

PROPERTY TAX RELIEF

CAPITALIZING ON OUR TOURISM INDUSTRY

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THE PROBLEM

- Property taxes have risen for the majority of Montana residents
- Montana's economy has shifted away from traditional extractive industries.
- Now, Montana has a robust, resilient, and diverse economy – tourism is a prominent piece that has yet to be fully monetized
- This shift has decreased the number of corporate property taxpayers, leaving residential taxpayers to continue to pay for increasingly burdened local services

ONE RESIDENT



POLICE, FIRE, PUBLIC SAFETY,
WATER, SEWER, ROADS, BRIDGES,
PUBLIC HEALTH, GARBAGE,
MAINTENANCE,



13 TOURISTS



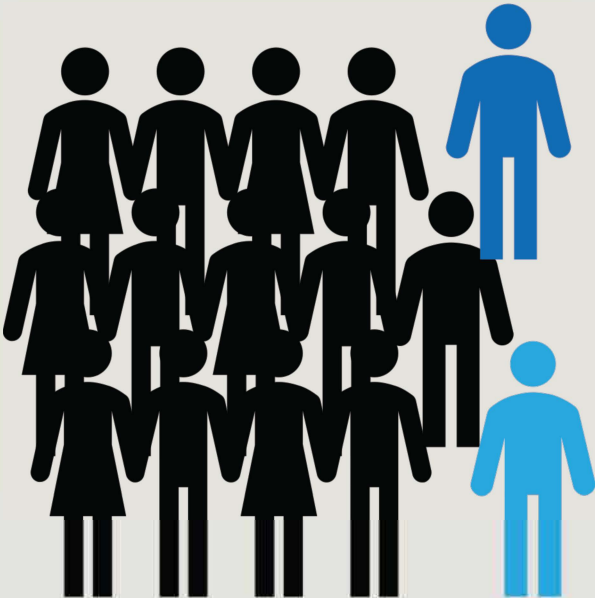
ONE RESIDENT
TWO



POLICE, FIRE, PUBLIC SAFETY,
WATER, SEWER, ROADS, BRIDGES,
PUBLIC HEALTH, GARBAGE,
MAINTENANCE,



~~13~~ TOURISTS
~~14~~
15



INSTITUTE FOR TOURISM AND RECREATION RESEARCH



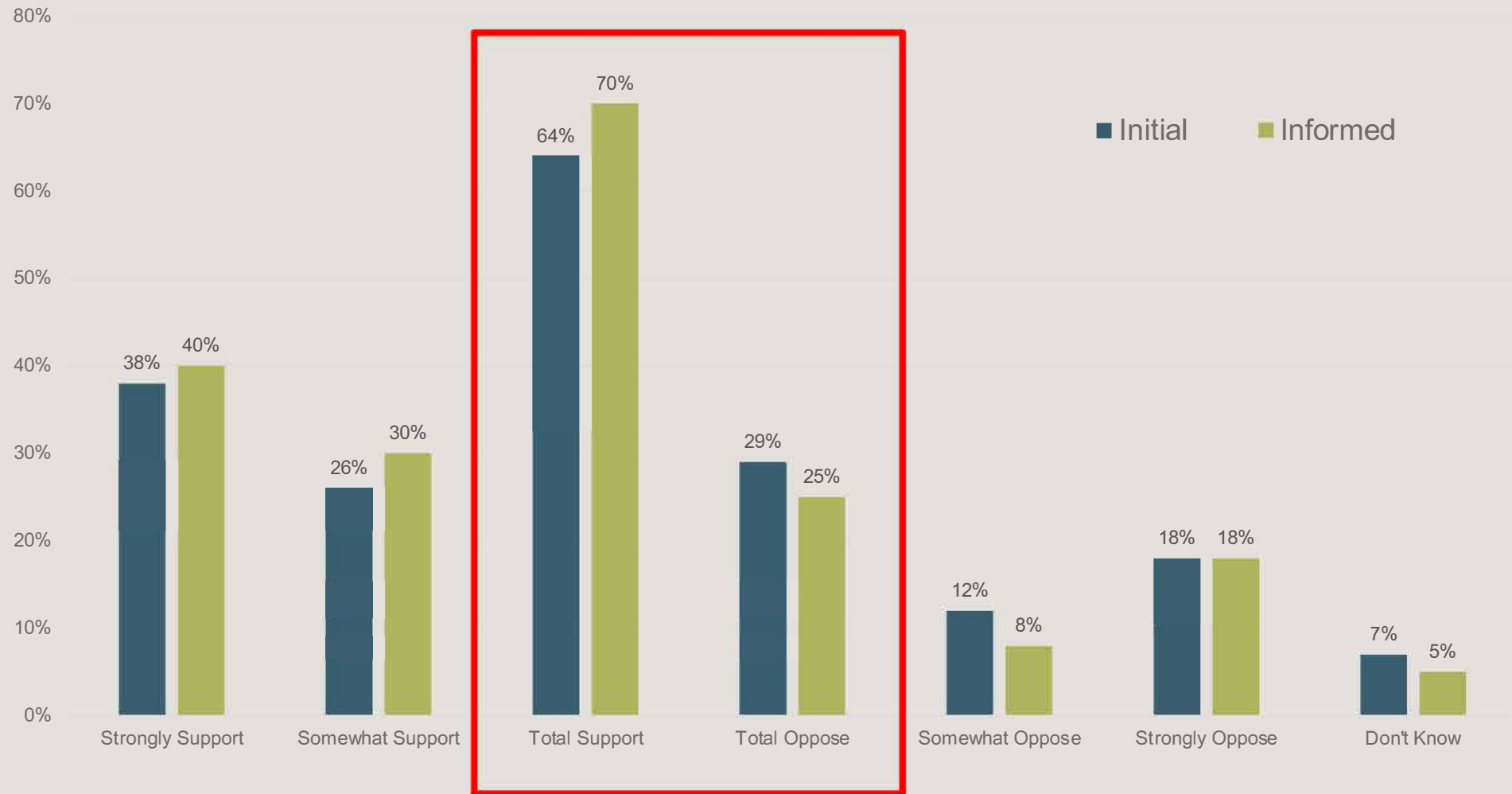
SOURCE: Institute for Tourism and Recreation Research Publications, The Montana Travel Industry – 2023 Summary; Melissa Weddell, University of Montana, Missoula; Pub 4-2024

ONE SOLUTION - THREE PARTS

1. Ask our visitors to help pay for their impact
2. Shield residents from increased tax burdens
3. Funnel new revenue directly to local property tax relief and areas of high need

INITIAL VS. INFORMED SUPPORT

“Now, after everything you have heard, would you support or oppose allowing voters in individual Montana counties and cities to vote on whether to implement a 4% tax on common tourist transactions in order to reduce property taxes for residents of that county or city?”

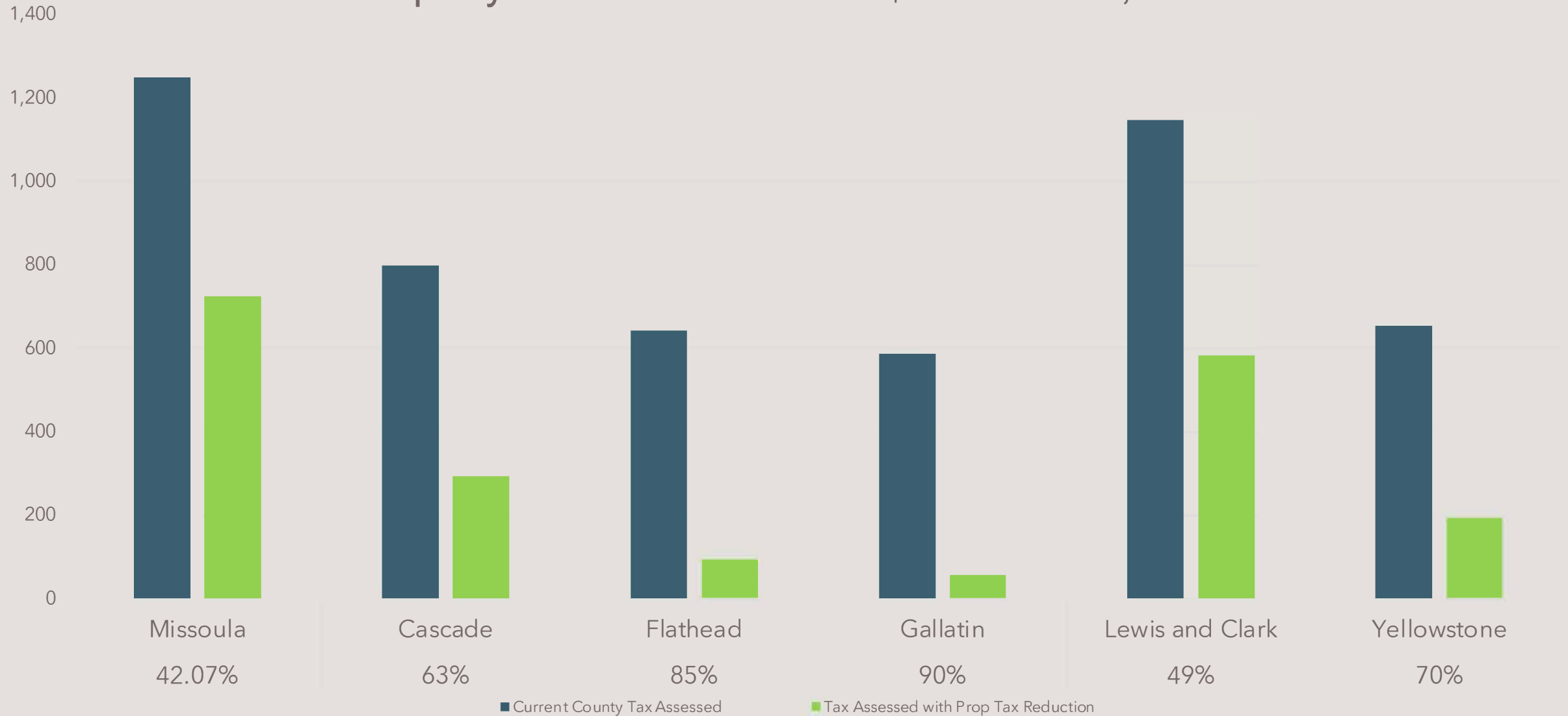


TAX RELIEF THROUGH TOURISM

1. County Commissioners/City Council place issue on general election ballot
2. Tax *tourist-focused* sales
3. 10% of revenue funds rural infrastructure
4. Remaining 90% reduces property tax and supports high need areas

WHAT THIS COULD MEAN ...

Percent Property Tax Reduction on a \$500K home; 4% tax



GENERAL PROVISIONS

1. Question is placed on ballot
 - a. General election of even-numbered year
 - b. Requires at least 40% voter ballot return/turnout to pass
 - c. Categories of taxation and tax rate shall be outlined on the voter ballot
 - d. Proposal must have a sunset/re-authorization of ten years
2. Board of Directors oversees tax collection and expenditure
 - a. To be governed by by-laws containing general provisions set out by the local governing body
 - b. Must consist of
 - i. At least three local citizens at large,
 - ii. At least one city and/or county elected official,
 - iii. Mayor or chief executive (or their appointee),
 - iv. At least one local legislator
 - c. Makes recommendations to the local governing body regarding 40% of revenue allocation
3. Required annual reporting to the Montana legislature

GENERAL PROVISIONS, continued

4. Categories eligible for taxation at the local level

(think of this as a menu)

- a. Purchases at restaurants and retail drinking establishments
- b. Outfitter and guide services
- c. Rental cars
- d. Lodging facilities*
- e. Airport landings
- f. Non-SNAP grocery items, with the exception of
 - i. Pet food
 - ii. Soap
 - iii. Paper products
 - iv. Cleaning supplies
 - v. Hygiene supplies
 - vi. Medicine

**Lodging facilities: Currently, these categories collect 8% on sales, 4% of which is for facilities use fee, and 4% of which is for lodging bed tax. This proposal seeks to divert the amount of revenue currently allocated to the General Fund (75% of the lodging bed tax) to the local entity in an assessed area. The markup on lodging facilities remains 8% to the consumer.*

GENERAL PROVISIONS, local flexibility

- ❑ Local governing body may choose which categories to tax and the rate of tax for each category, not to exceed 4% for any one category
- ❑ Local governing body may choose up to three days per year upon which no sales tax will be collected

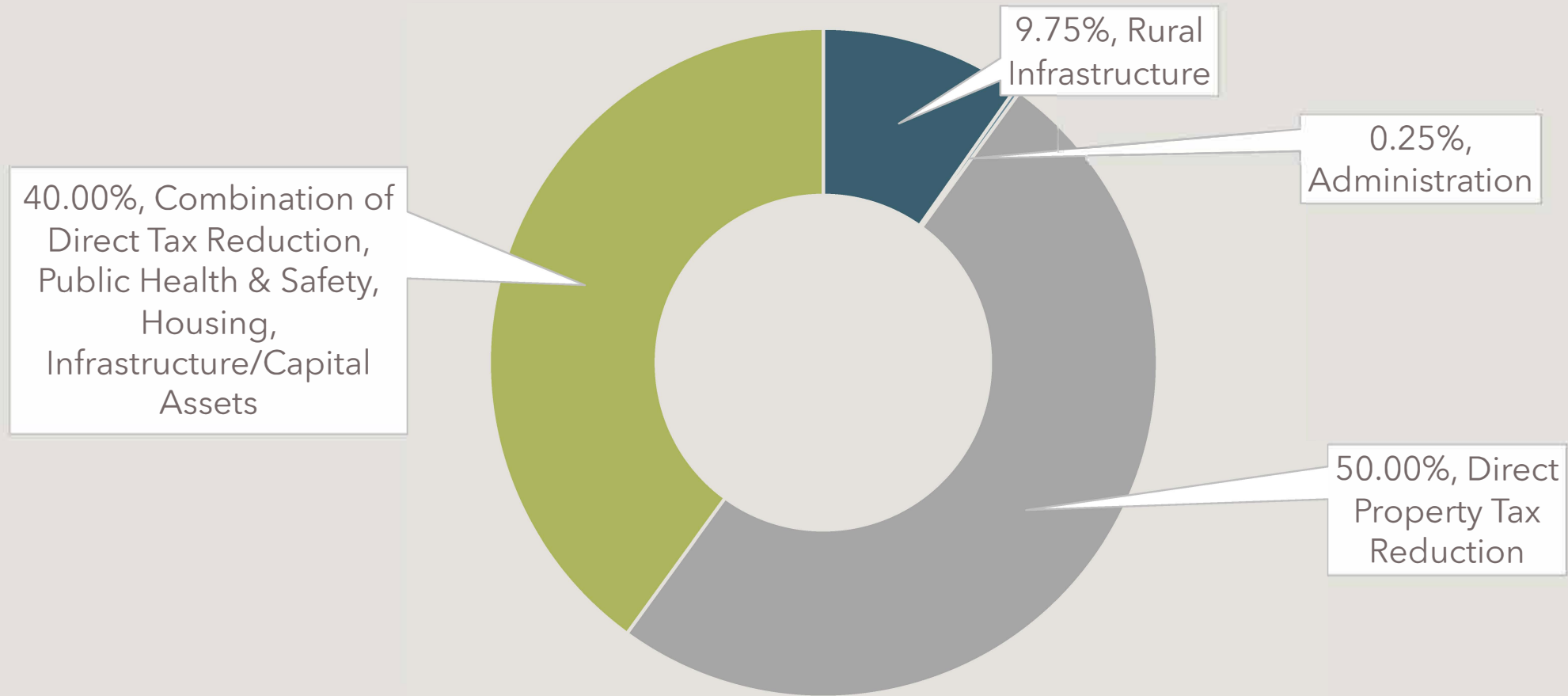
REVENUE ALLOCATION, general provisions

- ❑ *At least 50% of revenue collected goes directly to property tax reduction (residential properties - primary residences and long-term rental properties)*
 - Additional restrictions may be placed by local government officials, and methods of administering these restrictions are the responsibility of the local government
 - Restrictions must be limited to income of the homeowner, requirements that any property tax reduction must be passed onto renters
- ❑ 9.75% goes to a special revenue fund to be allocated to non-assessed areas for infrastructure (*allocation could be determined by the existing gas tax allocation formula; provision for rollover funds*)
- ❑ 0.25% for administrative offset to retailers responsible for collection of tax

REVENUE ALLOCATION, local flexibility

- 40% of revenue shall be allocated to one or a combination of:
 1. Direct property tax reduction (*local government could choose to allocate up to 90% of revenue in 1:1 property tax reduction*)
 2. Public health and safety
 3. Capital investment/maintenance of
 - a. Roads
 - b. Bridges
 - c. Sewers
 - d. Water systems
 - e. Other infrastructure and capital assets for the assessed area
 - f. Housing

REVENUE ALLOCATION, local flexibility



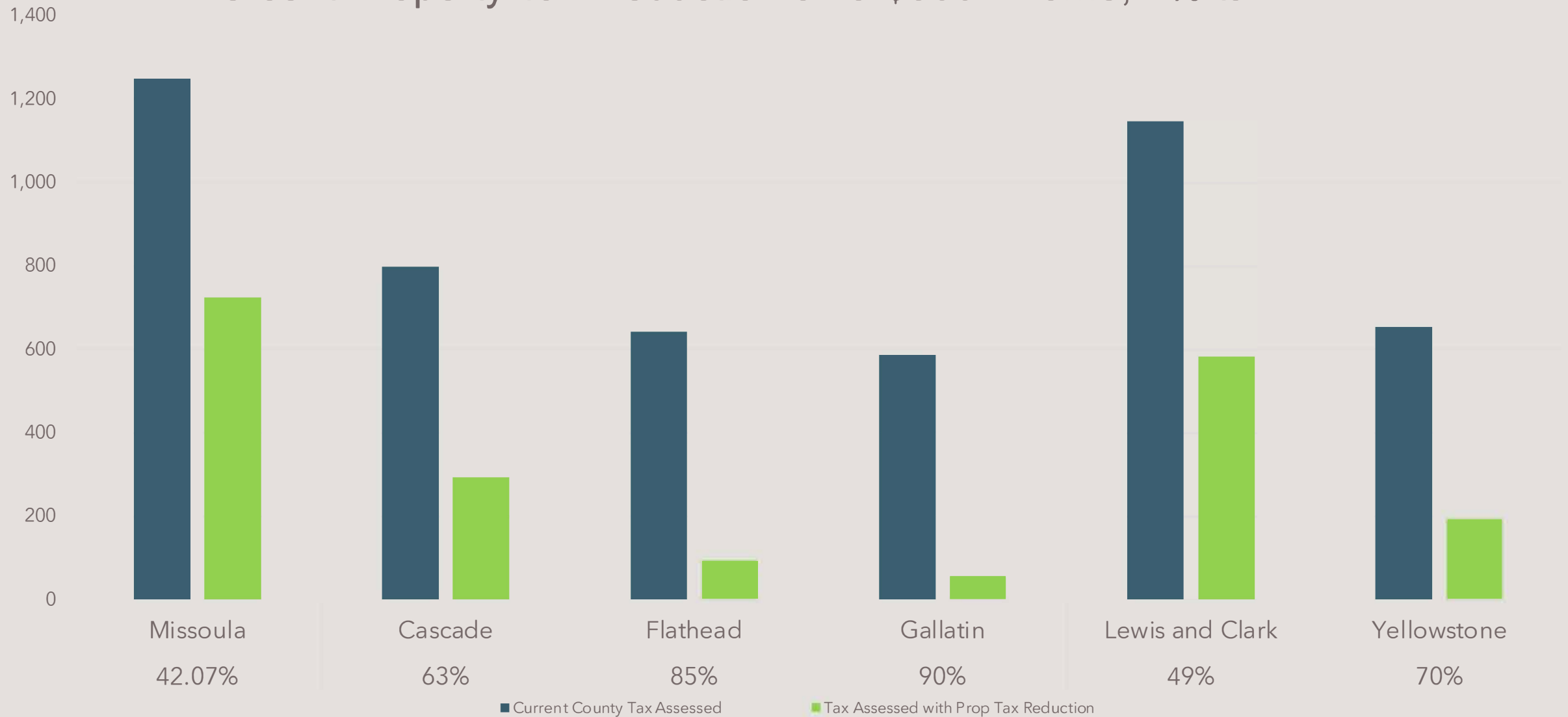
THE FINE PRINT

- ❑ A community may not layer this local option tourism assessment over any existing resort area tax. *The intention is for existing resort communities to continue as they exist today. A resort community may choose to adopt this model instead of their existing model.*
- ❑ In the event that a general statewide sales tax is implemented, areas with a local option tax in place may lay their local tax on top of the general statewide sales tax
 1. The rate of the local tax would be capped at 2%

Example: Park County votes to adopt a local option tax under this model of 3% in 2028. A general statewide sales tax of 2% is adopted a few years later. Park County could then choose to keep a reduced local sales tax. Items would then be taxed at 2-4%, depending on local decision.
 2. The **local option** revenue within locally assessed areas would continue to be allocated to local government

WHAT THIS COULD MEAN ...

Percent Property Tax Reduction on a \$500K home; 4% tax



Total Spending	Missoula	Butte – Silver Bow	Cascade	Flathead	Gallatin	Lewis and Clark	Yellowstone	Total
Lodging (hotels, motels, bed and breakfasts, guest ranches, resorts, and campgrounds)	\$159,960,000	40,683,575	54,318,200	247,261,825	494,450,775	48,745,950	134,839,600	1,180,259,925
Restaurant, Bar, estimate	379,592,037	112,053,985	269,774,753	339,607,428	396,102,383	229,980,502	533,264,533	2,260,375,621
Outfitter, Guide	40,562,120	11,973,769	28,827,359	36,289,479	42,326,369	24,575,059	56,983,124	241,537,281
Auto Rental	18,499,689	5,461,031	13,147,665	16,551,011	19,304,333	11,208,264	25,989,028	110,161,020
Total spend	598,613,846	170,172,360	366,067,977	639,709,743	952,183,860	314,509,775	751,076,285	3,792,333,847
2% tax revenue	11,972,277	3,403,447	7,321,360	12,794,195	19,043,677	6,290,196	15,021,526	75,846,677
10% for Rural Infrastructure 90% available for Prop Tax Reduction	1,197,228	340,345	732,136	1,279,419	1,904,368	629,020	1,502,153	7,584,668
	10,775,049	3,063,102	6,589,224	11,514,775	17,139,309	5,661,176	13,519,373	68,262,009
3% tax revenue	17,958,415	5,105,171	10,982,039	19,191,292	28,565,516	9,435,293	22,532,289	113,770,015
10% for Rural Infrastructure 90% available for Prop Tax Reduction	1,795,842	510,517	1,098,204	1,919,129	2,856,552	943,529	2,253,229	11,377,002
	16,162,574	4,594,654	9,883,835	17,272,163	25,708,964	8,491,764	20,279,060	102,393,014
4% tax revenue	23,944,554	6,806,894	14,642,719	25,588,390	38,087,354	12,580,391	30,043,051	151,693,354
10% for Rural Infrastructure 90% available for Prop Tax Reduction	2,394,455	680,689	1,464,272	2,558,839	3,808,735	1,258,039	3,004,305	15,169,335
	21,550,098	6,126,205	13,178,447	23,029,551	34,278,619	11,322,352	27,038,746	136,524,018

\$500K Assessed Home Market Value - 2%							
	Missoula	Butte - Silver Bow	Cascade	Flathead	Gallatin	Lewis and Clark	Yellowstone
Current County Tax Assessed	1,250	3,574	799	643	587	1,147	653
Tax Assessed with Prop Tax Reduction	987	3,291	546	404	322	909	424
Savings to Property Taxpayer	\$263	\$283	\$252	\$239	\$265	\$238	\$229
Percent Property Tax Reduction	21%	8%	32%	37%	45%	21%	35%
Total to rural infrastructure	\$7,584,668						

\$500K Assessed Home Market Value - 3%							
	Missoula	Butte – Silver Bow	Cascade	Flathead	Gallatin	Lewis and Clark	Yellowstone
Current County Tax Assessed	1,250	3,574	799	643	587	1,147	653
Tax Assessed with Prop Tax Reduction	856	3,150	420	285	190	790	309
Savings to Property Taxpayer	\$394	\$425	\$379	\$358	\$397	\$357	\$344
Percent Property Tax Reduction	31.55%	12%	47%	56%	68%	31%	53%
Total to rural infrastructure	\$11,377,002						

\$500K Assessed Home Market Value - 4%							
	Missoula	Butte - Silver Bow	Cascade	Flathead	Gallatin	Lewis and Clark	Yellowstone
Current County Tax Assessed	1,250	3,574	799	643	587	1,147	653
Tax Assessed with Prop Tax Reduction	724	3,008	294	95	58	584	195
Savings to Property Taxpayer	\$526	\$567	\$505	\$548	\$529	\$563	\$458
Percent Property Tax Reduction	42.07%	16%	63%	85%	90%	49%	70%
Total to rural infrastructure	\$15,169,335						

Assumptions: all eligible categories are taxed at the same rate, 90% of revenue is allocated to direct property tax reduction

THIS PROPOSAL...

- Has a balance of state oversight and control while allowing local governments to advance tax policy and expenditures that reflect the local economy's unique needs.
- Attempts to soften any increased tax burden on Montana residents, low-income individuals, and renters while maintaining constitutional protections for all those involved in Montana commerce.
- Acknowledges that the industries who cater to tourists may incur increased administrative burden, and therefore a 0.25% of tax revenue will be allocated to offset collection administration at the retail level.
- Seeks to address the most significant concerns that have been raised with past iterations of local option sales taxes. It was created out of countless conversations, brain-storming sessions, data analysis, best practices, and a respect for our past while looking forward to our future.