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SENATE BILL NO. 107

INTRODUCED BY

*Holligan*

A BILL FOR AN ACT ENTITLED: "AN ACT PHASING IN ANY INCREASE IN THE VALUE OF CLASS FOUR PROPERTY RESULTING FROM A REVALUATION CYCLE; AND PROVIDING THAT DECREASES IN VALUE ARE NOT PHASED IN."

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

NEW SECTION. **Section 1. Phasein of revaluation of land -- limitation on increase in value.** (1) An increase in the appraised value of class four property resulting from a revaluation cycle under 15-7-111 must be phased in. Each year following a revaluation cycle, the value of the property must be increased annually by 33% of the difference between the phased-in value from the previous appraised value and the new appraised value.

(2) If the appraised value of property decreases because of a revaluation cycle, the decreased value is the assessed value and is not phased in.

NEW SECTION. **Section 2. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [section 1].

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0107, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act phasing in any increase in the value of class four property resulting from a revaluation cycle; and providing that decreases in value are not phased in.

ASSUMPTIONS:

1. Significant computer modifications to the Department of Revenue's CAMA system will be necessary. It is estimated that these changes and modifications would require 295 hours of contract programming at \$110 per hour.
2. The additional data for valuation phase-in would require additional data storage capacity for the department's mid-range computer which processes the CAMA system. The additional disk storage necessary is estimated to cost approximately \$100,000. The department has determined that disk storage upgrade alone would not be cost effective. An upgraded model would provide the additional required disk storage plus a number of other advantages including faster processing speed and lower maintenance costs. The cost of a model upgrade would be \$248,875.
3. Whenever a parcel of property changes valuation, the Department of Revenue notifies the owner of the parcel of the change. There are 724,540 residential property parcels in the state. Of this number, 285,000 require mailings annually under current law. The proposal would require annual mailings for the balance (439,540). Mailing costs are estimated to be \$0.32 per mailing. This additional annual mailing cost would begin in FY 98.

FISCAL IMPACT:

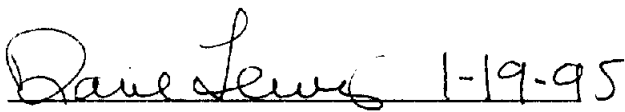
Expenditures:

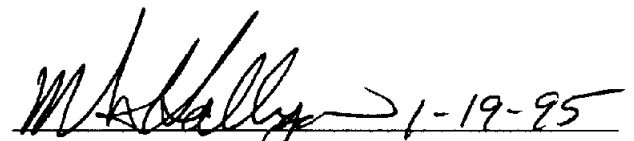
	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Operating Expenses	\$32,450	\$0
Equipment	<u>248,875</u>	<u>0</u>
Total	\$281,325	\$0
 General Fund (01)	 \$281,325	 \$0

Revenues:

The proposal does not impact FY 96 or FY 97 property tax revenues. The proposal will begin to impact property tax revenues in FY 98. The impact to property tax revenues would be dependant on the economic conditions contributing to market value change. Since it is impossible to predict these factors, an impact of the proposal to property tax revenues cannot be calculated. However, some general statements about the long term impact of the proposal are stated below.

(continued)

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

  
 MIKE HALLIGAN, PRIMARY SPONSOR      DATE

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal does not impact FY 96 or FY 97 property tax revenues of local governments. The proposal will begin to impact property tax revenues of local governments in FY 98.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

When compared to current law where reappraised values are not phased in, the phasing in of increases in appraised value will result in a reduction of the tax bases of state and local governments. For the university levy, state equalization levy, and any other fixed levy the proposal results in a reduction in revenues. The extent of reduced revenues depends on the economic conditions that affect market values of residential property.

The impact of a reduced tax base could be offset with an increase in mill levies for those mill levies that are not fixed. Hence, the cost of setting the appraised value at less than 100% for residential property whose values increased will be borne by all non-residential property and that residential property whose appraised value decreased, did not change, or slightly increased.

TECHNICAL NOTES:

1. The proposal does not provide a mechanism for assigning appraised value for; property that is newly constructed or remodeled during a revaluation cycle, land parcels that are split during a revaluation cycle, or property which changes classification to class four residential during a revaluation cycle.
2. The proposal results in unequal treatment of property. Specifically, some property would be appraised at 100% of full market value while some property would be appraised at a percentage below 100% of full market value. This discrepancy appears to violate the Montana constitution (Article VIII, Sec. 3) and state statutory law (15-7-112, MCA).