

Folks:

It's important that everyone understand the potential impact of HB658 on the Flathead Valley, and especially on the construction industry which is now in the midst of a deep recession. This property tax bill (HB658) has now morphed into the standard "east-side solution" that mitigates the average increase from this 6-year reappraisal (or what the legislature adopted as a 'temporary' fix back in the mid-1990's):

- Mitigating the average means that the tax rate is phased down and the homestead exemption is phased up to accommodate the statewide average appraisal increase of 55%. Consequently, when passed it can be claimed that there will be no overall increase in property taxes for Montana from this reappraisal. That is the "feather in the hat" that Governor Schweitzer and Whitefish Legislator Jopek wanted to be able to claim.

However, here is what this "mitigating the average" actually means:

- As an example, a highly appreciated property which has increased 200% in value since the last reappraisal in 2002 would experience close to a 145% increase in property taxes phased in over the next 6 years (200% - 55%). Of course the exact percentage will depend on the new 2008 appraisal, which no one will receive until this summer -- long after Montana Legislators have gone home. *This will potentially hit every owner whose property value has appreciated more than the statewide average of 55% since 2002 – which includes most of the Flathead Valley!*
- HB658 has some phase-in protection – but only for families with a combined income of less than \$85,500. And that phase-in protection is instantly lost in the first year that family income might exceed that level.

And here's the real kicker:

- Those increased taxes from highly appreciated properties are redistributed under this formula to property owners whose property value increased less than 55%. For example, a homeowner on the east side who saw only a 25% increase in appraisal, would get a 30% reduction in his taxes (25% - 55% = -30%) under HB658. Sounds fair, doesn't it?

Sadly, the Montana Association of Realtors favors this HB658 solution over almost all others, including any annual percentage cap on taxable value increase. The reason is that NMAR (Northwest Montana Association of Realtors) and other affected west-side realtor organizations have not gotten involved in the way that realtors in Billings, Great Falls, Helena, etc. have.

The high-end Whitefish real estate market (and Flathead Valley) will be “fried” by this reappraisal over the next 6 years in what could turn into a “*long cold economic winter*” as more homes hit the overcrowded “For Sale” market, and construction jobs disappear. If anyone wants to calculate the likely tax impact... take your idea of a “fair market sales price” for your property and multiply it by 0.9% to get the estimated annual taxes (if appraised accurately at full value). It’s ugly! And a major reason 2<sup>nd</sup> home owners buy that vacation home is as an investment --not as a financial drain. With unemployment already exceeding 12% in the Flathead Valley, this is the last thing the economy needs.

There is a good probability that this east-side “legislative game” could be brought down by a lawsuit challenging “equitable treatment and protection” under the Montana Constitution, including a specific provision that “requires equalization of property values” in the MT Constitution. Both of those are not being fulfilled under this “mitigate the average” concept. Such a challenge has been done before – and successfully. But it would take time, money, and a good constitutional attorney.

A better solution would be for Montana’s west-side Governor to step up to the plate and say, “*Enough is enough!*” If HB658 is sent back to the legislature without the Governor’s signature, it would force a true solution to the property crisis facing this state and the Flathead County.

Jim Stack  
April 6, 2009