

Governor's Property Tax Advisory Council

Local Government Subcommittee

April 4th, 2024

Prior Meeting Follow-up -- Additional information

Ralph Franklin, Governor's Budget Office

- Estimated County Non-Levy Revenue Tables
- Summary of fiscal notes for CI-121 (2020), SB 542 (2023), and BI-2 (2023).

Estimated County Non-Levy Revenue Tables

Statewide compilation of non-levy data and local property tax levies appears to be presented infrequently. FY 2022 data is used to help maintain comparability and approximate county of non-levy revenue shares.

Estimate of non-levy receipts by Counties

- Shared tax levies – mostly from natural resource revenue (\$96 million) and Entitlement Share payments to counties (\$148 million) as reported in the DOR Biennial Report.
- Main federal payments for lands: BLM – PILT payments (\$38 million) and Forest Service -- Secure Rural Schools/Federal Forest Reserve (25%) payments (\$14 million) .
- The county property tax revenue base is the sum of county milled property tax for county government, countywide school levies, and county local school district levies (\$1,337 million).

This excludes city and town levies, special district levies and fees.

These estimates also exclude other intergovernmental transfers. For instance, federal forest receipts, coal gross proceeds that are transferred back to local schools after a portion is sent to the state based on state/local relative mill shares (about \$18 million per year), state oil and gas receipts, and state lands earnings that help fund local schools via the Guarantee Account (around \$40 million per year).

Measured in this manner approximately 18% of county government and consolidated county school receipts were “non-levy revenues in FY 2022. If Entitlement Share payments are excluded, the non-levy share of local county revenue averages 6.7% statewide with NLR concentrated in five (oil, gas, and coal) counties.

FY 2022 County-level Shared State Tax Revenue, Federal Forest Receipts, Federal PILT, and Local Property Tax Collections

County	Total State Shared Payments	Federal payments (subtotal)	Approximate "Non-Levy Revenue"	County Mill Revenue	County-wide School Mill Revenue	Local Schools Mill Revenue	Total Main County Property Tax	"Approximate Non-levy" Share
Beaverhead	\$1,332,832	1,694,125	\$3,026,957	4,170,438	1,247,120	5,534,344	\$10,951,902	21.7%
Big Horn	\$5,829,528	17,390	\$5,846,918	7,960,236	1,649,800	4,304,195	\$13,914,232	29.6%
Blaine	\$2,444,594	1,140,735	\$3,585,329	4,493,486	986,909	3,019,879	\$8,500,274	29.7%
Broadwater	\$922,820	912,255	\$1,835,074	3,821,806	632,220	4,197,915	\$8,651,941	17.5%
Carbon	\$3,111,308	1,422,613	\$4,533,921	6,359,318	2,044,363	8,576,969	\$16,980,650	21.1%
Carter	\$738,428	302,411	\$1,040,839	6,467,092	292,138	2,206,771	\$8,966,001	10.4%
Cascade	\$11,355,115	688,112	\$12,043,227	24,970,328	7,377,059	45,409,828	\$77,757,214	13.4%
Chouteau	\$1,664,368	457,708	\$2,122,077	5,259,849	1,265,662	4,452,555	\$10,978,066	16.2%
Custer	\$2,198,985	967,168	\$3,166,153	5,300,702	1,045,433	5,923,038	\$12,269,173	20.5%
Daniels	\$765,388	0	\$765,388	1,519,918	406,786	1,453,562	\$3,380,266	18.5%
Dawson	\$4,238,020	96,290	\$4,334,310	4,658,341	0	7,415,868	\$12,074,209	26.4%
Deer Lodge	\$1,673,742	707,973	\$2,381,715	7,112,071	762,066	3,216,792	\$11,090,930	17.7%
Fallon	\$12,854,751	48,643	\$12,903,394	8,488,487	0	3,152,683	\$11,641,170	52.6%
Fergus	\$1,898,040	1,447,267	\$3,345,307	6,854,451	2,029,245	7,618,622	\$16,502,318	16.9%
Flathead	\$10,881,890	4,527,222	\$15,409,112	44,427,564	16,828,886	73,643,564	\$134,900,014	10.3%
Gallatin	\$10,544,519	2,267,701	\$12,812,220	44,796,700	16,285,595	88,287,698	\$149,369,992	7.9%
Garfield	\$444,059	250,682	\$694,741	1,512,353	397,786	738,280	\$2,648,419	20.8%
Glacier	\$2,647,039	1,191,789	\$3,838,828	7,314,317	1,709,065	6,447,841	\$15,471,224	19.9%
Golden Valley	\$133,805	99,821	\$233,627	1,051,161	303,188	1,187,381	\$2,541,729	8.4%
Granite	\$642,155	877,350	\$1,519,504	2,758,190	474,922	1,905,690	\$5,138,803	22.8%
Hill	\$3,215,459	136,047	\$3,351,506	7,232,780	2,068,470	7,996,766	\$17,298,016	16.2%
Jefferson	\$1,457,064	1,718,565	\$3,175,629	5,340,099	1,516,564	6,152,492	\$13,009,156	19.6%
Judith Basin	\$536,544	455,657	\$992,201	2,491,148	571,695	2,681,765	\$5,744,609	14.7%
Lake	\$2,532,892	532,254	\$3,065,145	12,966,626	3,457,793	12,050,060	\$28,474,479	9.7%
Lewis & Clark	\$8,088,746	3,456,139	\$11,544,885	33,804,027	6,573,705	43,724,411	\$84,102,142	12.1%
Liberty	\$1,178,534	94,996	\$1,273,530	2,318,250	347,674	1,257,460	\$3,923,385	24.5%
Lincoln	\$2,118,639	4,244,293	\$6,362,932	5,711,024	850,902	7,232,796	\$13,794,721	31.6%
Madison	\$1,255,979	1,536,271	\$2,792,250	15,223,843	1,557,596	5,906,090	\$22,687,529	11.0%
McCone	\$673,781	321,681	\$995,462	2,110,131	317,688	1,573,984	\$4,001,802	19.9%
Meagher	\$386,549	551,909	\$938,458	1,574,205	263,169	1,689,126	\$3,526,500	21.0%
Mineral	\$700,753	1,245,145	\$1,945,898	2,331,744	498,375	2,941,126	\$5,771,245	25.2%
Missoula	\$16,526,786	3,031,404	\$19,558,190	58,117,336	13,618,523	70,000,728	\$141,736,588	12.1%
Musselshell	\$2,387,513	42,576	\$2,430,089	2,550,646	167,870	2,461,825	\$5,180,341	31.9%
Park	\$2,763,544	2,157,431	\$4,920,975	7,183,471	2,398,125	8,766,730	\$18,348,326	21.1%
Petroleum	\$176,050	98,849	\$274,899	496,723	112,781	336,422	\$945,925	22.5%
Phillips	\$2,034,024	578,083	\$2,612,107	3,348,250	979,495	3,346,904	\$7,674,648	25.4%
Pondera	\$1,561,589	340,481	\$1,902,070	4,266,158	872,380	3,793,523	\$8,932,061	17.6%
Powder River	\$10,051,817	517,897	\$10,569,714	2,249,001	0	1,268,762	\$3,517,763	75.0%
Powell	\$841,291	1,476,449	\$2,317,740	3,717,384	993,178	3,830,995	\$8,541,557	21.3%
Prairie	\$477,345	179,194	\$656,539	1,589,223	123,151	849,726	\$2,562,100	20.4%
Ravalli	\$3,535,083	3,643,072	\$7,178,156	14,080,482	2,888,486	18,890,203	\$35,859,171	16.7%
Richland	\$34,932,653	21,840	\$34,954,493	11,385,171	0	6,779,183	\$18,164,354	65.8%
Roosevelt	\$10,245,674	1,798	\$10,247,472	8,226,443	1,891,980	4,933,964	\$15,052,388	40.5%
Rosebud	\$7,708,322	206,387	\$7,914,709	5,187,060	1,981,847	5,055,704	\$12,224,612	39.3%
Sanders	\$1,943,441	2,087,759	\$4,031,200	6,182,500	2,022,630	6,303,012	\$14,508,142	21.7%
Sheridan	\$3,618,092	747	\$3,618,839	4,809,847	876,292	3,397,291	\$9,083,430	28.5%
Silver Bow	\$7,955,847	749,702	\$8,705,549	28,479,909	3,165,722	18,436,165	\$50,081,795	14.8%
Stillwater	\$5,215,109	626,344	\$5,841,452	10,621,754	1,860,550	7,524,857	\$20,007,162	22.6%
Sweet Grass	\$2,428,448	789,114	\$3,217,562	6,148,949	737,041	2,860,914	\$9,746,903	24.8%
Teton	\$1,261,138	898,111	\$2,159,248	3,203,098	1,074,803	4,474,010	\$8,751,911	19.8%
Toole	\$2,530,605	110,556	\$2,641,161	5,800,704	965,705	4,323,529	\$11,089,938	19.2%
Treasure	\$203,605	1,722	\$205,327	1,013,277	153,509	831,661	\$1,998,448	9.3%
Valley	\$1,409,085	1,186,427	\$2,595,512	4,395,987	1,622,479	7,082,158	\$13,100,625	16.5%
Wheatland	\$421,562	226,971	\$648,533	2,912,863	447,538	2,229,222	\$5,589,623	10.4%
Wibaux	\$1,938,806	11,330	\$1,950,136	4,271,809	248,815	2,069,497	\$6,590,122	22.8%
Yellowstone	\$24,263,245	226,982	\$24,490,227	59,132,707	16,598,520	96,241,165	\$171,972,391	12.5%
Statewide	\$244,897,001	52,621,437	\$297,518,438	549,771,437	129,563,295	657,987,701	\$1,337,322,433	18.2%

FY 2022 County-level Shared State Tax Revenue

County	Oil & Gas Tax	Oil & Gas Nat. Res. Account	Coal Gross Proceeds	Federal Mineral Royalties	Bentonite Tax	Metal Mines Tax	Entitlement Share Payments	Total State Shared Payments
Beaverhead	0	0	0	991	0	0	1,331,841	\$1,332,832
Big Horn	79,876	1,749	3,349,375	1,224,079	0	0	1,174,449	\$5,829,528
Blaine	1,420,223	17,312	0	21,659	0	0	985,400	\$2,444,594
Broadwater	0	0	0	0	0	18	922,802	\$922,820
Carbon	1,400,426	11,267	0	65,405	126,983	0	1,507,227	\$3,111,308
Carter	38,995	477	0	6,107	338,238	0	354,611	\$738,428
Cascade	0	0	0	0	0	0	11,355,115	\$11,355,115
Chouteau	98,739	1,451	0	1,145	0	0	1,563,034	\$1,664,368
Custer	0	0	0	190	0	0	2,198,794	\$2,198,985
Daniels	22,456	499	0	407	0	0	742,026	\$765,388
Dawson	1,707,554	18,009	0	82,046	0	0	2,430,411	\$4,238,020
Deer Lodge	0	0	0	0	0	0	1,673,742	\$1,673,742
Fallon	11,339,303	129,333	0	483,667	0	0	902,448	\$12,854,751
Fergus	1,363	20	0	653	0	0	1,896,005	\$1,898,040
Flathead	0	0	0	0	0	0	10,881,890	\$10,881,890
Gallatin	0	0	0	0	0	0	10,544,519	\$10,544,519
Garfield	24,443	299	0	622	0	0	418,695	\$444,059
Glacier	1,047,648	12,414	0	821	0	0	1,586,157	\$2,647,039
Golden Valley	3,370	0	0	0	0	0	130,435	\$133,805
Granite	0	0	0	0	0	1,142	641,013	\$642,155
Hill	393,763	5,953	0	3,001	0	0	2,812,742	\$3,215,459
Jefferson	0	0	0	0	0	1,784	1,455,280	\$1,457,064
Judith Basin	0	0	0	0	0	0	536,544	\$536,544
Lake	0	0	0	0	0	0	2,532,892	\$2,532,892
Lewis & Clark	0	0	0	0	0	0	8,088,746	\$8,088,746
Liberty	383,734	4,853	0	3,087	0	0	786,860	\$1,178,534
Lincoln	0	0	0	0	0	0	2,118,639	\$2,118,639
Madison	0	0	0	0	0	0	1,255,979	\$1,255,979
McCone	3,459	47	0	1,068	0	0	669,206	\$673,781
Meagher	0	0	0	0	0	0	386,549	\$386,549
Mineral	0	0	0	0	0	0	700,753	\$700,753
Missoula	0	0	0	0	0	0	16,526,786	\$16,526,786
Musselshell	365,208	3,330	1,154,750	201,598	0	0	662,627	\$2,387,513
Park	0	0	0	0	0	476,667	2,286,877	\$2,763,544
Petroleum	34,639	606	0	4,882	0	0	135,923	\$176,050
Phillips	1,044,613	18,417	0	187,583	0	0	783,411	\$2,034,024
Pondera	279,672	3,365	0	783	0	0	1,277,768	\$1,561,589
Powder River	9,008,525	75,782	0	357,780	0	0	609,731	\$10,051,817
Powell	0	0	0	0	0	0	841,291	\$841,291
Prairie	71,012	965	0	18,177	0	0	387,191	\$477,345
Ravalli	0	0	0	0	0	0	3,535,083	\$3,535,083
Richland	32,007,446	411,279	234,790	221,363	0	0	2,057,776	\$34,932,653
Roosevelt	8,311,232	97,465	0	102,453	0	0	1,734,525	\$10,245,674
Rosebud	442,447	7,373	2,285,730	721,343	0	0	4,251,429	\$7,708,322
Sanders	0	0	0	0	0	0	1,943,441	\$1,943,441
Sheridan	2,218,269	19,832	0	8,398	0	0	1,371,593	\$3,618,092
Silver Bow	0	0	0	0	0	2,285,456	5,670,391	\$7,955,847
Stillwater	102,458	1,260	0	2,184	0	3,504,598	1,604,608	\$5,215,109
Sweet Grass	924	5	0	0	0	1,740,607	686,912	\$2,428,448
Teton	131,875	1,876	0	0	0	0	1,127,387	\$1,261,138
Toole	949,941	13,500	0	19,926	0	0	1,547,239	\$2,530,605
Treasure	0	0	0	323	0	0	203,282	\$203,605
Valley	240,206	3,448	0	10,026	0	0	1,155,404	\$1,409,085
Wheatland	0	0	0	0	0	0	421,562	\$421,562
Wibaux	1,365,192	12,741	0	72,286	0	0	488,587	\$1,938,806
Yellowstone	30,767	448	1,481,610	22	0	0	22,750,399	\$24,263,245
Statewide	74,569,778	875,374	8,506,255	3,824,075	465,221	8,010,272	148,646,026	\$244,897,001

FY 2022 County-level Federal Forest Receipts & Federal PILT Collections

County	Forest Receipts & SRS	Federal PILT	Federal payments (subtotal)
Beaverhead	788,929	905,196	1,694,125
Big Horn	0	17,390	17,390
Blaine	0	1,140,735	1,140,735
Broadwater	137,127	775,128	912,255
Carbon	30,870	1,391,743	1,422,613
Carter	58,254	244,157	302,411
Cascade	126,650	561,462	688,112
Chouteau	25,091	432,617	457,708
Custer	0	967,168	967,168
Daniels	0	0	0
Dawson	0	96,290	96,290
Deer Lodge	167,052	540,921	707,973
Fallon	0	48,643	48,643
Fergus	76,256	1,371,011	1,447,267
Flathead	1,256,466	3,270,756	4,527,222
Gallatin	261,533	2,006,168	2,267,701
Garfield	0	250,682	250,682
Glacier	32,008	1,159,781	1,191,789
Golden Valley	14,451	85,370	99,821
Granite	548,679	328,671	877,350
Hill	0	136,047	136,047
Jefferson	335,358	1,383,207	1,718,565
Judith Basin	151,196	304,461	455,657
Lake	40,138	492,116	532,254
Lewis & Clark	591,040	2,865,099	3,456,139
Liberty	0	94,996	94,996
Lincoln	3,511,357	732,936	4,244,293
Madison	395,709	1,140,562	1,536,271
McCone	0	321,681	321,681
Meagher	347,218	204,691	551,909
Mineral	782,886	462,259	1,245,145
Missoula	635,624	2,395,780	3,031,404
Musselshell	0	42,576	42,576
Park	442,330	1,715,101	2,157,431
Petroleum	0	98,849	98,849
Phillips	0	578,083	578,083
Pondera	65,594	274,887	340,481
Powder River	268,679	249,218	517,897
Powell	554,024	922,425	1,476,449
Prairie	0	179,194	179,194
Ravalli	758,785	2,884,287	3,643,072
Richland	0	21,840	21,840
Roosevelt	0	1,798	1,798
Rosebud	69,652	136,735	206,387
Sanders	1,329,490	758,269	2,087,759
Sheridan	0	747	747
Silver Bow	124,160	625,542	749,702
Stillwater	99,131	527,213	626,344
Sweet Grass	150,611	638,503	789,114
Teton	136,402	761,709	898,111
Toole	0	110,556	110,556
Treasure	0	1,722	1,722
Valley	0	1,186,427	1,186,427
Wheatland	69,932	157,039	226,971
Wibaux	0	11,330	11,330
Yellowstone	0	226,982	226,982
Statewide	14,382,681	38,238,756	52,621,437

Proposed constitutional amendments to limit residential and real property valuations, and property taxes. *Summary of fiscal notes for CI-121 (2020), SB 542 (2023), and BI-2 (2023).*

The fiscal notes can most easily be found here:

BI-9/ CI-121(2020)

<https://leg.mt.gov/content/Committees/Interim/2021-2022/Revenue/Meetings/January-2022/BI-9-fiscal-note.pdf>

SB 542 (2023)

https://leg.mt.gov/bills/2023/FNPDF//SB0542_1.pdf

BI-2 (2023)

<https://leg.mt.gov/content/Committees/Interim/2023-2024/Revenue/Meetings/July-2023/BM2-fiscal-note.pdf>

The discussion will start with the narrower CI-121 which would have applied to residential property. SB 542 and BI -2 applied more expansively to all real property.

Summary of CI-121 (2020)

BI 9 would have made two main changes to the present system of property taxation. First, it would change the basis of assessment to the property's TY 2019 market value, subsequent annual inflation adjustments (up to 2%), unless the property was substantially modified or sold. The sale or modification would reset the market value in the year of such change. This is sometimes referred to as "acquisition value". Second, the initiative would limit the property tax levied on residential property to one percent of the valuation.

The change in the basis of valuation would have created growing differentials in assessments for similar properties over time as residential property has tended to rise in real terms (at a rate greater than inflation). This differential shifts the share of residential taxable value (and therefore property taxes) to new owners' relative to "legacy" owners.

The initiative would also have capped ad valorem taxes on residential property at one percent of assessed value. This component of the proposal creates challenges as no one district controls the final total property tax levied. The one percent tax limit effectively set a total allowable mill cap in any levy district at 740.7 mills ($(1/1.35) \times 1000 = 740.7$). Since overlapping jurisdictions mileage accumulates, once the one percent of assessed value is reached any further levying in these jurisdictions would need to share "discounts" (if allowed in implementing legislation). Taxes potentially would shift to all other property in the district (if the process were to comply with equalization requirements).

Retrospective analysis suggests the 2020 initiative, depending on implementing legislation, could have reduced property collections statewide by approximately 25% if shifting tax burden to other property was restricted. Local jurisdictions would likely have developed fee-based charges and other methods to help fund operations in the face of that restriction.

Since the majority (83%) of property taxes are levied by local jurisdictions (local government entities and school districts), the initiative would have the greatest effect on local jurisdiction revenue. Quantifying local government and school effects is more difficult to estimate than the state effects. State mills have a maximum numerical level in statute. The mills for local units of government adjust automatically based on the jurisdiction's revenue authority and tax base under 15-10-420, MCA. School district mills are based on the school funding requirements in Title 20, Chapter 9, MCA. CI -121 would have limited both the growth of the tax base (taxable market value),

as well as setting a maximum total mill rate for residential property. The interaction of the reduction to the tax base (which increases mills) and the cap on mills proposed in this initiative makes the calculation the true impact on local jurisdictions and taxpayers unknown.

Currently, there is a taxable value multiplier of 1.4 on individual residences with values in excess of \$1.5 million in 15-6-134(3)(b), MCA. Since ad valorem tax rates cannot exceed 1% of market value, this multiplier will interact with cap on mills, bringing that levy district cap down for each dollar of property value greater than \$1.5 million if such property exists in the district.

SB 542 (2023) and BI-2 (2023) are the same. They both expanded on the mechanisms of CI-121 by extending the 2019 basis of valuation and one percent tax cap to apply to all real property (only class 8 would be unaffected). The 2019 valuations with a 2% annual inflation limit are also restrictive but given the 2023 HJ 2 class growth assumptions the inflation limit only sweeps in Class 9 property. However, the one percent cap becomes even more restrictive as higher class tax rates set lower levels of permissible millage. This is because the cap applies to the assessed value not the taxable value as this table from the BI-2 fiscal note shows:

Class	Description	Tax Rate	Max Mill	Levy Districts
1	Miscellaneous Mines	100.00%	10.0	7
2	Metal Mines	3.00%	333.3	6
3	Agricultural Land	2.16%	463.0	32
3: Non-qualified	Non-Qualified Ag Land	15.12%	66.1	843
4: Res.	Residential	1.35%	740.7	24
4: Com.	Commercial	1.89%	529.1	21
5	Pollution Control & Cooperatives	3.00%	333.3	69
9	Pipeline & Transmission Lines	12.00%	83.3	226
10	Forestland	0.31%	3225.8	2
12	Airlines and Railroads	3.06%	326.8	10
13	Electric Generation & Telecom	6.00%	166.7	52

Applying the BI 2 (implied) maximum mills by levy district yields a collection of \$250.911 million in TY 2022, instead of the \$2.083 billion that was levied in TY 2022. This is a reduction of 88%.

If that reduction applied in the same manner to local levies the effect is :

	County	Local Schools	County-Wide Schools	Cities & Towns	Fire & Misc.
TY 2022 Collections	\$587,697,349	\$675,085,981	\$124,370,782	\$234,949,526	\$92,582,726
1% Cap Reductions	-\$516,908,000	-\$593,770,000	-\$109,390,000	-\$206,649,000	-\$81,431,000

This is a total reduction in local property tax revenue relative to the TY 2022 tax base of approximately \$1.508 billion (from a \$1.715 billion TY 2022 base).