



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill # HB0658

Title: Mitigate reappraisal

Primary Sponsor: Jopek, Mike

Status: As Amended in House Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$3,278,325	\$8,009,883	\$6,866,054	\$7,196,234
Revenue:				
General Fund	(\$13,601,254)	(\$26,639,315)	(\$40,001,032)	(\$54,353,792)
State Special Revenue	(\$738,067)	\$1,537,485	(\$2,360,998)	(\$3,244,874)
Net Impact-General Fund Balance:	<u>(\$16,879,579)</u>	<u>(\$34,649,198)</u>	<u>(\$46,867,086)</u>	<u>(\$61,550,026)</u>

Description of fiscal impact: HB 658 as amended increases the income eligibility limits for the elderly homeowner-renter tax credit and extended property tax assistance program; phases-in reappraisal values over a six year period; and establishes tax rates for class 4 residential and commercial real property and class 10 forest land property.

Note that this fiscal note is written from current law and not from HJR 2. In nearly all fiscal notes, current law and HJR 2 are the same. In the case of property tax for this biennium, the Legislature intentionally reduced the estimates in HJR 2 for the mitigation anticipated during this legislative session. The impacts of this legislation relative to HJR 2 are shown on page 14. Please use page 14 for purposes of comparing to HJR 2 or the general fund status.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

Property Valuation and Taxes

1. Under current law, the increase in reappraisal value for class 3 agricultural land, class 4 residential and commercial real property and class 10 forest land is phased in over six years. For each year over the six years, the homestead exemption for class 4 residential real properties would remain at 34% and the comstead exemption for class 4 commercial real properties would remain at 15%. The tax rate for classes 3 and 4 would be 3.01% and the tax rate for class 10 would be 0.35%.
2. HB 658 sets the following exemption and tax rates for class 3, 4 and 10 property:

Tax Year	Class 3		Class 4		Class 10	
	Agricultural Property Tax Rate	Residential Property Exemption	Residential Property Tax Rate	Commercial Property Exemption	Commercial Property Tax Rate	Forestland Tax Rate
2009	2.85%	35.90%	2.85%	15.30%	2.85%	0.32%
2010	2.70%	37.40%	2.70%	15.50%	2.70%	0.30%
2011	2.57%	38.70%	2.57%	15.70%	2.57%	0.28%
2012	2.45%	39.90%	2.45%	15.90%	2.45%	0.26%
2013	2.35%	41.10%	2.35%	16.40%	2.35%	0.24%
2014	2.25%	42.00%	2.25%	16.60%	2.25%	0.23%

3. Under both current and proposed law, class 4 commercial multifamily dwellings would receive the homestead exemption but have the class 4 commercial tax rate applied to determine taxable value.
4. Section 6 of the bill establishes a six-year reappraisal cycle for class 3, class 4, and class 10 property, and requires the department to provide a sales assessment ratio study during the second and fourth years of this reappraisal cycle to the revenue and transportation interim committee (RTIC).

Change in Agricultural and Forest Land Property cost and capitalization rates

5. Section 7 modifies 15-7-201, MCA, increasing the base water cost for irrigated land to \$15 per acre. It also increases the allowance for irrigation labor costs by \$5 to \$6 per acre for various types of irrigation system.
6. The bill changes the base crop for valuing non-irrigated land to spring wheat and also changes the base crop for irrigated land from alfalfa hay to spring wheat (see technical note).
7. Section 11 caps the annual capitalization value to not less than 8% for forest land. The impact of these changes on Class 3 and Class 10 property are shown in table 1 (below) with the current law impact of reappraisal.

Increase in Value Due to Reappraisal

8. Table 1 shows the estimated reappraisal increases in the values of class 3 agricultural land property, class 4 residential property, class 4 commercial multifamily property, class 4 other commercial property, and class 10 forest land.

Type of Property	----- Full Market Value -----			Percent Change
	2003 Reappraisal	2009 Reappraisal	Difference in Value	
Class 3 - Agricultural Land	\$4,446,329,036	\$5,642,225,118	\$1,195,896,082	26.9%
HB 658: Class 3 - Agricultural Land	\$4,446,329,036	\$5,540,038,943	\$1,093,709,907	24.6%
Class 4 - Residential Property	\$48,714,569,856	\$75,575,222,942	\$26,860,653,087	55.1%
Class 4 - Commercial: Multifamily Property	\$2,226,005,531	\$2,964,215,783	\$738,210,253	33.2%
Class 4 - Commercial: All Other Property	\$11,464,532,592	\$15,444,499,573	\$3,979,966,981	34.7%
<i>Subtotal Class 4 Commercial</i>	<i>\$13,690,538,123</i>	<i>\$18,408,715,357</i>	<i>\$4,718,177,234</i>	<i>34.5%</i>
Class 4 Total	\$62,405,107,979	\$93,983,938,299	\$31,578,830,320	50.6%
Class - 10 Forest Land	\$1,947,330,452	\$2,954,056,906	\$1,006,726,454	51.7%
HB 658: Class 10 - Forest Land	\$1,947,330,452	\$2,318,041,346	\$370,710,894	19.0%

Class 3 Agricultural Land

9. Table 2 displays class 3 agricultural land property values under current law and proposed law through FY 2013.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six- year phase-in with adjusted irrigation costs)					
Market Value	\$4,446,329,036	\$4,628,614,021	\$4,810,899,005	\$5,008,830,639	\$5,235,530,966
Tax Rate	3.01%	2.85%	2.70%	2.57%	2.45%
<i>(effective tax rate)</i>	<i>3.20%</i>	<i>3.03%</i>	<i>2.87%</i>	<i>2.73%</i>	<i>2.60%</i>
Taxable Value	\$142,099,000	\$140,061,494	\$137,915,454	\$136,676,044	\$136,191,419
State Revenue					
State Mills	\$13,574,717	\$13,380,075	\$13,175,063	\$13,056,662	\$13,010,366
University Mills	\$852,594	\$840,369	\$827,493	\$820,056	\$817,149
Current Law (six-year phase-in)					
Market Value	\$4,446,329,036	\$4,645,645,050	\$4,844,961,064	\$5,060,083,832	\$5,304,399,430
Tax Rate	3.01%	3.01%	3.01%	3.01%	3.01%
<i>(effective tax rate)</i>	<i>3.20%</i>	<i>3.20%</i>	<i>3.20%</i>	<i>3.20%</i>	<i>3.20%</i>
Taxable Value	\$142,099,000	\$148,468,885	\$154,838,771	\$161,713,820	\$169,521,834
State Revenue					
State Mills (95.53 mills)	\$13,574,717	\$14,183,233	\$14,791,748	\$15,448,521	\$16,194,421
University Mills (6 mills)	\$852,594	\$890,813	\$929,033	\$970,283	\$1,017,131
Difference (HB 658 as amended - Current Law)					
Taxable Value	\$0	(\$8,407,391)	(\$16,923,317)	(\$25,037,776)	(\$33,330,415)
State Revenue					
State Mills (95.53 mills)	\$0	(\$803,158)	(\$1,616,684)	(\$2,391,859)	(\$3,184,055)
University Mills (6 mills)	\$0	(\$50,444)	(\$101,540)	(\$150,227)	(\$199,982)

Class 4 Residential Property Values

10. Table 3 displays class 4 residential property values under current law and proposed law through FY 2013.

Table 3					
Class 4 Residential Real Property - Fiscal Impact of HB 658 Reappraisal Mitigation as Amended in House Committee					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	\$48,714,569,856	\$55,053,008,613	\$61,613,365,387	\$68,166,272,860	\$74,925,046,142
Homestead Rate	34.0%	35.9%	37.4%	38.7%	39.9%
<u>Taxable</u> Market Value	\$32,151,616,105	\$35,288,978,521	\$38,569,966,732	\$41,785,925,263	\$45,029,952,731
Tax Rate	3.01%	2.85%	2.70%	2.57%	2.45%
Taxable Value	\$967,763,645	\$1,005,735,888	\$1,041,389,102	\$1,073,898,279	\$1,103,233,842
State Revenue					
State Mills	\$92,450,461	\$96,077,949	\$99,483,901	\$102,589,503	\$105,391,929
University Mills	\$5,806,582	\$6,034,415	\$6,248,335	\$6,443,390	\$6,619,403
Current Law (six-year phase-in)					
Market Value	\$48,714,569,856	\$55,053,008,613	\$61,613,365,387	\$68,166,272,860	\$74,925,046,142
Homestead Rate	34%	34%	34%	34%	34%
<u>Taxable</u> Market Value	\$32,151,616,105	\$36,334,985,685	\$40,664,821,155	\$44,989,740,088	\$49,450,530,454
Tax Rate	3.01%	3.01%	3.01%	3.01%	3.01%
Taxable Value	\$967,763,645	\$1,093,683,069	\$1,224,011,117	\$1,354,191,177	\$1,488,460,967
State Revenue					
State Mills (95.53 mills)	\$92,450,461	\$104,479,544	\$116,929,782	\$129,365,883	\$142,192,676
University Mills (6 mills)	\$5,806,582	\$6,562,098	\$7,344,067	\$8,125,147	\$8,930,766
Difference (HB 658 as amended - Current Law)					
Taxable Value	\$0	(\$87,947,181)	(\$182,622,015)	(\$280,292,897)	(\$385,227,125)
State Revenue					
State Mills (95.53 mills)	\$0	(\$8,401,594)	(\$17,445,881)	(\$26,776,380)	(\$36,800,747)
University Mills (6 mills)	\$0	(\$527,683)	(\$1,095,732)	(\$1,681,757)	(\$2,311,363)

Class 4 Commercial Multifamily Property

11. Table 4 displays class 4 commercial multifamily property values under current law and proposed law through FY 2013.

Table 4					
Class 4 (Commercial) Multifamily - Fiscal Impact of HB 658 Reappraisal Mitigation as Amended in House Committee					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	\$2,226,005,531	\$2,431,255,498	\$2,643,692,374	\$2,853,640,398	\$3,070,184,274
Homestead Rate	34.00%	35.90%	37.40%	38.70%	39.90%
<u>Taxable</u> Market Value	\$1,469,163,650	\$1,558,434,774	\$1,654,951,426	\$1,749,281,564	\$1,845,180,749
Tax Rate	3.01%	2.85%	2.70%	2.57%	2.45%
Taxable Value	\$44,221,826	\$44,415,391	\$44,683,689	\$44,956,536	\$45,206,928
State Revenue					
State Mills	\$4,224,511	\$4,243,002	\$4,268,633	\$4,294,698	\$4,318,618
University Mills	\$265,331	\$266,492	\$268,102	\$269,739	\$271,242
Current Law (six-year phase-in)					
Market Value	\$2,226,005,531	\$2,431,255,498	\$2,643,692,374	\$2,853,640,398	\$3,070,184,274
Homestead Rate	34%	34%	34%	34%	34%
<u>Taxable</u> Market Value	\$1,469,163,650	\$1,604,628,629	\$1,744,836,967	\$1,883,402,663	\$2,026,321,621
Tax Rate	3.01%	3.01%	3.01%	3.01%	3.01%
Taxable Value	\$44,221,826	\$48,299,322	\$52,519,593	\$56,690,420	\$60,992,281
Difference (HB 658 as amended - Current Law)					
Taxable Value	\$0	(\$3,883,931)	(\$7,835,904)	(\$11,733,884)	(\$15,785,352)
State Revenue					
State Mills (95.53 mills)	\$0	(\$371,032)	(\$748,564)	(\$1,120,938)	(\$1,507,975)
University Mills (6 mills)	\$0	(\$23,304)	(\$47,015)	(\$70,403)	(\$94,712)

Class 4 Commercial Real Property

12. Table 5 displays class 4 commercial property values under current law and proposed law through FY 2013.

Table 5					
Class 4 Commercial Real Property - Fiscal Impact of HB 658 Reappraisal Mitigation as Amended in House Committee					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	\$11,464,532,592	\$12,552,327,821	\$13,678,212,215	\$14,792,060,036	\$15,940,901,090
Comstead Rate	15.0%	15.3%	15.5%	15.7%	15.9%
<u>Taxable</u> Market Value	\$9,744,852,704	\$10,631,821,664	\$11,558,089,322	\$12,469,706,610	\$13,406,297,816
Tax Rate	3.01%	2.85%	2.70%	2.57%	2.45%
Taxable Value	\$293,320,066	\$303,006,917	\$312,068,412	\$320,471,460	\$328,454,297
State Revenue					
State Mills (95.53 mills)	\$28,020,866	\$28,946,251	\$29,811,895	\$30,614,639	\$31,377,239
University Mills (6 mills)	\$1,759,920	\$1,818,042	\$1,872,410	\$1,922,829	\$1,970,726
Current Law (six-year phase-in)					
Market Value	\$11,464,532,592	\$12,552,327,821	\$13,678,212,215	\$14,792,060,036	\$15,940,901,090
Comstead Rate	15%	15%	15%	15%	15%
<u>Taxable</u> Market Value	\$9,744,852,704	\$10,669,478,648	\$11,626,480,383	\$12,573,251,030	\$13,549,765,926
Tax Rate	3.01%	3.01%	3.01%	3.01%	3.01%
Taxable Value	\$293,320,066	\$321,151,307	\$349,957,060	\$378,454,856	\$407,847,954
Difference (HB 658 as amended - Current Law)					
Taxable Value	\$0	(\$18,144,390)	(\$37,888,648)	(\$57,983,396)	(\$79,393,658)
State Revenue					
State Mills (95.53 mills)	\$0	(\$1,733,334)	(\$3,619,503)	(\$5,539,154)	(\$7,584,476)
University Mills (6 mills)	\$0	(\$108,866)	(\$227,332)	(\$347,900)	(\$476,362)

Class 10 Forest Land

13. Table 6 displays class 10 forest land property values under current law and proposed law through FY 2013.

Table 6					
Class 10 Forestland - Fiscal Impact of HB 658 Reappraisal Mitigation as Amended in House Committee					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Market Value	\$1,947,330,452	\$2,199,012,065	\$2,450,693,679	\$2,681,026,528	\$2,909,539,747
Tax Rate	0.35%	0.32%	0.30%	0.28%	0.26%
Taxable Value	\$6,815,657	\$7,036,839	\$7,352,081	\$7,506,874	\$7,564,803
State Revenue					
State Mills	\$651,100	\$672,229	\$702,344	\$717,132	\$722,666
University Mills	\$40,894	\$42,221	\$44,112	\$45,041	\$45,389
Current Law (six-year phase-in, no change in 95 and 6 mill rates)					
Market Value	\$1,947,330,452	\$2,115,118,194	\$2,282,905,937	\$2,431,333,199	\$2,578,587,886
Tax Rate	0.35%	0.35%	0.35%	0.35%	0.35%
Taxable Value	\$6,815,657	\$7,402,914	\$7,990,171	\$8,509,666	\$9,025,058
Difference (HB 658 as Amended - Current Law)					
Taxable Value	\$0	(\$366,075)	(\$638,090)	(\$1,002,792)	(\$1,460,254)
State Revenue					
State Mills (95.53 mills)	\$0	(\$34,971)	(\$60,957)	(\$95,797)	(\$139,498)
University Mills (6 mills)	\$0	(\$2,196)	(\$3,829)	(\$6,017)	(\$8,762)

14. Table 7 summarizes the General Fund differences between current law and proposed law through FY 2013.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Class 3 - Agricultural Land	\$13,574,717	\$13,380,075	\$13,175,063	\$13,056,662	\$13,010,366
Class 4 - Residential	\$92,450,461	\$96,077,949	\$99,483,901	\$102,589,503	\$105,391,929
Class 4 - Commercial: Multifamily Property	\$4,224,511	\$4,243,002	\$4,268,633	\$4,294,698	\$4,318,618
Class 4 - Commercial: All Other Property	\$28,020,866	\$28,946,251	\$29,811,895	\$30,614,639	\$31,377,239
Class 4 Total	\$124,695,838	\$129,267,202	\$133,564,429	\$137,498,839	\$141,087,786
Class - 10 Forest Land	\$651,100	\$672,229	\$702,344	\$717,132	\$722,666
Total	\$138,921,655	\$143,319,506	\$147,441,837	\$151,272,633	\$154,820,818
Current Law (six-year phase-in)					
Class 3 - Agricultural Land	\$13,574,717	\$14,183,233	\$14,791,748	\$15,448,521	\$16,194,421
Class 4 - Residential Property	\$92,450,461	\$104,479,544	\$116,929,782	\$129,365,883	\$142,192,676
Class 4 - Commercial: Multifamily Property	\$4,224,511	\$4,614,034	\$5,017,197	\$5,415,636	\$5,826,593
Class 4 - Commercial: All Other Property	\$28,020,866	\$30,679,584	\$33,431,398	\$36,153,792	\$38,961,715
Class 4 Total	\$124,695,838	\$139,773,162	\$155,378,377	\$170,935,311	\$186,980,984
Class - 10 Forest Land	\$651,100	\$707,200	\$763,301	\$812,928	\$862,164
Total	\$138,921,655	\$154,663,595	\$170,933,425	\$187,196,761	\$204,037,568
Difference in State Revenue (HB 658 as Amended - Current Law)					
Class 3 - Agricultural Land	\$0	(\$803,158)	(\$1,616,684)	(\$2,391,859)	(\$3,184,055)
Class 4 - Residential Property	\$0	(\$8,401,594)	(\$17,445,881)	(\$26,776,380)	(\$36,800,747)
Class 4 - Commercial: Multifamily Property	\$0	(\$371,032)	(\$748,564)	(\$1,120,938)	(\$1,507,975)
Class 4 - Commercial: All Other Property	\$0	(\$1,733,334)	(\$3,619,503)	(\$5,539,154)	(\$7,584,476)
Class 4 Total	\$0	(\$10,505,960)	(\$21,813,948)	(\$33,436,472)	(\$45,893,198)
Class - 10 Forest Land	\$0	(\$34,971)	(\$60,957)	(\$95,797)	(\$139,498)
Total Change	\$0	(\$11,344,089)	(\$23,491,589)	(\$35,924,128)	(\$49,216,751)

15. Table 8 summarizes the University (6 Mill) State Special Revenue differences between current law and proposed law through FY 2013.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
HB 658 (six-year phase-in)					
Class 3 - Agricultural Land	\$852,594	\$840,369	\$827,493	\$820,056	\$817,149
Class 4 - Residential	\$5,806,582	\$6,034,415	\$6,248,335	\$6,443,390	\$6,619,403
Class 4 - Commercial: Multifamily Property	\$265,331	\$266,492	\$268,102	\$269,739	\$271,242
Class 4 - Commercial: All Other Property	\$1,759,920	\$1,818,042	\$1,872,410	\$1,922,829	\$1,970,726
Class 4 Total	\$7,831,833	\$8,118,949	\$8,388,847	\$8,635,958	\$8,861,370
Class - 10 Forest Land	\$40,894	\$42,221	\$44,112	\$45,041	\$45,389
Total	\$8,725,321	\$9,001,539	\$9,260,452	\$9,501,055	\$9,723,908
Current Law (six-year phase-in)					
Class 3 - Agricultural Land	\$852,594	\$890,813	\$929,033	\$970,283	\$1,017,131
Class 4 - Residential Property	\$5,806,582	\$6,562,098	\$7,344,067	\$8,125,147	\$8,930,766
Class 4 - Commercial: Multifamily Property	\$265,331	\$289,796	\$315,118	\$340,143	\$365,954
Class 4 - Commercial: All Other Property	\$1,759,920	\$1,926,908	\$2,099,742	\$2,270,729	\$2,447,088
Class 4 Total	\$7,831,833	\$8,778,802	\$9,758,927	\$10,736,019	\$11,743,807
Class - 10 Forest Land	\$40,894	\$44,417	\$47,941	\$51,058	\$54,150
Total	\$8,725,321	\$9,714,033	\$10,735,900	\$11,757,360	\$12,815,089
Difference in State Revenue (HB 658 as Amended - Current Law)					
Class 3 - Agricultural Land	\$0	(\$50,444)	(\$101,540)	(\$150,227)	(\$199,982)
Class 4 - Residential Property	\$0	(\$527,683)	(\$1,095,732)	(\$1,681,757)	(\$2,311,363)
Class 4 - Commercial: Multifamily Property	\$0	(\$23,304)	(\$47,015)	(\$70,403)	(\$94,712)
Class 4 - Commercial: All Other Property	\$0	(\$108,866)	(\$227,332)	(\$347,900)	(\$476,362)
Class 4 Total	\$0	(\$659,853)	(\$1,370,079)	(\$2,100,061)	(\$2,882,437)
Class - 10 Forest Land	\$0	(\$2,196)	(\$3,829)	(\$6,017)	(\$8,762)
Total	\$0	(\$712,494)	(\$1,475,448)	(\$2,256,304)	(\$3,091,181)

Changes to Existing Property Tax Assistance Programs

16. Section 1 of the bill amends the property improvement threshold for qualifying for the property tax assistance program from \$100,000 to \$119,000. The bill as amended does not change the household income levels in 15-6-134(1)(c) MCA which remain at \$15,000 for a single person and \$20,000 for a married couple or a head of household (see technical note). These rates are revised in section 2(b)(i).

Property Tax Assistance Program					
Single Person		Married Couple		Multiplier	
Proposed Law					
\$0 -	\$10,000	\$0 -	\$13,000	20%	
\$10,001 -	\$14,000	\$13,001 -	\$19,000	50%	
\$14,001 -	\$19,000	\$19,001 -	\$25,000	70%	
Current Law					
\$0 -	\$7,703	\$0 -	\$10,270	20%	
\$7,704 -	\$11,811	\$10,271 -	\$17,973	50%	
\$11,812 -	\$19,257	\$17,974 -	\$25,676	70%	

17. The impact of raising the eligibility thresholds relative to current law is presented in the following table.

HB 658 Amended Reduction in Taxable Value Due to Property Tax Assistance Changes, Exemption and Rate Changes				
	FY 2010	FY 2011	FY 2012	FY 2013
Taxable Value	\$19,916	(\$288,928)	(\$574,293)	(\$846,953)
Revenue				
State Mills (95.53 mills)	\$1,903	(\$27,601)	(\$54,862)	(\$80,909)
University (6 mills)	\$119	(\$1,734)	(\$3,446)	(\$5,082)

18. Section 3 of the bill amends the extended property assistance program (EPTAP) in 15-6-193 (5)(a), MCA, removing the reference to revaluation cycles after December 31, 2008. The bill also increases the income limitations as shown below:

Income Test	Change in Taxable Value	Tax Liability
Current Law		
Income ≤ \$25,000	24%	\$250
\$25,000 < Income ≤ \$50,000	30%	\$250
\$50,000 < Income ≤ \$75,000	36%	\$250
HB 658		
Income ≤ \$28,500	55%	\$100
\$28,500 < Income ≤ \$57,000	60%	\$150
\$57,000 < Income ≤ \$85,500	60%	\$200

19. The amendments to EPTAP have the following estimated impact:

HB 658 Amended Reduction in Taxable Value Due to Extended Property Tax Assistance Changes				
	FY2010	FY2011	FY2012	FY2013
Taxable Value	(4,233,915)	(9,969,504)	(16,763,074)	(24,627,344)
Revenue				
State Mills (95.53 mills)	(404,466)	(952,387)	(1,601,376)	(2,352,650)
University (6 mills)	(25,403)	(59,817)	(100,578)	(147,764)

20. Section 4 amends the disabled or deceased veteran’s residences exemption in 15-6-211, MCA, increasing the percentage multiplier applied to the tax rate for the various income levels:

Disabled or Deceased Veteran Property Tax Assistance Program					
Single Person		Married Couple		Multiplier	
HB 658 as Amended					
\$0 -	\$30,000	\$0 -	\$36,000	0%	
\$30,001 -	\$33,000	\$36,001 -	\$39,000	15%	
\$33,001 -	\$36,000	\$36,001 -	\$39,000	25%	
\$36,001 -	\$39,000	\$19,001 -	\$25,000	40%	
Current Law					
\$0 -	\$30,000	\$0 -	\$36,000	0%	
\$30,001 -	\$33,000	\$36,001 -	\$39,000	20%	
\$33,001 -	\$36,000	\$39,001 -	\$42,000	30%	
\$36,001 -	\$39,000	\$42,001 -	\$45,000	50%	

21. The following table shows the impact from the changes in the disabled veteran property assistance program:

HB 658 Amended Reduction in Taxable Value Due to Disabled Veteran Property Tax Assistance Changes				
	FY2010	FY2011	FY2012	FY2013
Taxable Value	(\$48,176)	(\$81,004)	(\$111,653)	(\$141,124)
Revenue				
State Mills (95.53 mills)	(\$4,602)	(\$7,738)	(\$10,666)	(\$13,482)
University (6 mills)	(\$289)	(\$486)	(\$670)	(\$847)

22. Sections 8 and 9 increase the income limits for eligibility for the elderly homeowner-renter credit and increase the amount of the credit for some taxpayers. Income tax and property tax records were matched for taxpayers who claimed the \$400 property tax rebate. Each 2008 property value was increased by the average percentage reappraisal increase in its levy district to give an estimated 2009 reappraisal value. Each taxpayer’s income was grown using the income growth assumptions in the HJR 2 income tax revenue estimate. Elderly homeowner-renter credits were calculated under current law and under this bill for eligible taxpayers, and the percentage difference in the total amount of credits was calculated. It is assumed that credits to eligible renters will increase by the same percentage. The following table shows the calculated percentage increase in credits from this bill for each tax year from 2009 through 2012 and the resulting increase in total credits:

Additional Homeowner-Renter Credits		
Tax Year	Percentage Difference	Increased Credits
2009	18.80%	\$1.85
2010	21.97%	\$2.16
2011	24.52%	\$2.41
2012	27.45%	\$2.69

23. Elderly homeowner-renter credits are claimed on tax returns and credit claim forms following the end of each tax year. The additional credit claims shown for tax years 2009 through 2012 will result in equal reductions in general fund revenue in FY 2010 through FY 2013.

Department Costs

Property Assessment Division

- 24. DOR’s property assessment division would require 5.3 tax appraisers to keep sales verifications current and 16.5 tax technicians to process PTAP and EPTAP applications, assuming base level funding and staffing of the property assessment division at levels in the 2011 biennium executive budget.
- 25. The estimated annual cost for mailing PTAP applications is \$179,175 per year. The estimated annual cost for mailing EPTAP applications is \$14,350 per year. There is no funding in the department’s FY 2009 budget for the cost of these additional mailings if they are to be mailed in June 2009.
- 26. There would be an additional cost for self-reporting mailing of \$126,400 in FY 2010, \$129,451 in FY 2011, \$131,005 in FY 2012, and \$132,578 in FY 2013.
- 27. There is an estimated cost of \$30,000 per year for national agricultural imagery to handle the additional requirements on agricultural appraisal in HB 673.
- 28. Each reappraisal cycle, the department undertakes a program to educate the public about the cyclic reappraisal of Classes 3, 4 and 10 properties. The cost of this educational/informational taxpayer program is estimated at \$50,047 per year.
- 29. Section 6 of HB 678 as amended requires the department to provide the Revenue and Transportation Interim Committee with a sales assessment ratio study of residences. The estimated cost is \$75,000 in FY2011 and in FY 2013.

HB 658 amended: Department of Revenue Administrative Costs

	FY2010	FY2011	FY2012	FY2013
Property Assessment Division	21.80	21.80	21.80	21.80
Total FTE	21.80	21.80	21.80	21.80
Costs by Division				
Property Assessment Division	\$1,499,460	\$1,470,841	\$1,397,395	\$1,483,921
Total Personnel Services	\$823,586	\$823,586	\$823,586	\$823,586
Total Other Costs- PAD	\$399,972	\$478,023	\$404,577	\$481,150
Total Equipment	\$115,390	\$0	\$0	\$0
Total Annual Operating Costs	\$160,512	\$169,232	\$169,232	\$169,232
Total Administrative Costs	\$1,499,460	\$1,470,841	\$1,397,395	\$1,473,968

PAD - Property Assessment Division

Office of Public Instruction

30. The change in taxable value from present law to HB 658 would have a GTB cost to the state general fund of \$1.3 million in FY 2010, \$5.0 million in FY 2011, \$4.3 million in FY 2012 and \$4.5 million in FY 2013.

- 31. County school levies for all district funds will not change the amount of revenue received due to this bill as local school district mills float to adjust. The amount each taxpayer will pay will change based on the assessed value of their property.
- 32. Countywide retirement GTB will increase by approximately \$0.5 million in FY 2010, \$1.5 million in FY 2011, and \$1.2 million in subsequent years. This is based on a historical average of 28% of the costs paid by the state and FY 2009 county levies of \$65.1 million.

	FY 2010	FY 2011	FY 2012	FY 2013
Increase in Taxable Value	-2.5860%	-8.1783%	-6.5774%	-6.5580%
FY 2009 County Levies	\$65,100,000	\$65,100,000	\$65,100,000	\$65,100,000
State Share	28%	28%	28%	28%
County Retirement	\$471,371	\$1,490,741	\$1,198,930	\$1,195,384

- 33. Revenue received from county school levies for all district funds will not change due to this bill. Local school district mills would adjust to provide the needed revenue. The amount each taxpayer pays will change based on property tax value changes.
- 34. The GTB savings to the state general fund from HJR 2 to present law is \$2.0 million in FY 2010 and about \$2.5 million in subsequent years.

HB 658 as Amended: Expenditure and Revenue Impact Relative to Present Law

<u>Fiscal Impact:</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	21.80	21.80	21.80	21.80
Expenditures:				
Personal Services	\$823,586	\$823,586	\$823,586	\$823,586
Operating Expenses	\$160,512	\$169,232	\$169,232	\$169,232
Other Costs - Property Assessment Div.	\$399,972	\$478,023	\$404,577	\$481,150
Equipment	\$115,390	\$0	\$0	\$0
TOTAL Expenditures	\$1,499,460	\$1,470,841	\$1,397,395	\$1,473,968
Office of Public Instruction				
Expenditures:				
Local Assistance: GTB	\$1,307,494	\$5,048,301	\$4,269,729	\$4,526,882
Local Assistance: Co. Retire. (GTB)	\$471,371	\$1,490,741	\$1,198,930	\$1,195,384
TOTAL Expenditures	\$1,778,865	\$6,539,042	\$5,468,659	\$5,722,266
Funding of Expenditures (all agencies):				
General Fund (01)	\$3,278,325	\$8,009,883	\$6,866,054	\$7,196,234
Revenue				
Tax Credits (01)	(\$1,850,000)	(\$2,160,000)	(\$2,410,000)	(\$2,690,000)
General Fund Property Tax	(\$11,344,089)	(\$23,491,589)	(\$35,924,128)	(\$49,216,751)
Disabled Veterans Property Tax Assistance	(\$4,602)	(\$7,738)	(\$10,666)	(\$13,482)
Property Tax Assitance Program	\$1,903	(\$27,601)	(\$54,862)	(\$80,909)
Extended Property Tax Assistance (01)	(\$404,466)	(\$952,387)	(\$1,601,376)	(\$2,352,650)
Total General Fund Revenue	(\$13,601,254)	(\$26,639,315)	(\$40,001,032)	(\$54,353,792)
SSR (6 mill) Property Tax	(\$712,494)	(\$1,475,448)	(\$2,256,304)	(\$3,091,181)
Disabled Veterans Property Tax Assistance	(\$289)	(\$486)	(\$670)	(\$847)
Property Tax Assitance Program	\$119	(\$1,734)	(\$3,446)	(\$5,082)
Extended Property Tax Assistance (02)	(\$25,403)	(\$59,817)	(\$100,578)	(\$147,764)
Total State Special Revenue	(\$738,067)	(\$1,537,485)	(\$2,360,998)	(\$3,244,874)
TOTAL Revenues	(\$14,339,321)	(\$28,176,800)	(\$42,362,030)	(\$57,598,666)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	(\$16,879,579)	(\$34,649,198)	(\$46,867,086)	(\$61,550,026)
State Special Revenue (02)	(\$738,067)	(\$1,537,485)	(\$2,360,998)	(\$3,244,874)

HB 658 as Amended Expenditure and Revenue Impact Relative to HJR 2

<u>Fiscal Impact:</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	21.80	21.80	21.80	21.80
<u>Expenditures:</u>				
Personal Services	\$823,586	\$823,586	\$823,586	\$823,586
Operating Expenses	\$160,512	\$169,232	\$169,232	\$169,232
Other Costs - Property Assessment Div.	\$399,972	\$478,023	\$404,577	\$481,150
Equipment	\$115,390	\$0	\$0	\$0
TOTAL Expenditures	<u>\$1,499,460</u>	<u>\$1,470,841</u>	<u>\$1,397,395</u>	<u>\$1,473,968</u>
Office of Public Instruction				
<u>Expenditures:</u>				
Local Assitance: GTB	(\$693,921)	\$2,461,873	\$1,700,919	\$2,017,462
Local Assistance: Co. Retire. (GTB)	(\$253,167)	\$590,277	\$305,758	\$322,263
TOTAL Expenditures	<u>(\$947,088)</u>	<u>\$3,052,150</u>	<u>\$2,006,677</u>	<u>\$2,339,725</u>
<u>Funding of Expenditures (all agencies):</u>				
General Fund (01)	\$552,372	\$4,522,991	\$3,404,072	\$3,813,693
<u>Revenue</u>				
Tax Credits (01)	(\$1,850,000)	(\$2,160,000)	(\$2,410,000)	(\$2,690,000)
General Fund Property Tax	\$33,576	(\$361,282)	(\$764,028)	(\$1,655,245)
Disabled Veterans Property Tax Assistance	(\$4,602)	(\$7,738)	(\$10,666)	(\$13,482)
Property Tax Assitance Program	\$1,903	(\$27,601)	(\$54,862)	(\$80,909)
Extended Property Tax Assistance (01)	(\$404,466)	(\$952,387)	(\$1,601,376)	(\$2,352,650)
Total General Fund Revenue	<u>(\$2,223,589)</u>	<u>(\$3,509,008)</u>	<u>(\$4,840,932)</u>	<u>(\$6,792,286)</u>
SSR (6 mill) Property Tax	\$2,109	(\$22,691)	(\$47,987)	(\$103,962)
Disabled Veterans Property Tax Assistance	(\$289)	(\$486)	(\$670)	(\$847)
Property Tax Assitance Program	\$119	\$1,734	(\$3,446)	(\$5,082)
Extended Property Tax Assistance (02)	(\$25,403)	(\$59,817)	(\$100,578)	(\$147,764)
Total State Special Revenue	<u>(\$23,464)</u>	<u>(\$81,260)</u>	<u>(\$152,681)</u>	<u>(\$257,655)</u>
TOTAL Revenues	<u>(\$2,247,053)</u>	<u>(\$3,590,268)</u>	<u>(\$4,993,613)</u>	<u>(\$7,049,941)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,775,961)	(\$8,031,999)	(\$8,245,004)	(\$10,605,979)
State Special Revenue (02)	(\$23,464)	(\$81,260)	(\$152,681)	(\$257,655)

Effect on County or Other Local Revenues or Expenditures:

1. Using the difference in taxable value under HB 658 as amended and projected statewide average local mills under the bill and under current law it is estimated that with respect to current law there would be a reduction in local jurisdiction total property tax revenue of \$3.3 million in FY 2010, \$9.5 million in FY 2011, \$23.6 million FY 2012 and \$45.8 million in FY 2013
2. Relative to HJ 2 taxable value and mill estimates, the local jurisdictions would collect an essentially the same revenue with estimated (fluctuations of less than \$20,000 each year, growing to a \$179,000 short fall in FY 2013 principally due to rounding).

Department of Revenue

1. The purpose of the forest land advisory council established in this bill would be to review the calculations involved in forest land valuation, but under the current language the council would not review the net income calculations, nor the capitalization rate. If that is not the intent an amendment should include subsections (5) and (6) in (10)(c)(i).
2. The terms of the members of the forest land advisory council could become problematic since the current language has those terms expiring on December 31 of each even numbered year. That will result in overlap of committees during each 4-year reappraisal cycle. It would be more workable if the term of the committee was similar to the Agricultural Land Valuation Advisory Committee
3. In prior discussions, legislators have expressed a desire to ensure the base crop for non-irrigated land is spring wheat and to default to summer fallow land when the provisions of 15-7-201(7)(f) are met. The current language in HB 658 states the base crop for irrigated land is “spring wheat from summer fallow farm land.” The current base crop for irrigation land is alfalfa hay not summer fallow farm land. In discussions with legislators, there have never been any discussions about changing the base crop for irrigated land so the department is assuming this is a drafting oversight.
4. The changes in this bill to the cap rate on forest land to 8% may require an adjustment to the tax rate if the sponsor wishes to maintain statewide taxable value neutrality.
5. In Section 1, the bill amends 15-6-134 threshold and rates for the property tax assistance program. In section 2(b)(i), the income levels are increased, however they are not changed in section 1(c). The department is assuming this is a drafting oversight and based analysis on the amended language in 2(b)(i).

Sponsor’s Initials

Date

Budget Director’s Initials

Date