REPORT OF THE GOVERNOR'S PROPERTY TAX TASK FORCE

Recommendations to reform the property tax system and reduce the burden of property taxes on Montanans.

DATE

A REPORT BY THE MONTANA PROPERTY TAX TASK FORCE

GOVERNOR'S PROPERTY TAX REPORT

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MESSAGE FROM GOVERNOR GIANFORTE

Fellow Montanans,

It is my pleasure to share with you the first of two reports from the Governor's Housing Task Force (Task Force). The diverse members of this bipartisan task force have worked together to deliver this series of recommendations and strategies to address the longstanding shortage of housing – a shortage that continues to drive up prices Montanans pay for their home. This report will help inform and guide policymakers as we approach and enter the 2023 Legislative Session.

I look forward to working with legislators to implement many of the ideas the Task Force has provided here.

Owning a home is foundational to the American dream. For the last 12 years, however, owning a home has become more and more difficult for Montanans. While our population grew nearly 10% over the last decade, housing grew by less than 7%. Faced with a shortage of housing supply, hardworking Montanans struggle to own or rent a home. Rising prices and inflation levels not seen in more than a generation are making it even harder to own or rent a home.

To address this urgent, pressing need, we must act to increase the housing supply and bring homeownership, and the American dream, into greater reach for more Montanans.

I want to thank the members of the Task Force for their tireless work and innovative ideas in this report. As evidenced in these pages, the members of the Task Force have proven they are committed to working together to make housing more affordable and attainable for Montanans. I appreciate the unique perspective, valuable experience, and breadth of input each member brings to the Task Force.

I also want to thank Chris Dorrington, director of the Department of Environmental Quality (DEQ), for his steady hand and leadership of the Task Force. Working its members, Director Dorrington and the dedicated staff members at DEQ have made this report and these recommendations a reality – from launching the subtask groups to supporting the Task Force members to ensuring a robust, open public process.

I look forward to the continued work of the Task Force and to receiving their second report with recommendations for regulatory changes and best practices state agencies and local governments can adopt to increase the supply of affordable, attainable workforce housing in Montana.

Finally, I thank all Montanans who made their voices heard throughout this process. I look forward to your continued input as we work together to make housing more affordable and attainable throughout our Treasure State.

Sincerely,

Greg Gianforte
Governor

SUBCOMMITTEE MEMBERS

CHAIR

- Ryan Osmundson - Director, Office of Budget and Program Planning

EDUCATION SUBCOMMITTEE

- David Bedey, Subcommittee Chair - Representative, (R) HD 86
- Lance Melton, Subcommittee Vice Chair - Executive Director, Montana School Boards Association
- Brendan Beatty - Director, Department of Revenue
- Pam Holmquist - Commissioner, Flathead County
- Dwaine Iverson, CPA - Board Member, Montana Taxpayers Association
- Shane Morigeau - Senator, (D) SD 48
- Sandra Vasecka - Council Member, City of Missoula

LOCAL GOVERNMENT SUBCOMMITTEE

- Greg Hertz, Subcommittee Chair - Senator, (R) SD 6
- Errol Galt, Subcommittee Vice Chair - Commissioner, Meagher County
- Manish Bhatt - Senior Policy Analyst, Center for State Tax Policy at the Tax Foundation
- Kendall Cotton - President & CEO, Frontier Institute
- Sean Logan - Commissioner, City of Helena
- Tom McGillvray - Senator, (R) SD 23
- Justin Ross, Ph.D. - Professor of Economics & Public Finance, Indiana University
- DJ Smith - President, Montana Association of Realtors

TAX FAIRNESS SUBCOMMITTEE

- Llew Jones, Subcommittee Chair - Representative, (R) HD 18
- Todd O'Hair, Subcommittee Vice Chair - President & CEO, Montana Chamber of Commerce
- Dave Fern - Representative, (D) HD 5
- Jeremy Horpendahl, Ph.D. - Associate professor of economics at the University of Central Arkansas
- Cyndi Johnson - President, Montana Farm Bureau Federation
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ACKNOWLEDGEMENTS

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EXECUTIVE ORDER SCORECARD

TAX FORCE DIRECTIVE

As stated in the Governors Executive Order, the Task Force shall provide an initial written report to the Governor with recommendations and strategies to reform the property tax system of the State of Montana and its political subdivisions. Below are the report initiatives and the corresponding recommendations found by the Task Force.

CALL OF THE EXECUTIVE ORDER	RECOMMENDATIONS
Arresting the rate of growth of property taxes, including assessments and fees, as well as alleviating the impact of drastic increases of property reappraisals.	TF 01 Homestead/Comstead Exemption ED 04 Voter Approval of Tax Increases LG 05 60% Vote Requirement for Mill Levy Election LG 06 Voted Mills Only as Dollars LG 07 Modification to 15-10-420, MCA LG 08 Sunset Voted Levies LG 10 Truth in Taxation LG 11 Study Bill for Special Districts
Increasing transparency of property tax bills, making them easier to understand for property taxpayers, and improving customer service in the payment schedules for property taxpayers.	LG 06 Voted Mills Only as Dollars LG 10 Truth in Taxation
Increasing transparency of and public engagement in public budgeting.	ED 04 Voter Approval of Tax Increases LG 05 60% Vote Requirement for Mill Levy Election LG 06 Voted Mills Only as Dollars LG 08 Sunset Voted Levies LG 09 Review Tax Increment Finance Law LG 11 Study Bill for Special Districts
Increasing public participation for mill levy ballot measures.	ED 04 Voter approval of Tax Increases LG 05 60% Vote Requirement for Mill Levy Election
Ensuring property taxes paid by Montana resident homeowners and on Montana long-term rentals reflect well on supporting homeownership and workforce housing.	TF 01 Homestead/Comstead Exemption
Ensuring each Montana child has access to a quality education.	ED 02 Countywide BASE Levy ED 03 State Levy
Ensuring lower-income Montana homeowners, Montana homeowners who are on a fixed income, and disabled Montana veterans or their surviving spouse are not at risk of losing their home because of property taxes.	LG 12 Property Tax Assistance Program

CHAIR NARRATIVE/PROCESS

I hereby submit this initial report of the Governor's Property Tax Task Force. My submittal of this report as presiding officer complies with Executive Order No. 1-2024 for the August 15, 2024 submittal deadline. The report identifies measures the Legislature could consider, and the Governor could sign into law.

The report was approved by a majority of the Property Tax Task Force members.

_____ _____

Ryan Osmundson, State of Montana Budget Director Date

TAX FAIRNESS

SUBCOMMITTEEE RECOMMENDATIONS

The Tax Fairness Subcommittee explored a range of policy options and the historical shifts in Montana's economy as well as property tax trends. The Subcommittee proposes tiered tax rates to accommodate ongoing changes in the economy for residents and businesses.

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Tax Fairness Subcommittee

Recommendation: Reduce the tax rate for primary residences under a dollar threshold, and long-term rental improvements while increasing the rate for all other property classified as Class 4 residential. Additionally, create a tiered rate structure for all Class 4 commercial property so commercial properties under a predetermined value threshold are taxed at a lower rate, while property above the threshold would be taxed at a higher rate. Ideally, these rates would be established to raise minimal additional revenue on a statewide basis, but also to provide 15% to 20% reductions in taxes to primary residences, long-term rentals, and small commercial properties.

Rationale: By providing a lower tax rate for primary residences and long-term rentals, the overall property tax burden for these properties will be reduced and transferred to all other residential property and to existing non-Class 4 property. Additionally, by reducing the tax rate on the first portion of commercial property, many smaller commercial taxpayers will see a reduced taxable value while large commercial properties will see an increase in taxable value. This structure would potentially shift some of the tax burden from primary residence, long-term rentals, and smaller commercial properties, providing targeted property tax relief. Based on preliminary estimates, this proposal has the potential to directly reduce property taxes for over 215,000 primary residences and over 32,000 small commercial properties and could also indirectly reduce taxes and rents for over 130,000 renters in the state. This structure will also increase the taxable value for non-primary residences and non-long-term rentals and shift a larger share of the tax burden to these properties that may not participate in other forms of taxation, such as income taxes.

Barriers Addressed: By focusing property tax reductions on primary homes and long-term rentals, tax relief is provided to Montana residents. Increasing the tax on second homes, non-resident homes, and short-term rentals helps pay for the decreases in taxable value for other residential properties without that tax being shifted onto businesses or agricultural property. Current measurement by the DOR reveals that 21% of the state's residential taxable value tax bills are mailed to an out of state address. Out-of-state residents do not directly participate in the Montana income tax, which is the primary source of funding for an educated workforce, public safety (fire funding, corrections, etc), and health services (nursing homes, hospitals, mental health, etc.) while benefiting from these services. Since a statewide sales tax is consistently unpopular, a higher tax rate on properties not occupied by Montanans for at least 7 months out of the year represents one of the

few ways to tax out-of-state residents to offset taxes on Montana residents. Creating a two-tiered rate structure for commercial property lowers taxes for small businesses s without shifting those taxes onto other classes of property.

Key Strategies: Lawmakers should familiarize themselves with the modeled outcomes of various tax rates and consider rationales for supporting those rates. The consensus rate structure currently is: Long-term rentals and primary homes up to four times the median home value receive a preferential rate of 1.1%. Any primary home value in excess of the four times median value and any other residential property pays a rate of 1.9%. Commercial property receives a preferential rate on values up six times the median commercial value of 1.5% and 2.1% for value in excess of the threshold.

The Department of Revenue anticipates additional costs for implementing this recommendation and is currently developing estimates for necessary FTE and system costs to accommodate applications for the homestead and long-term rental exemptions.

Dissenting Opinions (if applicable)t

Owners of non-primary residences, non-long-term rentals, andllarge commercial properties may see an increase in property taxes because of this proposal. Although the recommendation is to minimize tax shifts on a statewide basis, depending on the allocation of the types of property in some taxing jurisdiction, mills could shift up (or down), which could potentially affect other tax classes, including agricultural and centrally assessed properties.

Supporting Graphics, Weblinks, or other documentationt

The linked spreadsheet and pdf output on the Property Tax Advisory Council website show the estimated impacts of this proposal on different types of property in different areas across the state.

https://budget.mt.gov/_docs/PropertyTaxTaskForce/PropertyTaxTaskForce20240604TaxFairnessSubcommitteeReport.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/TaxFairnessSubcommittee20240521HomesteadComsteadModelHandout.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/TaxFairnessSubcommittee20240521HomesteadComsteadModelPresentation.pdf

Residential Examples

Market Value	$200,000	$400,000	$750,000	$1,000,000	$2,500,000
Taxable Value (Current Law)	$2,700	$5,400	$10,125	$13,500	$33,750
Estimated Taxes*	$1,461	$2,922	$5,479	$7,306	$18,264
Taxable Value (Primary Res.)					
Under Threshold	$2,200	$4,400	$8,250	$11,000	$14,300
Over Threshold	$0	$0	$0	$0	$22,800
Total	$2,200	$4,400	$8,250	$11,000	$37,100
Estimated Taxes*	$1,205	$2,409	$4,517	$6,023	$20,313
Difference-$	($257)	($513)	($962)	($1,283)	$2,049
Difference-%	-18%	-18%	-18%	-18%	11%
Taxable Value (Non-Primary Res.)	$3,800	$7,600	$14,250	$19,000	$47,500
Estimated Taxes*	$2,081	$4,161	$7,802	$10,403	$26,007
Difference-$	$619	$1,239	$2,323	$3,097	$7,743
Difference-%	42%	42%	42%	42%	42%

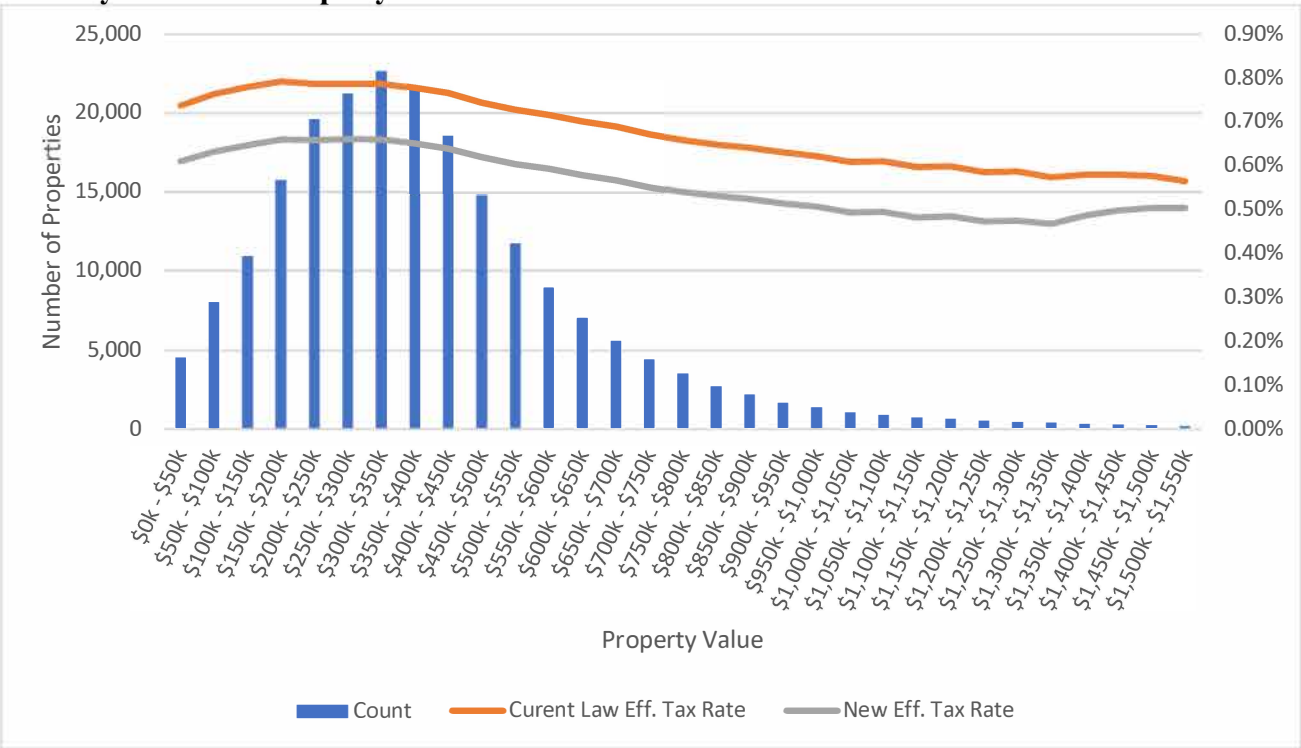
*Estimated taxes are based on statewide averages and will vary depending on specific taxing jurisdictions.

Commercial Examples

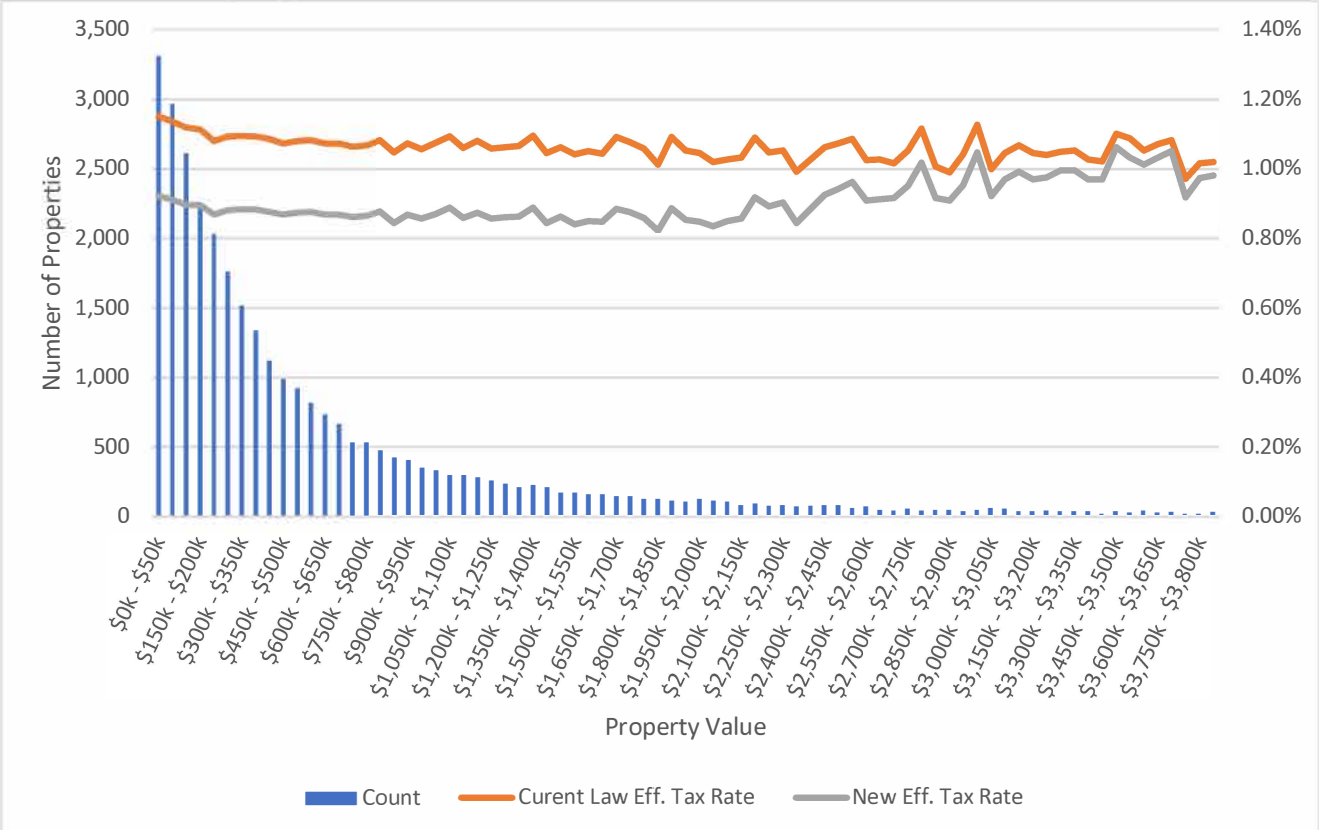
Market Value	$500,000	$1,000,000	$2,000,000	$5,000,000	$10,000,000
Taxable Value (Current Law)	$9,450	$18,900	$37,800	$94,500	$189,000
Estimated Taxes*	$5,327	$10,654	$21,308	$53,269	$106,539
Taxable Value (Proposed)					
Under Threshold	$7,500	$15,000	$41,473	$41,473	$41,473
Over Threshold	$0	$0	$527	$63,527	$168,527
Total	$7,500	$15,000	$30,151	$93,151	$198,151
Estimated Taxes*	$4,106	$8,213	$16,508	$51,001	$108,490
Difference-$	($1,221)	($2,441)	($4,800)	($2,268)	$1,951
Difference-%	-23%	-23%	-23%	-4%	2%

*Estimated taxes are based on statewide averages and will vary depending on specific taxing jurisdictions.

Primary Residence Property Distribution



Commercial Property Distribution



EDUCATION

SUBCOMMITTEEE RECOMMENDATIONS

The Education Subcommittee investigated the impact of property taxes on school funding. The Subcommittee recommends adjustments to BASE school mill setting, enhancing the role of the statewide mills in funding school equity, and incorporating turnout requirements to all levy elections.

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Education

Subject: Equalization of School Property Taxes

Recommendation: Replace school district BASE levies with a countywide levy, similar to countywide retirement levies that are currently in place. (Implementation of this option will have no effect on the state levy or the state general fund.)

Rationale: Adoption of countywide BASE levies would have the effect of further equalizing property taxes within each county. Mills levied would be reduced in at least 69% of the state's school districts, which serve 83% of Montana's students.

Barriers Addressed: Relatively poor (in terms of property tax base) school districts will experience a property tax reduction with the burden being shifted to relatively wealthy districts. This tax shift is consistent with current constitutionally mandated equalization policy.

Key Strategies:

1. Amend school funding laws to accommodate this change.
2. Amend tuition laws as they pertain to out-of-district attendance.

Dissenting Opinions (if applicable): None. (However, two subcommittee members were not present when the option was endorsed.)

Supporting Graphics, Weblinks, or other documentation:

1. Recording of May 23 PTAC Education Subcommittee Meeting
2. Presentation on Replacement of District BASE Levies with a Countywide Levy

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Education

Subject: State School Levy

Recommendation: Set the state levy at a fixed value of 95 mills and leave in place current equalization law, which includes HB 587—School Equalization and Property Tax Reduction (SEPTR).

Rationale: Current law with HB 587 in full effect will be providing significant reductions in local school property taxes, estimated to be $53 million in FY 2025.

Barriers Addressed: The subcommittee considered the option of lowering the state levy to 79 mills in FY 2026 and thereafter allowing it to "float." This option was rejected for two reasons. First, it would result in a significant tax shift to Montana income taxpayers. And second, it would disproportionately benefit out-of-state residential property owners at the expense of Montanans who pay both property tax and state income tax.

Key Strategies:

1. Coordinate as necessary with Homestead/Comstead exemptions being considered by the Tax Fairness Subcommittee.
2. Coordinate as necessary with changes to 15-10-420, which may be forthcoming from the Local Government Subcommittee.

Dissenting Opinions (if applicable): None. (However, two subcommittee members were not present when the option was endorsed.)

Supporting Graphics, Weblinks, or other documentation:

1. Recording of May 23 PTAC Education Subcommittee Meeting
2. Presentation on the State Levy

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Subject: Voter Approval of Property Tax Increases

Recommendation: Apply turnout/supermajority requirements to mill levy elections, modeled after those currently in effect for bond elections in counties, municipalities, and school districts.

Rationale: Decisions on property tax increases should be made by a significant number of the citizens within a tax jurisdiction.

Barriers Addressed: Case law in the federal courts indicates that applying turnout and/or supermajority requirements to levy elections may be challenged on constitutional grounds if the requirements are only applied for certain elections. This risk can be mitigated by applying the requirements to all tax jurisdictions.

Key Strategies:

1. Avoid potential constitutional issues by applying turnout/supermajority requirements uniformly for all tax jurisdictions.
2. Coordinate as necessary with any changes to 15-10-425 that may be proposed by the Local Government Subcommittee.

Dissenting Opinions (if applicable): Two members of the subcommittee argued that inadequate inflation adjustments being made per the current school funding formula are forcing schools to run over-BASE levies in order to sustain ongoing operations. Implementation of the recommended option will make it more difficult for districts to keep up with inflation.

Supporting Graphics, Weblinks, or other documentation:

1. Recording of May 23 PTAC Education Subcommittee Meeting
2. Bond Election Vote Requirements

LOCAL GOVERNMENT

SUBCOMMITTEE RECOMMENDATIONS

The Local Government Subcommittee evaluated the factors driving local government property tax increases. The Subcommittee proposes changes to mill setting, limiting special districts, and ensuring property tax assistance programs adjust appropriately for all recommendations proposed by the Council.

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: Require new voter approved levies to receive a 60% affirmative vote to be passed.

Rationale: Voter approved levies constitute a significant portion of property tax increases. Increasing consensus and voter education could ensure that property taxes align with community values and stay within the bounds of the community's ability to pay for it.

Barriers Addressed: Future growth in residential property taxes is directly tied to any new voter approved mill levies. This will reduce the future growth of mill levies.

Key Strategies: The state legislature should consider requiring more than a simple majority for passage of new budget authority.

Dissenting Opinions (if applicable): Mill levy elections are already challenging to pass and further increasing the barriers to passage doesn't give voters sufficient control of their local government budget choices.

Supporting Graphics, Weblinks, or other documentation: None.

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Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: Voted mill levy elections should be restricted to dollar amounts rather than mill amounts.

Rationale: When mill levies are fixed, reappraisal allows taxing jurisdictions to collect significantly more revenue. Restricting levy elections to dollar amounts requires mills to automatically adjust to maintain voter authorized revenue levels.

Barriers Addressed: Fixed mill levies result in windfalls for taxing jurisdictions when reappraisal raises property values. Restricting mill levies to dollar amounts will naturally control the growth in property taxes when reappraisal increases taxable values.

Key Strategies: The state legislature should strike 15-10-425(2)(b)(ii), MCA, to remove the option for voted mills to be established in terms of mills.

Dissenting Opinions (if applicable): None

Supporting Graphics, Weblinks, or other documentation:

Mill Levy Elections may be asked of voters in terms of dollars or mills. In the year of the election, these produce the same budget authority. When reappraisal raises home values, levies passed with fixed mills increase taxes much faster than levies passed as dollar authorities.

	Scenario 1 (Dollars)	**Scenario 2 (Mills)**
Ballot Language	Authorize $3,000,000 to be levied annually for the purpose of funding public safety	Authorize 30 mills to be levied annually for the purpose of funding public safety
Tax Base	$100,000,000	$100,000,000
Revenue Authority	$3,000,000	$3,000,000
Mills	30.0	30.0
Taxes on a $250,000 Median Home	$101.3	$101.3

The state reappraises property every two years. In years with extreme property value growth like 2020 and 2021, that can produce large increases in the tax base. Lets assume this tax base, and the home value inside it, grows by 40%

Reappraisal Increase	40%	40%
New Tax Base	$140,000,000	$140,000,000
New Revenue Authority	$3,060,000.00	$4,200,000
New Mills	21.9	30.0
Taxes on a $350,000 Median Home	103.275	141.75
Increase in Taxes on Home	$2.0	$40.5

When voters authorize mills instead of dollars, reappraisal creates windfalls for the taxing authority since they are not constrained by budget growth limits contained in 15-10-420. Restricting mill options to dollars limits growth in taxes from reappraisal without further authorization from voters. In this scenario saving the homeowner from a 40% increase in their taxes

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: Modifications to 15-10-420, MCA, should be pursued with the 2023 Legislative Session Senate Bill 511 as the starting point. Population growth adjustments and elimination of banked mill authority should be considered.

Rationale: 15-10-420, MCA, places too much emphasis on newly taxable property as the mechanism to increase tax collections. By allowing full inflation with a population adjustment and then requiring some proportion of newly taxable property to reduce mill levies on existing property there will be more predictable growth in taxing authority.

Barriers Addressed: The automatic growth of taxing authority under 15-10-420, MCA, has no relief valve for existing property. By requiring a portion of newly taxable property to be included when setting mill values, growth in the tax base will partially reduce obligations from existing property in the jurisdiction.

Key Strategies: The Department of Revenue has developed a tool to estimate differences in outcome from several minor tweaks in the 15-10-420, MCA, formula. Members of the 2025 Legislature should familiarize themselves with the tool and understand how changing aspects of 15-10-420, MCA, causes differences in taxing authority.

Dissenting Opinions (if applicable): Some members felt 15-10-420, MCA, already worked sufficiently well and did not require any changes.

Supporting Graphics, Weblinks, or other documentation: The 15-10-420/SB 511(2023) model was presented at the Local Government subcommittee meeting on April 4th. The sensitivity of the model was presented for newly taxable property, inflation, population, and a for a combination of factors.

	Current Law	Options
Inflation	1/2 The Prior 3 Yr. Avg	Allow For 100% Of The Prior 3 Yr. Avg
Newly Taxable	100% of Newly Taxable Contributes To Tax Revenue Growth 0% Is Currently Used To Reduce Mills/Tax Burden	Divert A Portion Of Newly Taxable Property To Lowering Mills
Population	Currently, Population Growth Is Not Directly* Factored Into Growth Limits *Newly Taxable Values Are Likely Correlated With Population Growth	Allow For Population Growth To Factor Into Growth Limitations
Carry Forward Authority	Taxing Jurisdictions Are Currently Allowed To Carry Forward Any Unused Authority.	Eliminate Or Reduce The Ability For Taxing Jurisdictions To Carry Forward Unused Authority
Overall Cap	Currently, There Is Not An Overall Cap On The Amount Taxing Jurisdictions Are Allowed To Grow Their Tax Revenues	Add A Potential Cap To The Amount A Taxing Jurisdiction Is Allowed To Grow Their Tax Revenues

SUMMARY OF 15-10-420 PROVISIONS WHEN ENACTED IN 1999	
Existing Provisions	**New Provisions**
Description of mill levy calculation for taxing jurisdictions	Requirement to decrease mills for an increase in a statutory adjustment
	Allowance for increase in mills for a decrease in a statutory adjustment
Calculation excludes taxable value of certain property ("newly taxable" in 15-10-420)	Exclusion from calculation for certain school district levies
	Prohibition on state mills exceeding mill levies listed in statute
	Department of Revenue required to calculate state mills

https://leg.mt.gov/content/Committees/Interim/2023-2024/Local-Government/Meetings/November-9-2023/3.4-max-mill-levy.pdf

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Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: Require voter approved levies to sunset after 10 years except for bond levies.

Rationale: Voter approved levies currently remain in perpetuity, so any approved levy represents a permanent increase in revenue authority. Changing levies to sunset after 10 years allows voters a chance to reaffirm or deny these levies after 10 years.

Barriers Addressed: A 10-year sunset on voted levies will reduce property taxes for issues that voters no longer approve of rather than constantly compounding budget authority.

Key Strategies: The state legislature should consider implementing a 10-year sunset on voter approved levies.

Dissenting Opinions (if applicable):
None

Supporting Graphics, Weblinks, or other documentation:

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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Subject: Tax Increment Financing Districts reform

Recommendation: Review Tax Increment Financing Laws (TIFs) to reduce possible indirect tax increases on local taxpayers. Items to consider – definition of blight, implementation of possible bonding limitations, review years allowed for TIF district to exist and consider resetting TIF increment base periodically and upon termination of a TIF district property assumed by the taxing jurisdictions is not considered new taxable property for MCA 15-10-420 calculations.

Rationale: Although TIF districts are an important part of economic development the additional tax burden on other taxpayers needs to be considered.

Barriers Addressed: The continuing increase of property taxes on property owners.

Key Strategies: The state legislature should consider changes to TIF district statues.

Dissenting Opinions (if applicable): Local governments and economic development organizations consider TIFs as a major tool available to communities for economic development.

Supporting Graphics, Weblinks, or other documentation:
The 2023-2024 Revenue Interim Committee is conducting a Property Tax Modernization Study which includes an examination of Tax Increment Financing (TIF). The Interim Committee has been presented estimates of the indirect tax increases on taxpayers due to TIFs. This material was presented to the Local Government subcommittee on April 4, 2024, here:

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404MooreTIFPresentation.pdf

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Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: Montana should consider adopting portions of the Utah "Truth in Taxation" law for property taxes.

Rationale: Utah's "Truth in Taxation" is broader than Montana's 15-10-420, although both operate under similar premises. Utah sets a "certified tax rate" for all taxing jurisdictions, which is the mills necessary to raise the prior year's budget excluding newly taxable property. A taxing jurisdiction may exceed this certified tax rate only if they hold a public hearing and advertise that hearing according to statutory guidelines. In Montana, individual taxing jurisdictions are responsible to calculate their 15-10-420 authority, but it works similarly where the taxing jurisdiction is entitled to the prior year's budget, excluding newly taxable property, plus half the rate of inflation. If a taxing jurisdiction in Montana wishes to exceed this calculated amount, they must put the issue to a vote of the electorate.

Barriers Addressed: Utah's "Truth in Taxation" does not have an automatic inflation adjustment. This is more protective of taxpayer's than Montana's 15-10-420. Conversely, for Montana taxing jurisdictions to exceed their calculated mill rates, they must ask the voters to approve it, while Utah requires only a noticed public hearing (which could ultimately result in a vote). The advertisements necessary under Utah law may result in increased transparency as compared to Montana noticing laws.

Key Strategies: The state legislature should consider Utah's "Truth in Taxation" model. The Legislature could consider several modifications to 15-10-420 that would move the state closer to Utah's system. Most of Utah's mills are subject to their "Truth in Taxation" while 15-10-420 contains many exceptions. The largest gap in Utah's system versus Montana's likely lies in these exempted mills.

Dissenting Opinions (if applicable):
None.

Supporting Graphics, Weblinks, or other documentation:

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RYAN ●SMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Recommendation: A study bill should be passed t● gather information on special districts (SPDs/SIDs) and the potential to limit their growth.

Rationale: Special districts are outside of normal property tax limitations. Current reporting of special districts is limited to totals across counties. If the Legislature implements restrictions to local government property taxing authority, there may be incentive to shift revenues and expenditures to special districts.

Barriers Addressed: Special districts currently represent about 10% of property taxes paid in the state. Information available at the state level for these districts is very limited despite their significance in overall tax levels of residential property.

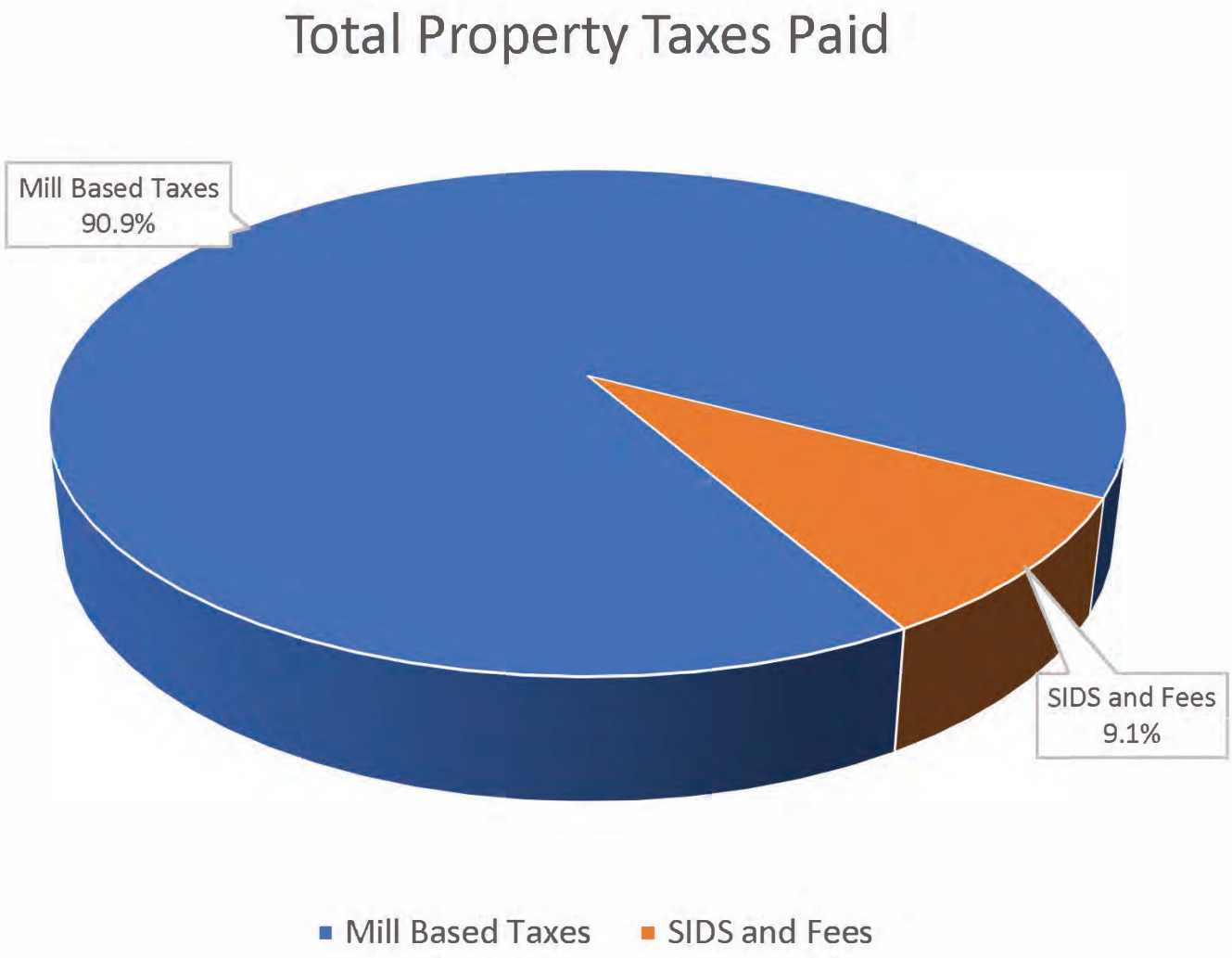
Key Strategies: The state legislature should consider a study bill for the 2025/2026 interim focused on special districts.

Dissenting Opinions (if applicable): None

Supporting Graphics, Weblinks, or other documentation:

DOR Taxes Levied reports for FY 2016 through FY 2024 show collections from SIDs and fees represents about 10% of total statewide mill-based property tax collections.

Mill Based Taxes	$2,342,127,756
SIDS and Fees	$234,499,165
Total Property Taxes	**$2,576,626,921**



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RYAN OSMUNDSON, CHAIR

Subcommittee Recommendation

Subcommittee Name: Local Government

Subject: Review and Coordinate Property Tax Assistance Program targeting policy changes.

Recommendation: Review all current property tax assistance programs and evaluate program use by taxpayers. Consider changes to qualifications for use of programs, including asset-based tests. Review outreach programs used to inform taxpayers of availability of assistance.

Rationale: Lower income and fixed income taxpayers continue to express concerns in paying their property taxes. Lower income renters struggle with paying ever increasing rents related to property tax increases.

Barriers Addressed: The uncertainty of long-term property owners to continue to own their primary residence. Renters able to maintain affordable housing.

Key Strategies: The state legislature should review and consider changes to qualifications for property tax assistance programs.

Dissenting Opinions (if applicable): None

Supporting Graphics, Weblinks, or other documentation:
DOR PTAP program utilization information and summary of programs. The 2023-2024 Revenue Interim Committee has presented a programs summary here:

https://leg.mt.gov/content/Committees/Interim/2023-2024/Revenue/Meetings/May-2024/12.1- prop-tax-assistance.pdf

Property Tax Expenditure - PTAP

Tax Year	Participants	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants	Average Tax Benefit
2014	19,446	$18,075,495	$1,836,544	$9,333,585	$11,170,129	$574
2015	20,397	$20,491,472	$2,082,193	$10,828,944	$12,911,136	$633
2016	22,551	$22,768,947	$2,313,681	$12,278,536	$14,592,217	$647
2017	22,381	$24,404,373	$2,479,756	$13,622,589	$16,102,346	$719
2018	23,021	$25,488,134	$2,589,729	$14,603,900	$17,193,630	$747
2019	23,479	$27,615,293	$2,805,878	$15,482,499	$18,288,377	$779
2020	22,639	$27,692,549	$2,813,852	$15,720,994	$18,534,846	$819
2021	22,474	$29,075,913	$2,954,368	$15,604,819	$18,559,187	$826
2022	21,527	$28,007,306	$2,845,918	$15,292,524	$18,138,442	$843
2023	20,500	$32,384,019	$3,290,398	$14,879,598	$18,169,996	$886

APPENDIX A

Additional Resources provided during Committee discussions and Items not included in recommendations:

Homepage Property Tax Advisory Council (Library of all meeting dates and materials)

https://budget.mt.gov/About/PropertyTaxTaskForce

Task Force Full Committee

Property Tax Rebate Information

https://budget.mt.gov/_docs/PropertyTaxTaskForce/PropertyTaxTaskForce20240318RebateSlides.pdf

TAX FAIRNESS SUBCOMMITTEE

Characteristics of PTAP & MDV Property

https://budget.mt.gov/_docs/PropertyTaxTaskForce/TaxFairnessSubcommittee20240521CharacteristicsofPTAPMDVProperty.pdf

EDUCATION SUBCOMMITTEE

36 Mill Comparison

https://budget.mt.gov/_docs/PropertyTaxTaskForce/EducationSubcommittee20240523Uniform36MillComparison.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/EducationSubcommittee20240523Uniform36MillComparison.xlsx

November Election Materials

https://budget.mt.gov/_docs/PropertyTaxTaskForce/EducationSubcommittee20240523NovemberElectionsSlides.pptx

Big Sky Relief

https://budget.mt.gov/_docs/PropertyTaxTaskForce/EducationSubcommittee20240524BigSkyReliefProposal.pdf

County Equalization

https://budget.mt.gov/_docs/PropertyTaxTaskForce/EducationSubcommittee202405232_1CountyEqualization.pdf

School Non-Levy Revenue

https://budget.mt.gov/_docs/PropertyTaxTaskForce/2.2-school-NLR-M-Moore.pdf

APPENDIX A

LOCAL GOVERNMENT SUBCOMMITTEE

Newly Taxable Data

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404SensitivityAnalysisNewlyTaxableData.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404NewlyTaxableData.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404SensitivityFullInflation.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404SensitivityPopulation.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404SensitivitySB511.pdf

TIF Information

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404DORTIFPresentation.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404MooreTIFPresentation.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240404TIFBackgroundReport.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240418CountyTIFNTPByClass.pdf

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240418CountyTIFNTPTY.pdf

Taxes Levied Reporting

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240418DORTLRSummary.pdf

Local Options Sales Tax

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240418LocalOptionSalesTaxPresentation.pdf

Tax Foundation – Property Tax Pressures and TradeOffs

https://budget.mt.gov/_docs/PropertyTaxTaskForce/LocalGovernmentSubcommittee20240418PressuesTradeOffs.pdf