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INTRODUCED BY Kitpenberg House BILL NO. 124

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE COMPUTATION OF THE STATE LAND EQUALIZATION PAYMENT TO FULLY REIMBURSE COUNTIES FOR LOST TAXES BECAUSE OF STATE LANDS WITHIN THE COUNTIES; APPROPRIATING MONEY FROM THE GENERAL FUND TO THE DEPARTMENT OF REVENUE TO REIMBURSE ELIGIBLE COUNTIES FOR FOREGONE REVENUE; AMENDING SECTION 77-1-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 77-1-502, MCA, is amended to read:

"**77-1-502. Computation of state land equalization payment.** (1) The department of revenue shall compute the amount of taxes ~~which that~~ would be payable on the county assessments of ~~said property~~ state land as if it were owned by and taxable to a taxpayer of ~~such the~~ the county in which the land is located.

(2) If the land is not classified, the ~~sum to be listed shall~~ amount must be determined by the average tax payment made on ~~like~~ similar property within the county where ~~said the~~ the land is ~~situated, not to exceed 12 cents per grazing acre, 35 cents per agricultural acre, and 12 cents per forest acre~~ located. The average tax may be derived from the most recent biennial report of the department of revenue. The total figure arrived at ~~by this method shall be called the gross assessment figure.~~

~~(3) The county exemption factor shall be determined by dividing the percentage the state owned land bears to the total land area of the county into 6%. This quotient shall be multiplied by the gross assessment figure, and the product is called the state exemption figure.~~

~~(4) The state exemption figure shall be subtracted from the gross assessment to give is~~ is the state land equalization payment."

NEW SECTION. Section 2. Appropriation. The department of revenue shall calculate the amount that would have been payable to each eligible county if [section 1] were in effect on January 1, 1968. There is appropriated from the general fund to the department of revenue \$1,642,214. The department

1 shall transfer the amount calculated under this section to each eligible county.

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3 NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the
4 meaning of 1-2-109, to January 1, 1968.

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6 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

7

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0124, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the computation of the state land equalization payment to fully reimburse counties for lost taxes because of state lands within the counties; appropriating money from the general fund to the Department of Revenue to reimburse eligible counties for foregone revenue; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Current law distribution of the state land equalization payment for FY96 and FY97 will not differ significantly from the distribution in FY95.
2. The amount appropriated for state land equalization payments for the biennium is not impacted by this proposal.
3. The qualification for state equalization payments is not changed by the proposal. In FY95, twenty counties received payments ranging from a high of \$87,341 (Daniels County) to a low of \$13 (Petroleum County). The proposal changes only the distribution of appropriated state land equalization amounts.
4. For the purposes of this note, the distribution of the \$1,642,214 appropriation in section 2 of the proposal will be based on the computation of state land equalization payment under current law and classifications (77-1-502, MCA), not on the computation of state land equalization payment as amended in section 1 of the proposal (See technical note 3).

FISCAL IMPACT:

Expenditures:

The proposal has no impact on state expenditures.

Revenues:

The proposal has no impact on revenues. There will be an impact to some local governments.

Net Impact:

The proposal has no impact on FY96 or FY97 revenues or expenditures. However, due to the immediate effective date and the one time appropriation of \$1,642,214, the proposal would result in a reduction of the general fund of \$1,642,214 in FY95.

(See page 2 for local impact)


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

SAM KITZENBERG, PRIMARY SPONSOR DATE
Fiscal Note for HB0124, as introduced

HB124

EFFECT ON COUNTY REVENUES:

An immediate effect of the proposal will be to increase elementary school and county road fund revenues in those counties that have received state land equalization payments in the past. The total increase in revenues would be \$1,642,214.

The proposal changes the amount distributed to those counties receiving payments. The table below displays how the proposal would have impacted FY 95 payments. Of the twenty counties receiving a payment, four counties would receive a reduction in payment and sixteen would receive an increase in payment.

HB 124 (as Introduced)
Estimated Impact to State Land Equalization Payments

<u>County</u>	<u>FY95 Payments Current Law</u>	<u>FY95 Payments Proposed Law</u>	<u>Change</u>
Daniels	87,341	37,044	(50,297)
Chouteau	70,626	51,376	(19,250)
Beaverhead	23,565	20,806	(2,759)
Liberty	9,986	8,767	(1,219)
Wheatland	3,336	4,240	904
Golden Valley	603	2,763	2,160
Petroleum	13	2,187	2,174
Toole	9,029	11,405	2,376
Judith Basin	12,928	15,328	2,400
Fallon	685	3,115	2,430
Hill	22,525	25,630	3,105
Prairie	2,361	5,540	3,179
Musselshell	692	4,297	3,605
Carter	2,618	7,520	4,902
Powder River	3,029	9,247	6,218
Teton	5,727	11,977	6,250
Richland	594	7,300	6,706
Lewis & Clark	141	8,528	8,387
Blaine	3,562	12,115	8,553
Valley	<u>5,639</u>	<u>15,814</u>	<u>10,175</u>
Total	265,000	265,000	0

TECHNICAL NOTES:

- 1) The proposal eliminates the calculation of the "state exemption figure" from 77-1-502(3), MCA, but does not amend 77-1-504 which requires the "state exemption figure" to be used in the computation of the state land equalization payment.
- 2) Under current law, a state land equalization payment is made for state land acreage exceeding 6% of the total county acreage. That is, if 8% of the total county acreage is state land, then payments are made for the 2% in excess of 6%. If 5% of the total county acreage is state land, then the county does not receive a payment. Under the proposal if 8% of the total county acreage is state land, then a payment is made for all of the state land acreage in the county. If 5% of the total county acreage is in state land then the county does not receive a payment for any of the state land acreage.
- 3) The amount appropriated to fully reimburse counties for foregone revenue, \$1,642,214, is based on the current law formula and current classifications for computing state land equalization payments (77-1-502, MCA). However, the changes to the formula as amended in the proposal result in significantly higher payments. For example, the amount necessary to fully reimburse counties for FY95 alone under current law is \$496,594. The amount necessary when computed under the changes in the proposal would be \$1,678,194. The proposal requires the Department of Revenue to calculate, for each year since 1968, the payments due to the eligible counties using the computation formula as amended in the proposal. The total amount due for all years when recalculated would far exceed the amount appropriated.