA	113,846,321	2,229,083,844	41,001,370	16,712,926	(24,288,444)	1.84%
MUSSELSHELL	6,063,712	107,261,076	965,748	684,907	(280,841)	0.90%
PARK	18,821,325	370,499,735	5,822,266	2,776,902	(3,045,364)	1.57%
PETROLEUM	971,326	19,099,612	161,408	117,537	(43,870)	0.85%
PHILLIPS	17,103,517	234,033,852	3,463,316	1,679,132	(1,784,185)	1.48%
PONDERA	11,150,309	191,220,234	3,134,586	1,434,123	(1,700,463)	1.64%
POWDER RIVER	6,096,966	101,058,206	773,117	570,825	(202,292)	0.77%
POWELL	11,214,306	169,636,019	3,345,562	1,271,550	(2,074,013)	1.97%
FRAIRIE	3,869,108	59,624,440	833,171	427,991	(405,180)	1.40%
RAVALLI	26,786,713	589,245,616	7,110,317	4,413,792	(2,696,525)	1.21%
RICHLAND	26,438,390	423,097,099	3,960,316	2,707,906	(1,252,410)	0.94%
ROOSEVELT	28,565,865	340,637,799	4,903,842	2,411,799	(2,492,043)	1.44%
ROSEBUD	148,034,870	1,757,990,212	15,791,447	10,418,737	(5,372,710)	0.90%
SANDERS	29,748,075	350,782,087	6,091,458	2,575,343	(3,516,116)	1.74%
SHERIDAN	12,986,013	193,117,047	1,875,448	1,247,465	(627,983)	0.97%
SILVER BOW	36,914,399	748,421,049	14,573,746	5,609,753	(8,963,993)	1.95%
STILLWATER	13,509,351	224,388,196	3,382,902	1,675,306	(1,707,596)	1.51%
SWEET GRASS	6,082,953	117,857,213	1,761,435	883,875	(877,559)	1.49%
TETON	11,084,022	194,977,415	2,840,766	1,448,897	(1,391,868)	1.46%
TOOLE	14,472,223	212,650,545	2,517,226	1,425,756	(1,091,480)	1.18%
TREASURE	4,582,820	53,374,486	972,283	390,657	(581,625)	1.82%
VALLEY	27,516,417	380,143,664	6,066,080	2,778,110	(3,287,970)	1.60%
WHEATLAND	5,933,779	77,494,382	1,516,391	581,036	(935,355)	1.96%
WIBAUX	4,296,698	57,557,724	617,364	370,909	(246,456)	1.07%
YELLOWSTONE	213,618,657	4,277,698,297	67,642,293	32,040,479	(35,601,814)	1.58%
Total	1,454,333,955	25,526,520,419	402,403,597	185,682,939	(216,720,658)	1.58%

HB 395

EFFECT OF .75% CAP ON TAX LIABILITY

Property Class	Taxable Value	Market Value	Current Tax Liability	Proposed Tax at 0.75% Limit	Tax Loss	Current Effective Tax Rate
4	602,998,059	15,662,507,069	202,411,268	116,497,565	(85,913,703)	1.29%
5	30,553,404	1,018,446,800	5,661,135	4,950,290	(710,845)	0.56%
6	29,124,574	728,114,350	6,604,600	5,460,857	(1,143,743)	0.91%
7	8,868,678	110,858,475	2,800,746	831,369	(1,969,377)	2.53%
8	208,813,774	1,898,307,036	48,019,655	14,237,303	(33,782,352)	2.53%
9	47,419,045	364,761,885	15,556,403	2,735,714	(13,820,689)	4.54%
10	22,467,091	140,419,319	5,720,577	1,044,275	(4,676,302)	4.07%
11	340,547,997	2,837,899,975	73,375,575	20,853,041	(52,522,534)	2.57%
12	15,365,175	180,077,310	4,475,050	1,350,580	(3,124,470)	2.49%
14	55,176,802	1,786,273,599	13,035,580	11,881,767	(1,153,813)	0.73%
15	83,847,680	698,730,667	20,855,351	5,240,480	(15,614,871)	2.98%
16	5,095,158	46,319,618	1,532,403	346,165	(1,186,238)	3.31%
17	4,056,518	33,804,317	1,355,254	253,532	(1,101,722)	4.01%
Total	1,454,333,955	25,526,520,419	402,403,596	185,682,939	(216,720,658)	1.58%

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 395

INTRODUCED BY BRANDEWIE, RAMIREZ, HARP, KEATING,
GLASER, HARDING, HOFMAN, ANDERSON, SIMON, SWIFT,
KITSELMAN, MERCER, HANNAH

A BILL FOR AN ACT ENTITLED: "AN ACT TO SUBMIT TO THE
QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII,
SECTION 3, OF THE MONTANA CONSTITUTION TO LIMIT THE TAX ON
REAL AND PERSONAL PROPERTY TO ~~THREE-FOURTHS-OF-ONE-PERCENT~~ A
PERCENTAGE OF MARKET VALUE; AND PROVIDING AN EFFECTIVE
DATE."

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

Section 1. Article VIII, section 3, of The
Constitution of the State of Montana is amended to read:

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

(2) The maximum amount of any tax on real and personal
property may not exceed three-fourths-of-one-percent-(0.75%)
THE PERCENTAGE of the market value of the property THAT
EXISTED IN THE BASE YEAR 1988. THE STATE SHALL ADJUST MARKET
VALUE FOR EACH CLASS OF PROPERTY, BY COUNTY, BY THE AVERAGE
INCREASES IN MARKET VALUE DETERMINED BY SALES DATA FROM

SALES OF COMPARABLE PROPERTY.

(3) The limitation on taxes in subsection (2) does not
apply to taxes pledged to repay the interest and redemption
charges on any indebtedness approved before January 1, 1989.

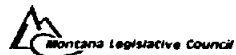
(4) The limitation on taxes in subsection (2) does not
apply to:

- (a) special assessments not subject to levy; or
- (b) levies for rural improvement districts or special
improvement districts.

(5) THE LIMITATION ON TAXES IN SUBSECTION (2) DOES NOT
APPLY TO:

- (A) CONSTRUCTION, EXPANSION, OR REMODELING OF
IMPROVEMENTS;
- (B) SUBDIVISION OF REAL PROPERTY;
- (C) RECLASSIFICATION OF PROPERTY; OR
- (D) TRANSFER OF PROPERTY FROM TAX-EXEMPT TO TAXABLE
STATUS.

(6) THE LIMITATION ON TAXES IN SUBSECTION (2) DOES NOT
APPLY IF THE TAXING UNIT'S TAXABLE VALUATION DECREASES BY 5%
OR MORE FROM THE PREVIOUS TAX YEAR. IF A TAXING UNIT'S
TAXABLE VALUATION DECREASES BY 5% OR MORE FROM THE PREVIOUS
TAX YEAR, IT MAY LEVY ADDITIONAL MILLS TO COMPENSATE FOR THE
DECREASED TAXABLE VALUATION, BUT IN NO CASE MAY THE MILLS
LEVIED EXCEED A NUMBER CALCULATED TO EQUAL THE REVENUE FROM
PROPERTY TAXES FOR THE PREVIOUS TAX YEAR IN THAT TAXING



1 UNIT.
 2 (7) THE LIMITATION ON TAXES IN SUBSECTION (2) DOES NOT
 3 APPLY IF:
 4 (A) THE LEGISLATURE DECLARES A FISCAL EMERGENCY BY A
 5 TWO-THIRDS VOTE OF EACH HOUSE;
 6 (B) THE DECLARATION IS SPECIFIC AS TO THE NATURE AND
 7 DOLLAR AMOUNT OF THE EMERGENCY AND THE METHOD BY WHICH THE
 8 EMERGENCY SHOULD BE FUNDED;
 9 (C) THE EMERGENCY IS DECLARED BEFORE ANY OF THE
 10 EXPENSES THAT CONSTITUTE THE EMERGENCY REQUEST ARE INCURRED;
 11 AND
 12 (D) THE TAX LIMIT IS EXCEEDED ONLY DURING THE FISCAL
 13 YEAR FOR WHICH THE EMERGENCY IS DECLARED."

14 NEW SECTION. Section 2. Effective date. If approved
 15 by the electorate, this amendment is effective January 1,
 16 1989.

17 NEW SECTION. Section 3. Submission to electorate.
 18 This amendment shall be submitted to the electors of Montana
 19 at the general election to be held November 8, 1988, by
 20 printing on the ballot the full title of this act and the
 21 following:

- 22 FOR amending the Montana Constitution to limit the
- 23 tax on real and personal property to three-fourths
- 24 of one percent of the market value of the property.
- 25 AGAINST amending the Montana Constitution to limit

1 the tax on real and personal property to
 2 three-fourths of one percent of the market value of
 3 the property.

-End-