SENATE BILL NO. 413

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE PROPERTY TAXATION OF CERTAIN PERSONAL PROPERTY; REDUCING THE TAX RATE APPLIED TO CERTAIN BUSINESS EQUIPMENT BY ELIMINATING CLASS EIGHT PROPERTY AND COMBINING IT WITH CLASS FOUR PROPERTY; ESTABLISHING A LOCAL GOVERNMENT BLOCK GRANT PROGRAM TO REIMBURSE LOCAL GOVERNMENTS FOR THE LOSS IN PROPERTY TAX REVENUE; CREATING A LOCAL GOVERNMENT BLOCK GRANT ACCOUNT; ALLOCATING A PERCENTAGE OF INDIVIDUAL INCOME TAX COLLECTIONS TO THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT; AMENDING SECTIONS 7-13-2527, 15-1-111, 15-1-501, 15-6-134, 15-7-103, 15-10-412, AND 15-24-102, MCA; REPEALING SECTION 15-6-138, MCA; AND PROVIDING EFFECTIVE DATES."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first $80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than $10,000 for a single person or $12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards; ~~and~~

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.

(f) all agricultural implements and equipment;

(g) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(h) all manufacturing machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(i) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(j) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(k) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(l) truck toppers weighing more than 300 pounds;

(m) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(n) x-ray and medical and dental equipment;

(o) citizens' band radios and mobile telephones;

(p) radio and television broadcasting and transmitting equipment;

(q) cable television systems;

(r) coal and ore haulers;

(s) theater projectors and sound equipment; and

(t) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a), (1)(b), and (1)(e) through (1)(t) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 1,000	$ 0 - $ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

~~(3) After July 1, 1986, an adjustment may not be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.~~

<u>(3) As used in subsection (1)(r), "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.</u>

(4) For the purposes of subsection (1)(m), "commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

~~(4)~~(5) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

NEW SECTION. **Section 2. Local government block grant account created -- source of funds.** (1) There is a local government block grant account within the state special revenue fund.

(2) Funds in this account must be used to provide payments from the local government block grant program to local governments as provided in [section 3].

(3) Fourteen percent of individual income taxes collected under the provisions of Title 15, chapter 30, must be deposited to the account.

NEW SECTION. **Section 3. Local government block grant program -- distribution of block grant funds.** (1) The department of commerce shall administer the local government block grant program. On or before September 1 of each year, the department shall ascertain the amount of money available for distribution based on income tax collections deposited in the local government block grant account during the previous fiscal year.

(2) Each county's share is equal to the amount available for distribution, as determined in subsection (1), multiplied by the ratio of the county's population to the total population in the state. The department of commerce shall use the most recent county population estimates available to determine each county's share.

(3) On or before November 30, the department of commerce shall remit to the county treasurer 50% of the amount determined in subsection (2). On or before May 31, the department shall remit the remaining 50%.

(4) The county treasurer shall distribute the proceeds of the local government block grant in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner that property taxes were distributed in the preceding fiscal year.

Section 4. Section 15-1-111, MCA, is amended to read:

"**15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, <u>as that section read prior to January 1, 1995,</u> and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50% on or before May 31.

(b) For tax year 1993 and for each tax year thereafter, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district and the state of Montana.

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax

rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

(c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under this section unless the jurisdiction was created as described in subsection (7)(b)."

Section 5. Section 15-1-501, MCA, is amended to read:

"**15-1-501. Disposition of money from certain designated license and other taxes.** (1) The state treasurer shall deposit to the credit of the state general fund in accordance with the provisions of subsection (6) all money received from the collection of:

(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;

(b) electrical energy producer's license taxes under chapter 51;

(c) severance taxes allocated to the general fund under chapter 36;

(d) liquor license taxes under Title 16;

(e) telephone company license taxes under chapter 53; and

(f) inheritance and estate taxes under Title 72, chapter 16.

(2) All money received from the collection of income taxes under chapter 30 of this title must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) ~~91.3%~~ 77.3% of the taxes to the credit of the state general fund;

(b) 14% of the taxes to the credit of the local government block grant account established in [section 2];

(c) 8.7% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408; and

~~(c)~~(d) all interest and penalties to the credit of the state general fund.

(3) All money received from the collection of corporation license and income taxes under chapter 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) 89.5% of the taxes to the credit of the state general fund;

(b) 10.5% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408; and

(c) all interest and penalties to the credit of the state general fund.

(4) The department of revenue shall also deposit to the credit of the state general fund all money received from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax collections must be deposited in the general fund.

(6) Notwithstanding any other provision of law, the distribution of tax revenue must be made according to the provisions of the law governing allocation of the tax that were in effect for the period in which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with generally accepted accounting principles.

(7) All refunds of taxes must be attributed to the funds in which the taxes are currently being recorded. All refunds of interest and penalties must be attributed to the funds in which the interest and penalties are currently being recorded."

Section 6. Section 7-13-2527, MCA, is amended to read:

"**7-13-2527. List of property owners.** (1) A copy of the order creating the district must be delivered to the department of revenue.

(2) The department shall, on or before August 1 of each year, prepare and certify a list of all persons owning class four property<u>, except class four personal property,</u> within the district and deliver a copy of the list to the board of trustees of the district."

Section 7. Section 15-7-103, MCA, is amended to read:

"**15-7-103. Classification and appraisal -- general and uniform methods.** (1) It is the duty of the department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing:

(a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of ~~said~~ the lands for taxation purposes;

(b) for a general and uniform method of appraising city and town lots;

(c) for a general and uniform method of appraising rural and urban improvements;

(d) for a general and uniform method of appraising timberlands.

(2) All lands ~~shall~~ must be classified according to their use or uses and graded within each class according to soil and productive capacity. In ~~such~~ the classification work, use ~~shall~~ must be made of soil surveys and maps and all other pertinent available information.

(3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by metes and bounds, whichever yields a true description of the land.

(4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best and highest value use of adjacent or neighboring lands.

(5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111 after January 1, 1986, all property, except for personal property, classified in 15-6-134 must be appraised on its market value in the same year. The department shall publish a rule specifying the year used in the appraisal.

(6) All sewage disposal systems and domestic use water supply systems of all dwellings may not be appraised, assessed, and taxed separately from the land, house, or other improvements in which they are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may not be included twice by including them in the valuation and assessing them separately."

Section 8. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax limited to 1986 levels -- clarification -- extension to all property classes.** Section 15-10-402 is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due

in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.

(3) The limitation on the amount of taxes levied does not prohibit a further increase in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property, except for personal property, in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;

(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.

(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.

(b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a) or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of subsection (7)(a) are satisfied.

(9) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection (9);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs;

(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special administrative assessments;

(l) elementary and high school districts; and

(m) voted poor fund levies authorized under 53-2-322.

(10) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

(b) an explanation of the nature of the financial emergency;

(c) an estimate of the amount of funding shortfall expected by the taxing unit;

(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;

(e) a finding that there are no alternative sources of revenue;

(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

(g) a statement of the need for the increased revenue and how it will be used.

(11) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2); and

(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in 7-14-1632.

(12) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

(13) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

(14) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 9. Section 15-24-102, MCA, is amended to read:

"**15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet making application for proportional registration, as follows:

(1) The purchase price of the taxable vehicles depreciated by a schedule as prescribed by the department determines the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by 61-3-721, is the market value.

(3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ 3.86% is the taxable value for the entire fleet as provided in ~~15-6-138~~ 15-6-134.

(4) To determine the amount of tax due, the taxable value of the entire fleet must be multiplied by the statewide average county mill levy plus state levies as provided in 15-24-103.

(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333, 20-9-360, and 53-2-813.

(6) All taxes and fees collected on motor vehicle fleets under this chapter must be deposited and distributed as provided in 15-24-105."

NEW SECTION. **Section 10. Repealer.** Section 15-6-138, MCA, is repealed.

NEW SECTION. **Section 11. Codification instruction.** [Sections 2 and 3] are intended to be codified as an integral part of Title 7, chapter 6, and the provisions of Title 7, chapter 6, apply to [sections 2 and 3].

NEW SECTION. **Section 12. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before January 1, 1996.

NEW SECTION. **Section 13. Effective dates.** (1) [Sections 2, 5, 11, and 12 and this section] are effective July 1, 1995.

(2) [Sections 1, 4, and 6 through 10] are effective January 1, 1996.

(3) [Section 3] is effective July 1, 1996.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB413, Introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act generally revising the property taxation of certain personal property; reducing the tax rate applied to certain business equipment by eliminating Class Eight property and combining it with Class Four property; establishing a Local Government Block Grant Program to reimburse local government for the loss in property tax revenue; creating a local government block grant account; allocating a percentage of individual income tax collections to the local government block grant account; and providing effective dates.

ASSUMPTIONS:

1. Changes to the property tax system in this bill apply beginning with tax year 1996.
2. Changes to the allocation of income taxes, and the creation of the local government block grant account are effective July 1, 1995 (FY1996).
3. Statewide, property taxes associated with Class 8 personal property grow at an average annual growth rate of 7.64%; this is comprised of growth of 4.5% in taxable valuation, and growth of 3.0% in mill levies.
4. Approximately 38% of all Class 8 personal property is personal property not liened to real property. Taxes on this property are paid fully in the spring of each year, based on prior year mill levies.
5. Property tax reductions associated with personal property not liened to real property are not reimbursed under this proposal for taxes paid in the Spring of 1996 (FY1996).
6. Property taxes on Class 8 personal property are distributed 1.7% to the universities; 27.0% to the state equalization aid account; 20.8% to counties; 43.0% to local schools; 5.5% to cities and towns; and 2.0% to miscellaneous taxing jurisdictions.
7. Individual income tax collections, net of all accrual activity, are $392,267,000 in FY1996; and $410,143,000 in FY1997 (ROC).
8. Fourteen percent of all individual income tax collections, net of accruals, is allocated to the local government block grant account beginning July 1, 1995; this results in $54,917,000 allocated to the block grant account in FY1996, and $57,420,000 allocated to the account in FY1997.
9. Block grant monies are distributed to the counties, for subsequent distribution to local taxing jurisdictions, based on county population relative to total state population. Within the county, block grant monies are distributed on the basis of relative mill levies applied to personal property.

FISCAL IMPACT:

Expenditures:

There is no impact to Department of Revenue expenditures under this proposal.

(Continued)

Dave Lewis 2-24-95

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

GARY FORRESTER, PRIMARY SPONSOR DATE
Fiscal Note for SB413, Introduced

SB413

FISCAL IMPACT:

Revenues:

	FY96 Difference	FY97 Difference
Universities	$(379,986)	$(132,234)
School Equalization Aid	(6,016,441)	(2,093,717)
Loc. Govt. Blk. Grant Accnt.	54,917,000	57,420,000
General Fund	(54,917,000)	(57,420,000)
Total	$(6,396,427)	$(2,225,951)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Local government revenues are reduced in FY1996 for the reduction in the personal property taxable valuation rate applied to personal property not liened to real property. Total local government revenues are reduced in FY1997 because the local government block grant reimbursement amount is less than the revenue loss associated with reducing the taxable valuation rate applied to personal property. These effects are as follows:

	FY96 Difference	FY97 Difference
County Governments	$(4,643,658)	$(1,268,394)
Local Schools	(9,606,082)	(2,369,975)
Cities/Towns	(1,217,005)	393,192
Miscellaneous Districts	(458,252)	(114,675)
Total	$(15,924,997)	$(3,359,852)

Besides the impact that this bill has on local governments statewide, the bill also results in significant shifts in revenue from county to county due to the allocation of the block grant on the basis of population, rather than on the basis of actual loss of revenue due to reducing the personal property tax rate. These estimated shifts in revenue between counties is attached.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
The impacts shown above for the first years of this proposal can change over the long run. Long-run impacts will depend on the rate of growth in the income tax relative to the rate of growth in personal property values, and will also depend on relative population growth across counties.

	County	Population	County Ratio	FY1997 County Block Grant	County FY97 Property Tax Revenue Loss	Shift in Tax Revenue
Beaverhead	Beaverhead	8,849	1.034%	567,714	(737,898)	(170,184)
Big Horn	Big Horn	12,061	1.409%	773,782	(1,307,644)	(533,862)
Blaine	Blaine	7,054	0.824%	452,555	(416,570)	35,985
Broadwater	Broadwater	3,677	0.430%	235,901	(414,470)	(178,570)
Carbon	Carbon	8,947	1.045%	574,001	(448,537)	125,464
Carter	Carter	1,531	0.179%	98,222	(204,788)	(106,566)
Cascade	Cascade	81,166	9.482%	5,207,265	(2,499,200)	2,708,066
Chouteau	Chouteau	5,451	0.637%	349,713	(1,089,498)	(739,785)
Custer	Custer	12,126	1.417%	777,953	(547,849)	230,103
Daniels	Daniels	2,152	0.251%	138,063	(396,138)	(258,075)
Dawson	Dawson	8,993	1.051%	576,953	(743,149)	(166,197)
Deer Lodge	Deer Lodge	10,229	1.195%	656,249	(316,987)	339,262
Fallon	Fallon	3,061	0.358%	196,381	(521,960)	(325,580)
Fergus	Fergus	12,588	1.471%	807,593	(1,106,058)	(298,465)
Flathead	Flathead	67,285	7.860%	4,316,720	(3,670,568)	646,152
Gallatin	Gallatin	57,771	6.749%	3,706,342	(2,665,126)	1,041,216
Garfield	Garfield	1,433	0.167%	91,935	(214,392)	(122,457)
Glacier	Glacier	12,427	1.452%	797,263	(758,169)	39,095
Golden Valley	Golden Valley	949	0.111%	60,884	(93,595)	(32,711)
Granite	Granite	2,655	0.310%	170,334	(237,973)	(67,640)
Hill	Hill	17,480	2.042%	1,121,442	(1,077,393)	44,049
Jefferson	Jefferson	8,988	1.050%	576,632	(1,535,987)	(959,355)
Judith Basin	Judith Basin	2,246	0.262%	144,094	(283,794)	(139,700)
Lake	Lake	23,653	2.763%	1,517,476	(787,142)	730,334
Lewis And Clark	Lewis And Clark	51,523	6.019%	3,305,497	(2,090,540)	1,214,956
Liberty	Liberty	2,238	0.261%	143,581	(411,048)	(267,468)
Lincoln	Lincoln	18,409	2.151%	1,181,043	(1,030,847)	150,197
Madison	Madison	2,140	0.250%	137,293	(689,202)	(551,909)
Mccone	Mccone	6,384	0.746%	409,570	(432,443)	(22,872)
Meagher	Meagher	1,830	0.214%	117,405	(180,011)	(62,606)
Mineral	Mineral	3,633	0.424%	233,078	(327,833)	(94,755)
Missoula	Missoula	85,669	10.008%	5,496,159	(6,839,099)	(1,342,940)
Musselshell	Musselshell	4,422	0.517%	283,697	(247,461)	36,235
Park	Park	15,650	1.828%	1,004,037	(794,396)	209,642
Petroleum	Petroleum	534	0.062%	34,259	(86,805)	(52,546)
Phillips	Phillips	5,039	0.589%	323,281	(815,690)	(492,409)
Pondera	Pondera	6,218	0.726%	398,920	(718,132)	(319,211)
Powder River	Powder River	2,006	0.234%	128,696	(541,685)	(412,989)
Powell	Powell	6,792	0.793%	435,746	(269,568)	166,178
Prairie	Prairie	1,331	0.155%	85,391	(187,043)	(101,652)
Ravalli	Ravalli	30,700	3.586%	1,969,581	(757,460)	1,212,121
Richland	Richland	10,380	1.213%	665,937	(1,243,995)	(578,058)
Roosevelt	Roosevelt	11,128	1.300%	713,925	(728,948)	(15,023)
Rosebud	Rosebud	10,755	1.256%	689,995	(1,456,311)	(766,315)
Sanders	Sanders	9,733	1.137%	624,428	(254,063)	370,365
Sheridan	Sheridan	4,434	0.518%	284,467	(802,578)	(518,111)
Silver Bow	Silver Bow	34,813	4.067%	2,233,454	(2,426,206)	(192,752)
Stillwater	Stillwater	7,222	0.844%	463,333	(830,176)	(366,843)
Sweet Grass	Sweet Grass	3,269	0.382%	209,725	(252,214)	(42,488)
Teton	Teton	6,438	0.752%	413,035	(680,689)	(267,655)
Toole	Toole	5,087	0.594%	326,360	(799,831)	(473,470)
Treasure	Treasure	875	0.102%	56,136	(115,346)	(59,210)
Valley	Valley	8,316	0.972%	533,519	(701,847)	(168,328)
Wheatland	Wheatland	2,355	0.275%	151,087	(181,533)	(30,446)
Wibaux	Wibaux	1,138	0.133%	73,009	(258,111)	(185,102)
Yellowstone	Yellowstone	122,762	14.341%	7,875,888	(11,276,809)	(3,400,921)
Total	Total	855,995	100.000%	54,917,000	(60,502,804)	(5,585,804)