

CONSTITUTIONAL AMENDMENT

1 *Sliter*  
 2 INTRODUCED BY *Boban* *Oliver* *Stevens* *Spokane* *Benedict*  
 3 *Mich* *Curci* *Susan* *Smith* *Burnett*  
 4 SENATE BILL NO. 334

5 A BILL FOR AN ACT ENTITLED: "AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN  
 6 AMENDMENT TO ARTICLE VIII, SECTIONS 3 AND 4, OF THE MONTANA CONSTITUTION TO LIMIT THE  
 7 ASSESSED VALUE FOR TAX PURPOSES OF OWNER-OCCUPIED RESIDENCES; PROVIDING THAT THE  
 8 VALUATION OF THAT PROPERTY IS THE LOWER OF THE 1986 OR THE 1994 PROPERTY TAX  
 9 VALUATION; LIMITING INCREASES IN VALUATION TO 2 PERCENT; LIMITING PROPERTY TAXES ON  
 10 OWNER-OCCUPIED RESIDENCES TO 1 PERCENT OF THE VALUE OF THE PROPERTY; AND PROVIDING  
 11 AN EFFECTIVE DATE."

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

13  
 14 Section 1. Article VIII, section 3, of The Constitution of the State of Montana is amended to read:  
 15 "Section 3. Property tax administration. ~~The~~ Subject to the limitations set forth in Article VIII,  
 16 section 4, the state shall appraise, assess, and equalize the valuation of all property which is to be taxed  
 17 in the manner provided by law."

18  
 19 Section 2. Article VIII, section 4, of The Constitution of the State of Montana is amended to read:  
 20 "Section 4. Equal valuation. All taxing jurisdictions shall use the assessed valuation of property  
 21 established by the state, with the following limitations:

22 (1) The limitations of this section apply to residential property that is the primary residential  
 23 dwelling for at least seven months a year of the individual or the husband and wife owning the property.

24 (2) The actual dollar amount of taxes levied on an individual piece of property subject to the  
 25 limitations of this section may not exceed one percent of the assessed value of the property.

26 (3) (a) The increased assessed value of property subject to the limitations of this section may not  
 27 exceed two percent on an individual piece of property in any year.

28 (b) The assessed value of property subject to the limitations of this section may be increased to  
 29 reflect increases in the market value of the property due solely to new construction or improvements to the  
 30 property.



1           (c) A sale or change in ownership of property subject to the limitations of this section does not  
2 affect the assessed value of the property.

3           (4) (a) The assessed value of property subject to the limitations of this section on [the effective  
4 date of this amendment] is the lesser of the 1986 valuation of the property or the 1994 valuation of the  
5 property based upon the 1994 classification of the property.

6           (b) The assessed value of property that is subject to the limitations of this section but that was not  
7 in existence in 1986 shall be valued at the value of comparable properties in existence in 1986 or, if the  
8 property existed in 1994, at the value of the property in 1994 if that value is less than the comparable  
9 1986 value."

10

11           **NEW SECTION. Section 3. Submission to electorate.** This amendment shall be submitted to the  
12 qualified electors of Montana at the general election to be held in November 1996 by printing on the ballot  
13 the full title of this act and the following:

- 14            FOR limiting the assessed valuation and amount of taxation on owner-occupied residences.  
15            AGAINST limiting the assessed valuation and amount of taxation on owner-occupied  
16 residences.

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18           **NEW SECTION. Section 4. Effective date.** If approved by the electorate, this amendment is  
19 effective January 1, 1997.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0334, as introduced

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DESCRIPTION OF PROPOSED LEGISLATION:

An act submitting to the qualified electors of Montana an amendment to Article VIII, Sections 3 and 4, of the Montana Constitution to limit the assessed value for tax purposes of owner-occupied residences; providing that the valuation of that property is the lower of the 1986 or the 1994 property tax valuation; limiting increases in valuation to 2 percent; limiting property taxes on owner-occupied residences to 1 percent of the value of property; and providing an effective date.

ASSUMPTIONS:

1. The proposal does not impact FY96 or FY97 property tax revenues. However, there are significant administrative costs incurred in FY97 and subsequent fiscal years; including computer programming costs of \$38,500 and computer system upgrade expenses of \$248,875. There would be added costs to local governments to modify their systems' programming and hardware.
2. The proposal would impact an estimated 223,947 owner-occupied residences beginning with tax year 1997. It is estimated that the proposal would decrease property taxes for this group of property by \$73,000,000 for each fiscal year beginning in FY98. This reduction in property taxes is distributed among governments the following way: 1.5% to the university system, 24.5% to the school equalization account, 20.1% to county governments, 42.9% to local schools, and 11.0% to cities and towns.

FISCAL IMPACT:

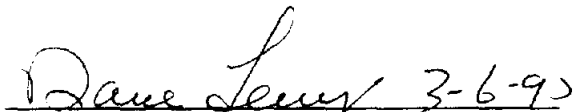
Expenditures:

The proposal will impact FY97 expenditures. It is estimated that programming changes and system modification would cost a total of \$287,375. It is anticipated that the proposal would create additional record storage needs to administer the limits placed on assessed value and property tax. This will require additional FTE, increasing personal services costs. The Department is unable to estimate an exact total of the costs associated with implementation of the proposal; however, the costs would be significant.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments would incur significant additional computer programming expenses to implement the proposal.

(Long-Range Effects - page 2)

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

LARRY BAER, PRIMARY SPONSOR DATE  
Fiscal Note for SB0334, as introduced

**SB 334**

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The long range impact of the proposal is significant to all governments. It is estimated the proposal would result in a decrease of \$73,000,000 in property tax revenues in FY98 and subsequent fiscal years. The split of this total by taxing jurisdictions is shown below.

<u>Government</u>	<u>Reduction in Property Tax Revenues</u>
Universities	( \$ 1,100,000)
State Equalization Aid	( 17,900,000)
Counties	( 14,700,000)
Local Schools	( 31,300,000)
Cities/Towns	( 8,000,000)
	<u>( \$ 73,000,000)</u>

TECHNICAL NOTES:

1. The proposal may violate the equal protection clause of the United States Constitution by granting the limitations provided in the proposal in the case of joint ownership only if the co-owners are husband and wife (section 2 of the proposal).