

SB 36 INTRODUCED BY SMITH, E.
RETURN PROPERTY TAX ADMINISTRATION TO COUNTIES UNDER
STATE COMMISSION

1/05	INTRODUCED		
1/05	REFERRED TO TAXATION		
1/07	FISCAL NOTE REQUESTED		
1/12	FISCAL NOTE RECEIVED		
	NOT SIGNED BY SPONSOR		
2/20	HEARING		
2/21	ADVERSE COMMITTEE REPORT ADOPT		
	MOTION FAILED	22	25
	(PROPOSED CONSTITUTIONAL AMENDMENT;		
	PROCEEDED IN PROCESS)		
2/23	2ND READING PASSED	28	22
2/25	3RD READING PASSED	29	21
	TRANSMITTED TO HOUSE		
3/03	REFERRED TO TAXATION		
3/25	HEARING		
4/07	COMMITTEE REPORT--BILL CONCURRED		
4/10	2ND READING CONCURRED	56	40
4/11	3RD READING CONCURRED	50	43

BILL FAILED--A PROPOSED CONSTITUTIONAL
AMENDMENT, THIS BILL FAILED TO RECEIVE
NECESSARY TWO-THIRDS VOTE OF THE LEGISLATURE.

1 SENATE BILL NO. 36

2 INTRODUCED BY SMITH

3

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 REMOVE THE

7 RESPONSIBILITY FOR PROPERTY TAX APPRAISAL, ASSESSMENT, AND

8 EQUALIZATION FROM THE STATE AND RESTORE IT TO THE COUNTIES

9 UNDER THE POLICY DIRECTION OF AN EQUALIZATION COMMISSION."

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. ~~The state~~ In

15 each county the assessor shall appraise, and assess,---and

16 equalize the valuation of all property situated wholly

17 within the county which is to be taxed in the manner

18 provided by law. The legislature shall provide for the

19 appraisal and assessment of all gross and net proceeds and

20 for property that is located in more than one county."

21 Section 2. Article VIII, section 4, of The

22 Constitution of the State of Montana is amended to read:

23 "Section 4. Equal valuation -- equalization

24 commission. (1) All taxing jurisdictions shall use the

25 assessed-valuation-of property valuations established by the

1 state under policy guidelines established by the

2 equalization commission.

3 (2) (a) The equalization commission shall be composed

4 of seven members appointed for such terms and in such a

5 manner as provided by law. The members, and their appointing

6 authority, are:

7 (i) two county commissioners, appointed by county

8 commissioners;

9 (ii) two county assessors, appointed by county

10 assessors; and

11 (iii) three public members, one appointed by the

12 senate, one appointed by the house of representatives, and

13 one appointed by the governor.

14 (b) The equalization commission shall establish policy

15 guidelines for equal appraisal and assessment of property

16 and promulgate rules for equal appraisal of all property

17 within the state."

18 Section 3. Submission to electorate. This amendment

19 shall be submitted to the electors of Montana at the general

20 election to be held November 8, 1988, by printing on the

21 ballot the full title of this act and the following:

22 FOR amending the Montana Constitution to return

23 property tax appraisal, assessment, and equalization

24 to the counties under the supervision of an

25 equalization commission.

LC 0101/01

1 AGAINST amending the Montana Constitution to return
2 property tax appraisal, assessment, and equalization
3 to the counties under the supervision of an
4 equalization commission.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

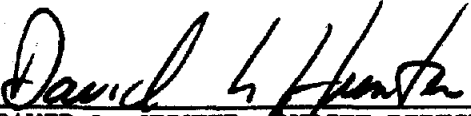
In compliance with a written request, there is hereby submitted a Fiscal Note for SB036, as introduced.

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 remove responsibility for property tax appraisal, assessment, and equalization from the state and restore it to the counties under the policy direction of an Equalization Commission.

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. It is assumed that the Legislature will not return the assessment and appraisal of inter-county property and mineral production to the counties in order to avoid duplication of efforts and a loss in audit related revenue. This reduces the possible savings to the general fund.
4. 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).
5. It is assumed that the Legislature will limit the authority of the Equalization Commission to establishing assessment guidelines and provide authority to county assessors similar to the pre-1972 structure.
6. Local governments are assumed not to significantly increase staffing expenditures for property tax administration, resulting in a significant reduction of the property tax base in the long run and a shift of the tax burden to properties properly assessed. These reductions in taxable values would require additional state general fund expenditures for the support of the school foundation program and the university system, as well as increased mill levies to offset lost revenues.

 DATE 1/12/89
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
ED SMITH, PRIMARY SPONSOR
Fiscal Note for SB036, as introduced.

SB 36

7. To assess the reductions in the amounts levied by the university and school foundation levies, it is assumed that after 5 years the statewide taxable value falls by the same percentage as the tax base increased under state control. When property assessment was changed from local to state control the property tax base expanded significantly because missed (non-assessed) and underassessed properties were added to the tax base. In tax year 1972, the last year of local control, the taxable value of real property statewide (excluding agricultural land) was \$352,091,172. The taxable value of personal property (excluding livestock) was \$246,633,620. By 1975, the end of the first biennium with state appraisal, real property taxable value (excluding ag. land) increased 24% to \$435,614,953. The taxable value of personal property (excluding livestock) increased 36% to \$336,382,289.
8. The current law levels of taxable value of real (excluding ag. land) and personal property (excluding livestock) are assumed constant at the estimated 1989 levels (REAC) of \$738,700,000 and \$367,678,000, respectively.
9. Legal responsibilities for defending property assessments of locally assessed properties will rest with the county where the property is located since local officials set the assessments. This litigation is assumed to be handled by county attorneys and may require staffing changes that are not included in the local cost estimates.
10. 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 FY87 levels):

<u>Expenditure Item</u>	<u>Grade/Step</u>	<u>Cost w/o Benefits</u>	<u>Cost w/ Benefits (@ 23%)</u>
Equalization Commission (One 2 day meeting per month)			
Honorariums @ \$50/day (\$50 X 7 X 24)			\$ 8,400
Per Diem:			
Lodging (7 X 24 nights X \$24)			\$ 4,032
Meals (24 X \$14.50)			\$ 348
Operating Costs			\$ 20,000
<u>1 Clerical Support</u>	8/2	<u>\$ 14,934</u>	<u>\$ 18,368</u>
Total			\$ 51,148

11. 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:

Automobiles 110 @ \$7,000 each	\$ 770,000
Appraisal Manuals 28 @ \$1300 each	\$ 36,400

Total Additional Local Cost \$ 10,345,821

Cost Summary per Assumptions:

<u>State Costs:</u>	<u>Current Law</u>	<u>FY90 and Beyond Proposed Law</u>	<u>Difference</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)
Equalization Commission:	\$ 0	\$ 51,148	\$ 51,148
Total State Costs	\$ 10,422,376	\$ 400,948	(\$ 10,021,428)
<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)
Operating Costs	\$ 0	\$ 806,400	\$ 806,400
<u>Administrative Overhead</u>	<u>\$ 0</u>	<u>(\$ 204,549)</u>	<u>(\$ 204,549)</u>
Total Local Cost	\$ 0	\$ 10,345,821	\$ 10,345,821
Total Cost of Property Tax	\$ 10,422,376	\$ 10,746,769	\$ 324,393

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LONG RANGE EFFECTS OF PROPOSED LEGISLATION:

Fiscal Impact:

Revenue Impact:

The proposal is expected to result in an erosion of the property tax base through time. Under the assumptions, the reduction in the tax base at the end of 5 years after implementation would reduce revenues from the university levy by \$1,857,912 and to the school foundation program by \$13,934,344. These revenue reductions would require offsetting appropriations from the state general fund.

Expenditure Impact:

	Current Law	FY90 and Beyond Proposed Law	Difference
Property Tax Program	\$ 10,422,376	\$ 400,948	(\$10,021,428)

Fund Information:

The expenditure impact table provides estimates of the potential savings to the state general fund. These savings would be reduced through time by the erosion in the property tax base and its affect on university and school foundation program revenues. At the end of 5 years, there would be a net increase in general fund expenditures of approximately \$5.8 million (\$1.9 million + \$13.9 million - \$10 million).

LONG-RANGE EFFECT ON LOCAL REVENUE AND EXPENDITURES:

The proposal would shift the cost of the property tax to local governments. Under the assumptions stated above, the cost to local governments of property assessment and appraisal would increase by \$10,345,821 in FY90 and \$9,575,821 in the following years (\$10,345,821 less \$770,000 in 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.

The reductions in the local tax base expected due to the proposal would result in a shift in the local property tax burden to properties that are properly assessed.

CONSTITUTIONAL AMENDMENT
COMMITTEE
ON TAXATION
RECOMMEND DO NOT PASS

SENATE BILL NO. 36
INTRODUCED BY E. SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT TO SUBMIT TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII, SECTIONS 3 AND 4, OF THE MONTANA CONSTITUTION TO REMOVE THE RESPONSIBILITY FOR PROPERTY TAX APPRAISAL, ASSESSMENT, AND EQUALIZATION FROM THE STATE AND RESTORE IT TO THE COUNTIES UNDER THE POLICY DIRECTION OF AN EQUALIZATION COMMISSION."

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

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"Section 3. Property tax administration. ~~The state~~ In each county the assessor shall appraise, and assess, and equalize the valuation of all property situated wholly within the county which is to be taxed in the manner provided by law. The legislature shall provide for the appraisal and assessment of all gross and net proceeds and for property that is located in more than one county."

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

"Section 4. Equal valuation ~~--~~ equalization commission. (1) All taxing jurisdictions shall use the ~~assessed-valuation-of~~ property valuations established by the

state under policy guidelines established by the equalization commission.

(2) (a) The equalization commission shall be composed of seven members appointed BY THE GOVERNOR, SUBJECT TO CONFIRMATION BY THE SENATE, for such terms and in such a manner as provided by law. ~~The members and their appointing authority, are:~~

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

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