

SB 381 INTRODUCED BY SEVERSON, HIMSL, BISHOP, ET AL.
PLACE A CAP ON REAL PROPERTY TAXES EQUIVALENT TO
1.5 PERCENT OF MARKET VALUE

2/19 INTRODUCED
2/19 REFERRED TO TAXATION
2/19 FISCAL NOTE REQUESTED
3/02 FISCAL NOTE RECEIVED
3/03 HEARING
DIED IN COMMITTEE

1 Senate BILL NO. 381
 2 INTRODUCED BY *Sponsors: Samuel Bishop, Bob Brown, Steve Hoffman, Andrew D.M. Harding, Hager, Bank, Rasmussen, Story*
 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO PLACE A CAP ON REAL
 4 PROPERTY TAXES EQUIVALENT TO 1.5 PERCENT OF MARKET VALUE;
 5 AND PROVIDING AN APPLICABILITY DATE." *Hirsch*

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

7 Section 1. Property tax limit -- percentage of market
8 value. Land and improvements taxed under Title 15, chapter
9 6, are subject to a tax equal to the lesser of the
10 following:

- 11 (1) the tax liability determined by the product of the
- 12 taxable value multiplied by total mills levied in a tax
- 13 year; or
- 14 (2) 1.5 % of the market value of the property.

15 Section 2. Property tax limit -- special
16 considerations. (1) The limitation on the amount of tax
17 liability based on a percentage of market value does not
18 mean that no increase may be made in the market value of
19 property resulting from:

- 20 (a) expansion, addition, replacement, or remodeling of
- 21 improvements;
- 22 (b) transfer of property from tax-exempt to taxable
- 23 status; or

- 1 (c) revaluations caused by cyclical reappraisal.
- 2 (2) The limitation on the amount of tax liability
- 3 based on a percentage of market value does not apply to the
- 4 following levy or special assessment categories, whether
- 5 they are based on commitments made before or commitments
- 6 made after [the effective date of this act]:
- 7 (a) rural improvement districts;
- 8 (b) special improvement districts;
- 9 (c) levies pledged for the repayment of bonded
- 10 indebtedness, including tax increment bonds;
- 11 (d) city street maintenance districts;
- 12 (e) satisfaction of judgments against a taxing unit;
- 13 (f) electric company street lighting assessments; and
- 14 (g) revolving funds to support any of the above.

15 (3) If the tax liability for a property is a
16 percentage of market value and one or more of the items in
17 subsection (2) is applicable, the tax bill must include an
18 additional amount for such items. That amount is determined
19 by the product of the appropriate mills multiplied by
20 taxable value.

21 Section 3. Disbursement of property tax paid as
22 percentage of market value. The property tax paid as a
23 percentage of market value pursuant to [section 1] must be
24 disbursed to all affected taxing jurisdictions according to
25 the ratio of the mills levied by each taxing jurisdiction in



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1 proportion to the total mills levied against the property.

2 Section 4. Codification instruction. Sections 1
3 through 3 are intended to be codified as an integral part of
4 Title 15, chapter 10, and the provisions of Title 15,
5 chapter 10, apply to sections 1 through 3.

6 Section 5. Extension of authority. Any existing
7 authority of the department of revenue to make rules on the
8 subject of the provisions of this act is extended to the
9 provisions of this act.

10 Section 6. Applicability. This act applies to taxable
11 years beginning after December 31, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB381, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to place a cap on real property taxes equivalent to 1.5 percent of market value; and providing an applicability date.

ASSUMPTIONS:

1. If passed, the proposal would apply to tax year 1988 (FY89 receipts).
2. The proposal would apply to all land and improvements taxed under Title 15, Chapter 6, MCA.
3. The proportion of centrally assessed land and improvements in city/town jurisdiction is 12.54%.
4. 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 counties; actual city levies are used for the cities. These assessed values and mill levies are assumed to apply to tax year 1988.

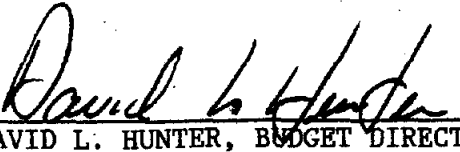
FISCAL IMPACT:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenue Impact:</u>						
University Levy	\$ 11,983,158	\$ 11,983,158	\$ 0	\$ 12,147,966	\$ 11,331,715	(\$ 816,251)
School Equalization	89,873,685	89,873,685	0	91,109,745	84,987,863	(6,121,882)
Total	\$101,856,843	\$101,856,843	\$ 0	\$103,257,711	\$ 96,319,578	(\$6,938,133)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

County revenues will be decreased \$10,300,000 in FY89. In addition to the loss in the school foundation program, school district revenues will be decreased \$19,700,000 in FY89. City/Town revenues will be decreased \$3,000,000.

Removing centrally assessed property from the cap reduces the impact on the school foundation and university levies to \$736,000. The impact on local revenues is reduced to \$5,398,225.

 DATE 2/26/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE 3/2/87
 ELMER SEVERSON, PRIMARY SPONSOR

Fiscal Note for SB381, as introduced.

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