

SB 30 INTRODUCED BY HAGER
RETURN PROPERTY TAX APPRAISAL AND ASSESSMENT TO
 COUNTY

1/02 FISCAL NOTE REQUESTED
1/02 FISCAL NOTE RECEIVED
1/05 INTRODUCED
1/05 REFERRED TO TAXATION
2/20 HEARING
2/21 ADVERSE COMMITTEE REPORT ADOPTED 27 21
 (PROPOSED CONSTITUTIONAL AMENDMENT;
 PROCEEDED IN PROCESS)
2/24 REREFERRED TO TAXATION
3/06 TABLED IN COMMITTEE

1 SENATE BILL NO. 30
 2 INTRODUCED BY HAGER
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO SUBMIT TO THE
 5 QUALIFIED ELECTORS OF MONTANA AMENDMENTS TO ARTICLE VIII,
 6 SECTIONS 3 AND 4, OF THE MONTANA CONSTITUTION TO RETURN THE
 7 ASSESSMENT OF PROPERTY FOR TAXATION TO THE COUNTY LEVEL, IN
 8 A MANNER SIMILAR TO THAT PROVIDED UNDER THE 1889
 9 CONSTITUTION OF MONTANA, BY PROVIDING FOR ASSESSMENT AND
 10 APPRAISAL BY COUNTY ASSESSORS AND ESTABLISHING COUNTY AND
 11 STATE BOARDS OF EQUALIZATION; AND TO PROVIDE FOR A
 12 TRANSITION APPOINTMENT PROVISION TO ESTABLISH STAGGERED
 13 6-YEAR TERMS FOR MEMBERS OF THE STATE BOARD OF
 14 EQUALIZATION."

15
 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

19 "Section 3. Property tax administration. ~~The state~~ In
 20 each county the assessor shall appraise, and assess,--and
 21 equalize the valuation of all property which is to be taxed
 22 in the manner provided by law. The appraisal and assessment
 23 of intercounty property must be made as provided by law."

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

1 "Section 4. Equal County and state boards of
 2 equalization -- equal valuation. (1) In each county the
 3 board of county commissioners or legislative body of the
 4 county is the county board of equalization. Under the
 5 supervision of the state board of equalization, the county
 6 board of equalization shall adjust and equalize the
 7 valuation of taxable property within the county.

8 (2) The state board of equalization is composed of
 9 three members appointed by the governor, subject to
 10 confirmation by the senate. The term of office of a member
 11 is 6 years. Vacancies in office must be filled for the
 12 remainder of the term in the manner provided by law.

13 (3) The state board of equalization shall:

14 (a) adjust and equalize the valuation of taxable
 15 property:

16 (i) among the counties;

17 (ii) among the different classes of taxable property in
 18 any county or counties; and

19 (iii) between individual taxpayers;

20 (b) supervise and review the acts of county assessors
 21 and county boards of equalization and may change valuations
 22 made by them;

23 (c) exercise the authority necessary to secure a fair,
 24 just, and equitable valuation of property among counties,
 25 among different classes of property, and between individual

1 taxpayers; and
 2 (d) perform other duties prescribed by law.
 3 (4) All taxing jurisdictions shall use the assessed
 4 valuation--of guidelines for assessment of property
 5 established by the state board of equalization."

6 NEW SECTION. Section 3. Transition -- initial terms
 7 of members of state board of equalization. (1) The members
 8 of the state board of equalization must be initially
 9 appointed to provide staggered terms of office. The initial
 10 appointments by the governor must be made for one member to
 11 have a 2-year term, one member to have a 4-year term, and
 12 one member to have a 6-year term. A vacancy must be filled
 13 for the unexpired term of the vacated office.

14 (2) This section is temporary and terminates July 1,
 15 1993.

16 NEW SECTION. Section 4. Submission to electorate.
 17 This amendment shall be submitted to the electors of Montana
 18 at the general election to be held November 8, 1988, by
 19 printing on the ballot the full title of this act and the
 20 following:

- 21 FOR amending the Montana Constitution to establish
- 22 county property tax appraisal and assessment and to
- 23 establish county and state boards of equalization.
- 24 AGAINST amending the Montana Constitution to
- 25 establish county property tax appraisal and

1 assessment and to establish county and state boards
 2 of equalization.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

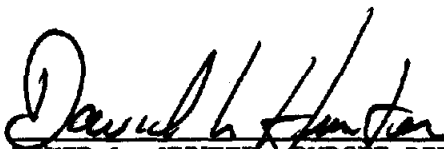
In compliance with a written request, there is hereby submitted a Fiscal Note for SB030, as introduced.

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 return the assessment of property for taxation to the county level, in a manner similar to that provided under the 1889 Constitution of Montana, by providing for assessment and appraisal by county assessors and establishing county and state boards of equalization; and to provide for a transition appointment provision to establish staggered 6-year terms for members of the state board of equalization.

ASSUMPTIONS:

1. If approved by the people, the act proposed in this bill would become effective July 1, 1989 (in accordance with 13-27-105 MCA).
2. The revenue needs of taxing jurisdictions will be at least as great as under current law, hence there will be no reduction in taxes levied.
3. General fund expenditures for property assessment at the state level will be reduced beginning in FY90 by \$10,072,576 (\$10,422,376 (FY89 Executive Budget) less \$349,800 for the operation of the inter-county property bureau).
4. The proposed State Board of Equalization will have available sufficient staff resources (auditors and supervisors) and legal authority to prevent an erosion of the local property tax base.
5. It is assumed that the State Board of Equalization has a base staff that is identical to the State Tax Appeals Board. However, additional resources are required to handle litigation and to supervise and monitor local assessors.


DATE 1/8/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
TOM HAGER, PRIMARY SPONSOR
Fiscal Note for SB030, as introduced.

6. The general fund expenditures required for the State Board of Equalization to carry out their statutory responsibilities of supervision of assessors and equalization of property values between and among counties would be as follows (at FY 87 levels):

<u>Expenditure Item</u>	<u>Grade/Step</u>	<u>Cost w/o Benefits</u>	<u>Cost w/ Benefits (@ 23%)</u>
Board and Support Staff:			
State Tax Appeal Board Base Assumption (89 Executive Budget)			\$ 236,324
Additional Overhead and Legal Staff:			
1 Administrator	19/2	\$ 34,288	
2 Attorneys	16/2	\$ 53,432	
<u>1 Legal Secretary</u>	11/2	<u>\$ 18,185</u>	
Subtotal		\$105,905	\$ 130,263
Audit Staff to Review Assessors (Equalization):			
4 Auditors*	13/2	\$ 83,716	
<u>1 Clerical Support</u>	8/2	<u>\$ 14,934</u>	
Subtotal		\$ 98,650	\$ 121,340
Supervisory Staff for Assessors and Appraisers:			
10 Area Managers	16/2	\$267,160	
5 Appraisal Staff	12/2	\$ 97,465	
5 Appraisal Staff	13/2	\$104,645	
<u>2 Training Staff</u>	14/2	<u>\$ 45,462</u>	
Subtotal		\$514,732	\$ 633,120
Operating Costs:			
Communications (89 Levels)		\$ 40,000	
Equipment (from Property Division)		\$ 0	
Supplies		\$ 20,000	
<u>Sales/Ratio Studies (\$10,000/county)</u>		<u>\$ 560,000</u>	
Subtotal		\$ 620,000	\$ 620,000
Grand Total			\$1,741,047

* Existing audit staff.

7. Counties will be required to increase property tax levies to pay for the cost of administering county level property tax as follows.

<u>Expenditure Item</u>	<u>Grade/Step</u>	<u>Cost w/o Benefits</u>	<u>Cost w/ Benefits (@ 23%)</u>
Current Property Tax Costs			\$ 10,072,576
Less: Administrative Overhead			(204,549)
<u>Area Managers (w/benefits)</u>			(328,606)
Subtotal			\$ 9,539,421
Additional Costs:			
Staff:			
31 Timber Appraisers*	13/2	\$ 648,799	
42 Industrial Appraisers*	13/2	\$ 879,018	
<u>30 Appraisers**</u>	10/2	<u>\$ 510,090</u>	
Staff Subtotal		\$2,037,907	\$ 2,506,625
Operating Costs:			
Automobiles 110 @ \$7,000 each			\$ 770,000
Equipment @ \$1,000 per additional FTE			\$ 103,000
Appraisal Manuals 28 @ \$1300 each			\$ 36,400
Total Additional Local Cost			\$ 12,955,446

* See Long-Range Impact Discussion.
 ** 156,900 appraisals per year at 20 min. increase per appraisal due to the lack of an automated state appraisal system.

Cost Summary per Assumptions:

	<u>Current Law</u>	FY 90 and Beyond <u>Proposed Law</u>	<u>Difference</u>
<u>State Costs:</u>			
Existing State Program:			
Administrative Overhead	\$ 204,549	\$ 0	(\$ 204,549)
Area Managers	\$ 328,606	\$ 0	(\$ 328,606)
Inter-County Property	\$ 349,800	\$ 349,800	\$ 0
<u>Other Division Costs</u>	<u>\$ 9,539,421</u>	<u>\$ 0</u>	<u>(\$ 9,539,421)</u>
Subtotal - Existing	\$ 10,422,376	\$ 349,800	(\$ 10,072,576)
Board of Equalization:			
STAB Base Assumption	\$ 0	\$ 236,324	\$ 236,324
Admin. & Legal Staff	\$ 0	\$ 130,263	\$ 130,263
Audit Staff	\$ 0	\$ 121,340	\$ 121,340
Supervisory Staff:			
Area Managers	\$ 0	\$ 328,606	\$ 328,606
Appraisal Staff	\$ 0	\$ 248,596	\$ 248,596
Training Staff	\$ 0	\$ 55,918	\$ 55,918
<u>Operating Costs</u>	<u>\$ 0</u>	<u>\$ 620,000</u>	<u>\$ 620,000</u>
Subtotal - Board	\$ 0	\$ 1,741,047	\$ 1,741,047
Total State Costs	\$ 10,422,376	\$ 2,090,847	(\$ 8,331,529)
<u>Local Costs:</u>			
Existing Program:			
Current Total Costs	\$ 0	\$ 10,422,376	\$ 10,422,376
Inter-County Property	\$ 0	(\$ 349,800)	(\$ 349,800)
Area Managers	\$ 0	(\$ 328,606)	(\$ 328,606)
<u>Administrative Overhead</u>	<u>\$ 0</u>	<u>(\$ 204,549)</u>	<u>(\$ 204,549)</u>
Subtotal - Existing	\$ 0	\$ 9,539,421	\$ 9,539,421
Additional Costs:			
Appraisers	\$ 0	\$ 2,506,625	\$ 2,506,625
<u>Operating Costs</u>	<u>\$ 0</u>	<u>\$ 909,400</u>	<u>\$ 909,400</u>
Subtotal - Additional	\$ 0	\$ 3,416,025	\$ 3,416,025
Total Local Cost	\$ 0	\$ 12,955,446	\$ 12,955,446
Total Cost of Property Tax	\$ 10,422,376	\$ 15,046,293	\$ 4,623,917

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:

Fiscal Impact:

Revenue Impact:

The increased expenditures outlined above are necessary to prevent an erosion in the property tax base. With these expenditures, the proposal will have no effect on the amount generated by the university or school foundation levies.

Expenditure Impact:

	<u>Current Law</u>	FY 90 and Beyond <u>Proposed Law</u>	<u>Difference</u>
Property Tax Program	\$ 10,422,376	\$ 2,090,847	(\$ 8,331,529)

Fund Information:

The expenditure impact table provides estimates of the potential savings to the state general fund.

LONG-RANGE EFFECT ON LOCAL REVENUE AND EXPENDITURES:

Under the proposal and resultant shift in responsibility from the state to counties, the present tax base could be maintained only with increased spending. Under current law, for example, 4 full time employees assess and appraise timber and 8 full-time employees assess and appraise industrial property statewide. A total of 35 counties have assessed timber and 50 counties have industrial property. Under the proposal, county funded staff would be expected to increase by 31 timber appraisers and 42 industrial appraisers in order to maintain this tax base.

Under the assumptions stated above, the cost to local governments of property assessment and appraisal would increase by \$12,955,446 in FY 90 and \$12,082,446 in the following years (\$12,955,446 less equipment costs). These additional costs would require a like increase in property taxes levied, assuming there is no offsetting decrease in other areas of local expenditures.

CONSTITUTIONAL AMENDMENT
APPROVED BY COMMITTEE
ON TAXATION
RECOMMEND DO NOT PASS

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