Governor's Property Tax Advisory Council

Tax Fairness/Equity Subcommittee

March 4, 2024

Agenda

- Call to Order, roll call, and Chair/Vice Chair comments
- Considerations for evaluation of Policy Options
- Major economic shifts in Montana that appear ongoing.
- COVID-linked economic events that appear to be returning to trend.
- Current temporary response to property tax spike associated with COVID
- Metrics to consider as we look at potential options.
- Homestead exemption - LFD discussion of Model being created, and Income tax shift model
- Comstead Exemption discussion/explanation and possible changes
- Discussion about % discount on businesses up to a capped amount (e.g., set rate at 2%)
- Discussion of seasonal bed tax increase directed to buy down property tax in areas impacted by tourism.
- Discussion of seasonal gas tax discussion that is direct to buy down property tax in areas impacted by tourism.
- Discussion of local option tax on bigger towns with an area share.
- Discussion regarding inclusion of current tax-exempt property in paying for certain services such as Fire and Police.
- Tax equity challenges created by the variety among 397 school districts.
- Other items from the members for consideration
- Public Comment
- Next Steps based upon what was discussed.

- Adjourn

Considerations when evaluating Policy Options

- tax shift between various property tax classes
- tax shift between property taxpayers and income taxpayers
- tax shift between Montana residents and out-of-state residential property owners
- impact on local government and public-school funding
  - Short and long-term
- differential effects on counties across the state
- long-term effects on Montana's tax system
  - Managing for where the “puck” is moving to versus a solution for the past
  - Not creating a solution for what is likely an anomaly (Covid event)
- identification of necessary statutory changes

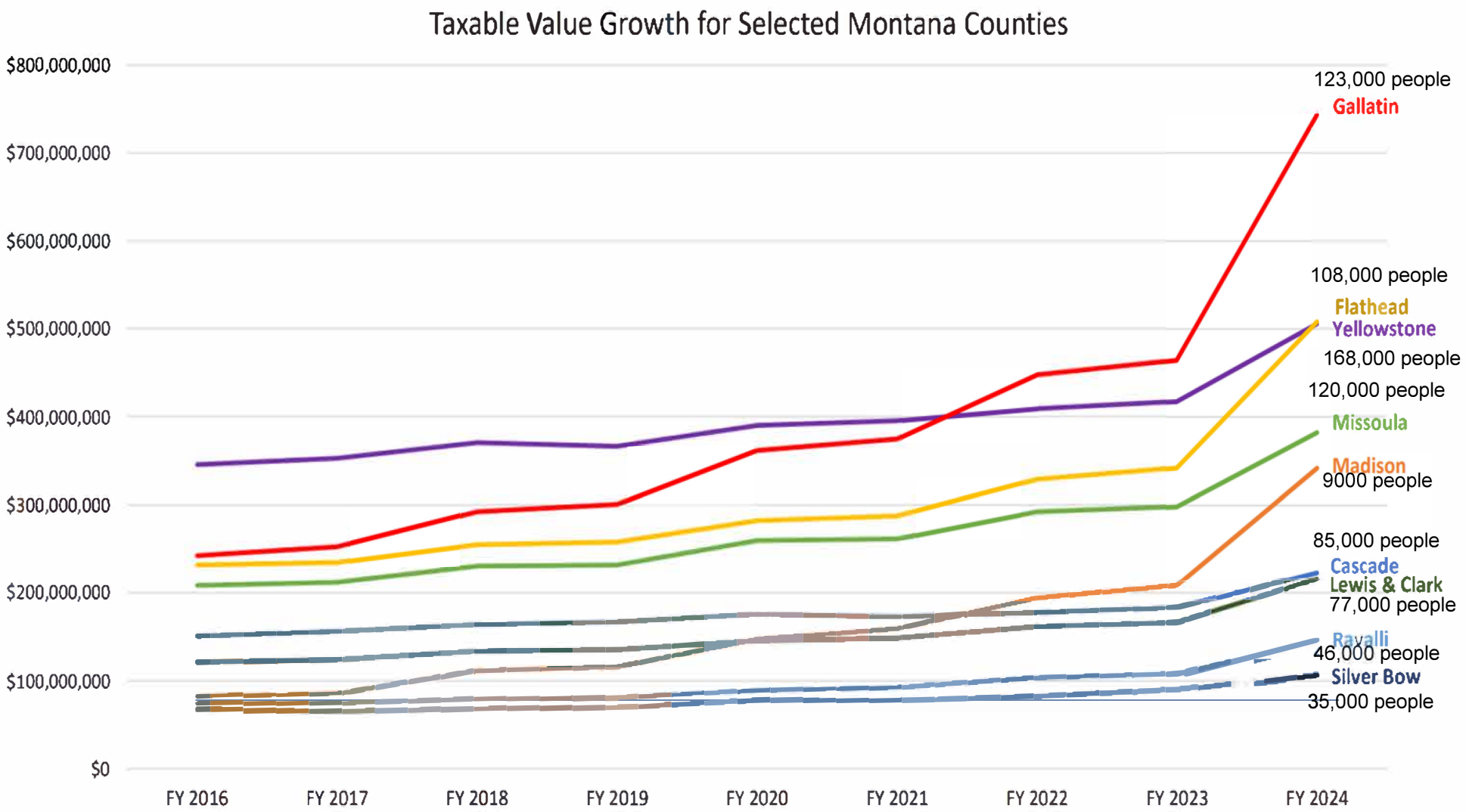
Ongoing Changes

Montana is increasingly a "scenery state" impacted by move ins, expensive vacation homes, and short-term rentals. Thus, we see some significant changes in where the market value wealth is held in Montana.

Contrast: Yellowstone County is known for its vast natural resources, including coal, oil, and natural gas. The Energy Capital initiative seeks to leverage these resources to attract energy-related businesses and investments to the area. It had the largest taxable value for decades. **Gallatin County** is known for its stunning natural beauty, high tech, and scenic attractions.

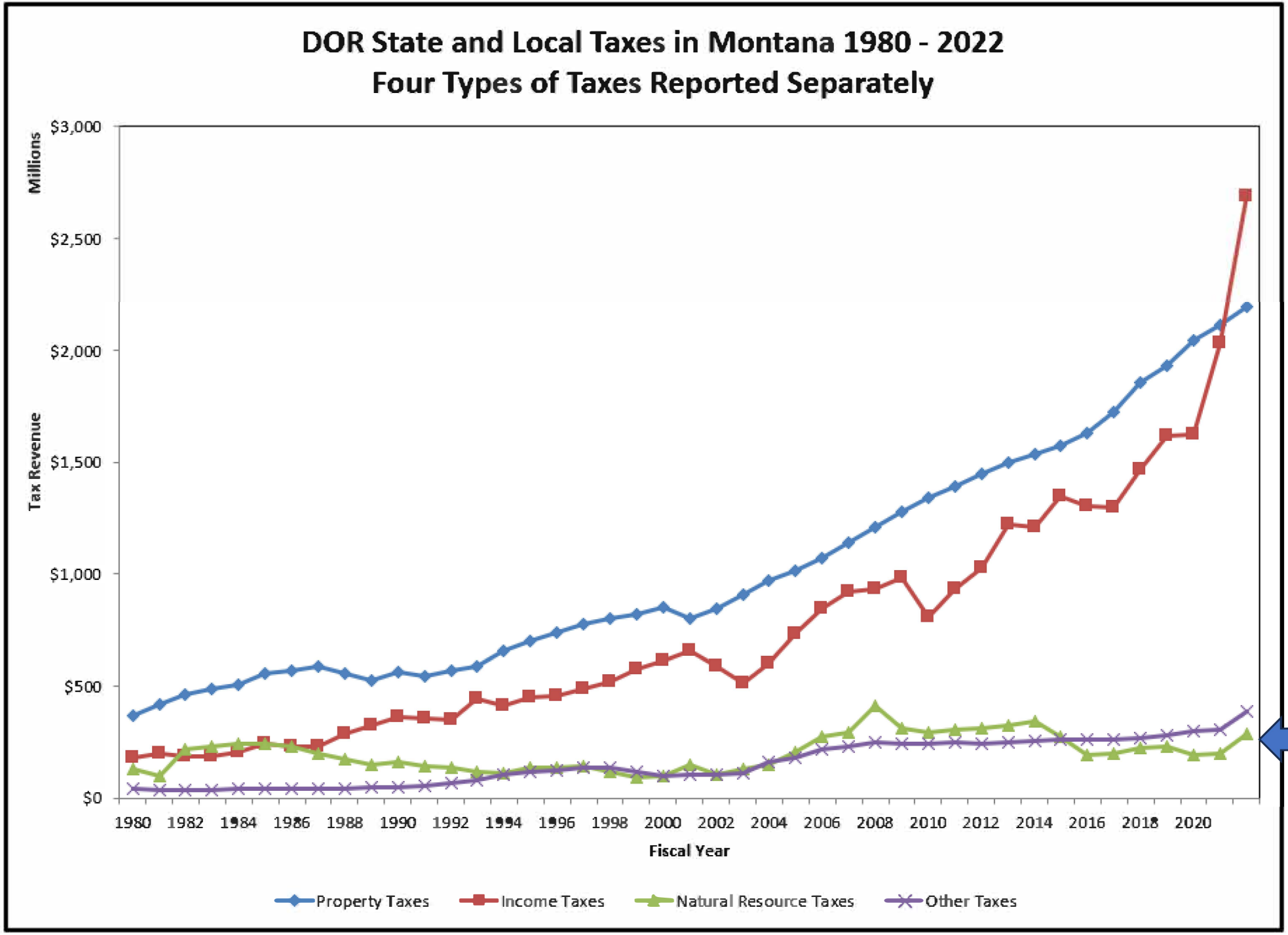
Taxable Value Growth for Selected Counties

Between FY 2016 (TY 2015) and FY 2024 (TY 2023)

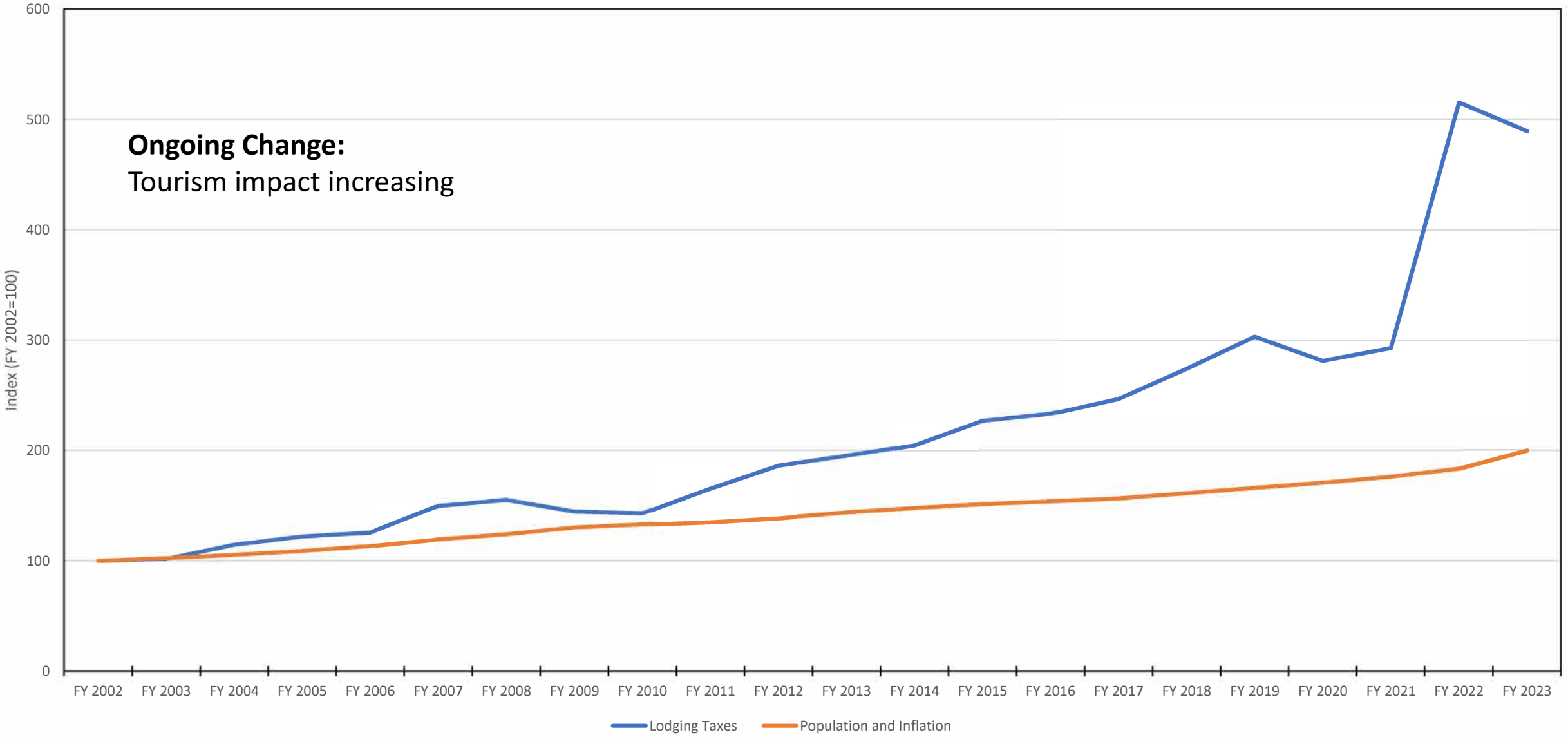


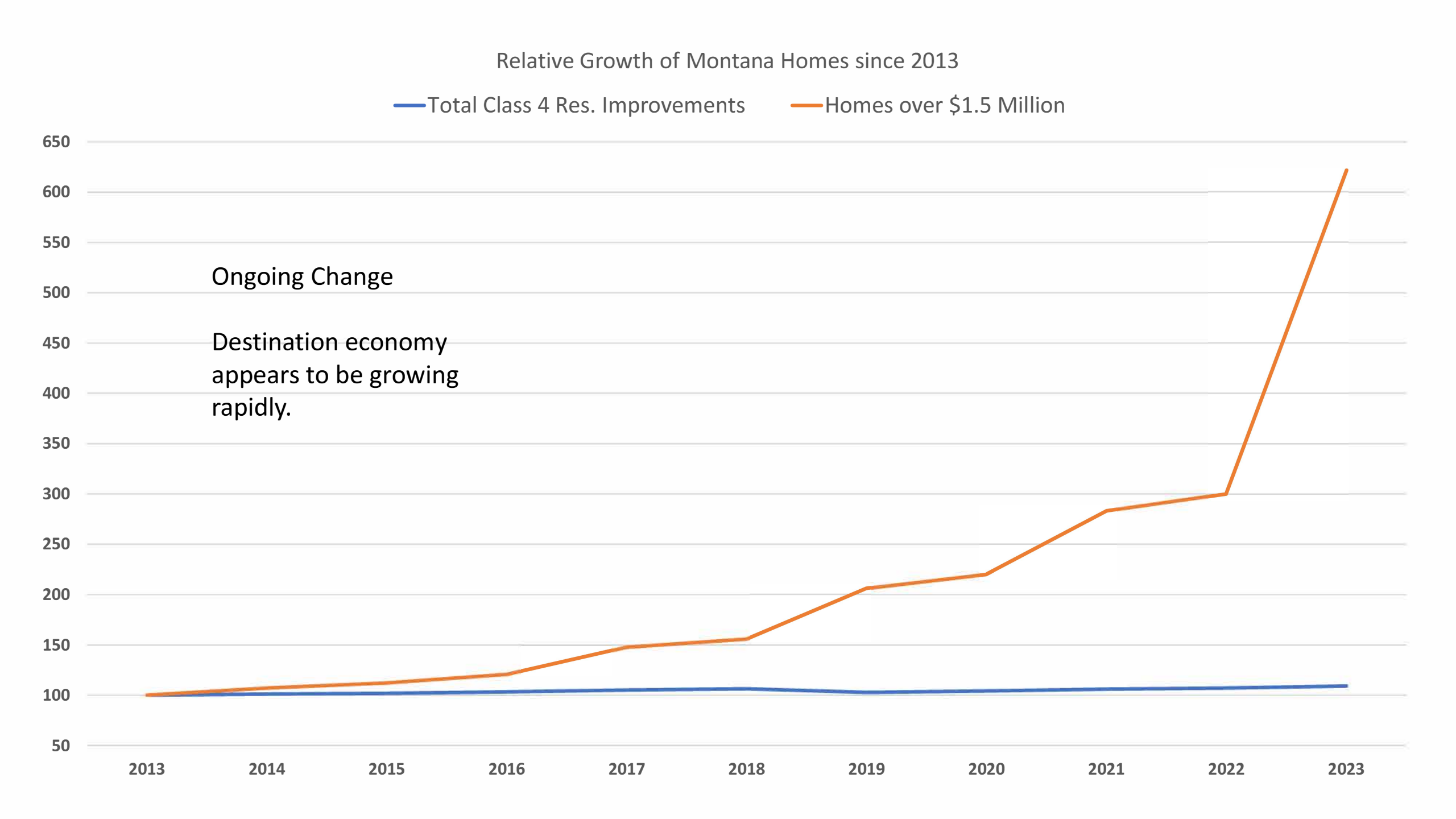
Ongoing Change

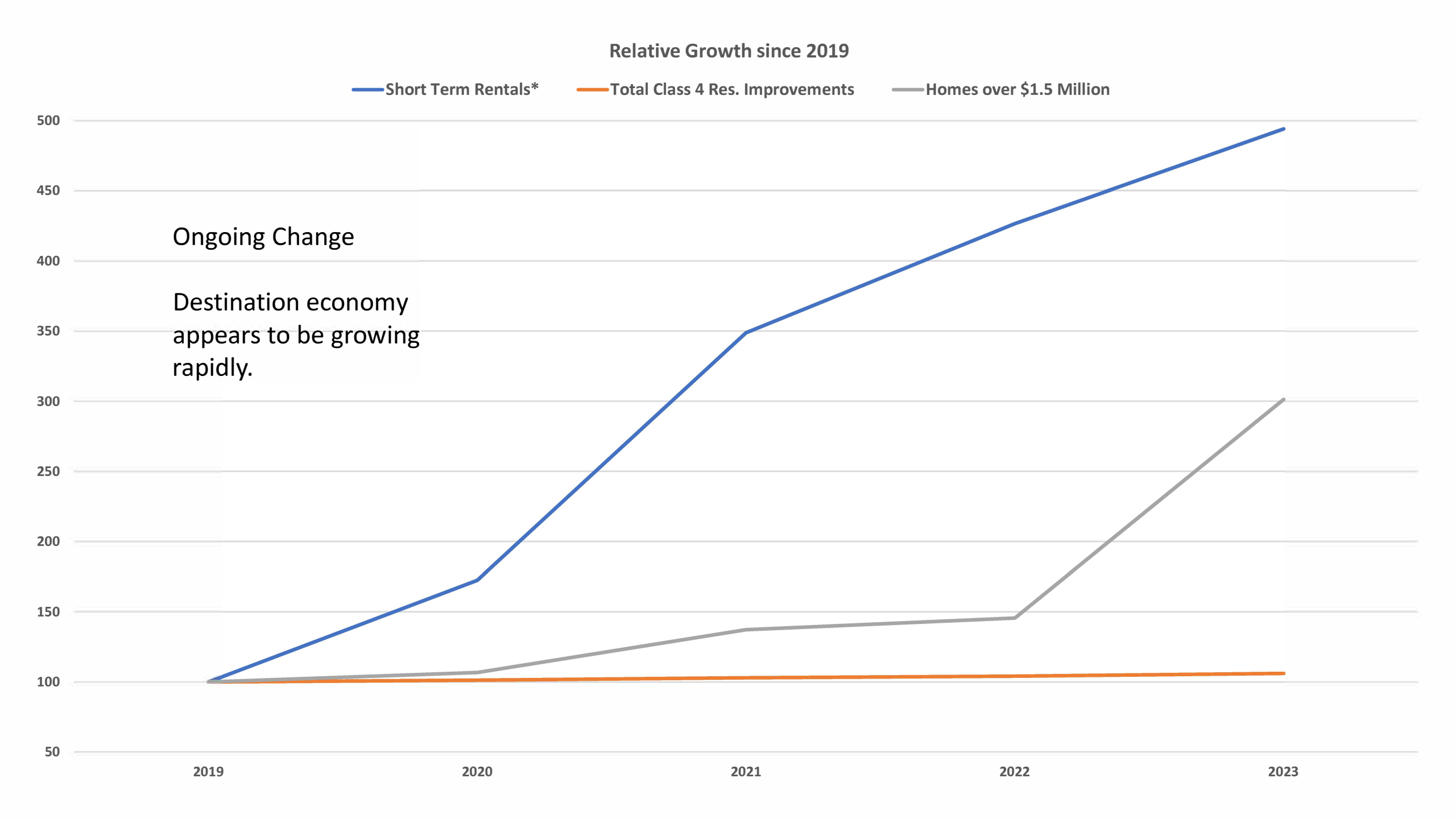
Natural resource share of Montana economy declining



Growth in Montana Lodging Taxes
FY 2002 to FY 2023




Relative Growth of Montana Homes since 2013
Total Class 4 Res. Improvements
Homes over $1.5 Million
650
600
550
500
450
400
350
300
250
200
150
100
50
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Ongoing Change
Destination economy appears to be growing rapidly.


Relative Growth since 2019
Short Term Rentals*
Total Class 4 Res. Improvements
Homes over $1.5 Million
500
450
400
350
300
250
200
150
100
50
2019
2020
2021
2022
2023
Ongoing Change
Destination economy appears to be growing rapidly.

Analysis of Mailing Address by Geocode

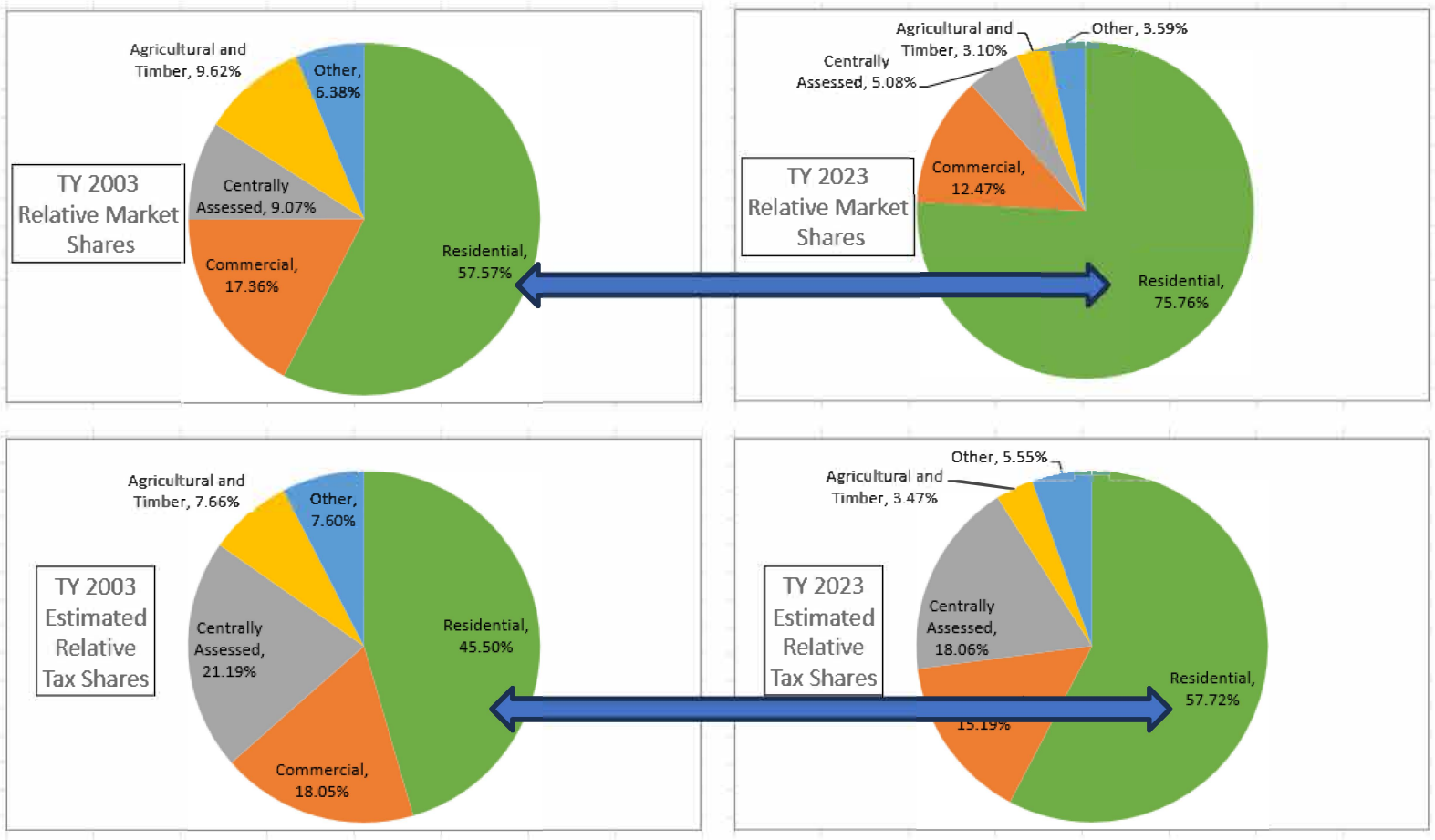
Category	Tax Year	2016	2017	2018	2019	2020	2021	2022	2023
In State Mailing Address	Count of Unique Property Numbers	469,659	472,435	476,231	476,683	465,239	473,020	474,164	483,802
	Market Value (Millions)	74,600	82,267	84,418	94,369	95,738	108,487	111,158	161,116
	Taxable Value (Millions)	986	1,088	1,109	1,242	1,259	1,429	1,467	2,139
	Average Tax Rate	1.32%	1.32%	1.31%	1.32%	1.31%	1.32%	1.32%	1.33%
Out of State Mailing Address	Count of Unique Property Numbers	56,079	55,651	55,339	55,591	54,714	56,095	57,489	58,340
	Market Value (Millions)	13,432	15,748	16,048	18,872	19,874	24,045	25,606	41,386
	Taxable Value (Millions)	187	223	227	269	285	346	370	607
	Average Tax Rate	1.39%	1.41%	1.42%	1.42%	1.43%	1.44%	1.45%	1.47%
Total Class 4 Residential	Count of Unique Property Numbers	525,738	528,086	531,570	532,274	519,953	529,115	531,653	542,142
	Market Value (Millions)	88,032	98,015	100,466	113,241	115,612	132,532	136,764	202,502
	Taxable Value (Millions)	1,173	1,311	1,336	1,511	1,544	1,775	1,837	2,746
	Average Tax Rate	1.33%	1.34%	1.33%	1.33%	1.34%	1.34%	1.34%	1.36%
In State Mailing Address	Count of Unique Property Numbers	89.3%	89.5%	89.6%	89.6%	89.5%	89.4%	89.2%	89.2%
	Market Value	84.7%	83.9%	84.0%	83.3%	82.8%	81.9%	81.3%	79.6%
	Taxable Value	84.1%	83.0%	83.0%	82.2%	81.5%	80.5%	79.9%	77.9%
	Average Tax Rate (Compared to 1.35%)	97.8%	97.8%	97.0%	97.8%	97.0%	97.8%	97.8%	98.5%
Out of State Mailing Address	Count of Unique Property Numbers	10.7%	10.5%	10.4%	10.4%	10.5%	10.6%	10.8%	10.8%
	Market Value	15.3%	16.1%	16.0%	16.7%	17.2%	18.1%	18.7%	20.4%
	Taxable Value	15.9%	17.0%	17.0%	17.8%	18.5%	19.5%	20.1%	22.1%
	Average Tax Rate (Compared to 1.35%)	103.0%	104.4%	105.2%	105.2%	105.9%	106.7%	107.4%	108.9%

There is growth in the Market Value of Properties with out of state mailing addresses. This is only a proxy measurement; it indicates an increase in market value of residential properties held by out of state owners.

Ongoing Change
Residential property class is a much larger part of total market value in Montana.

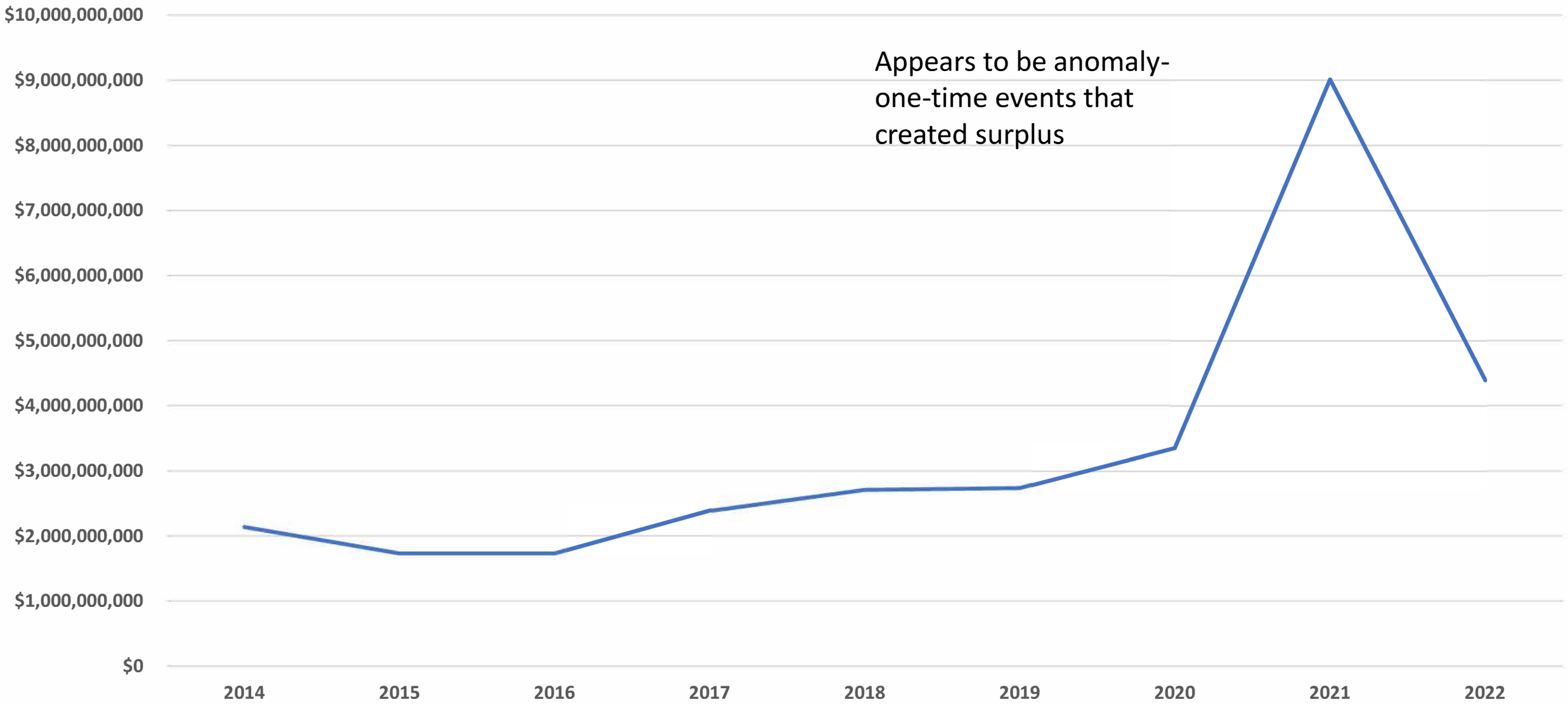
These Charts show some key concepts:

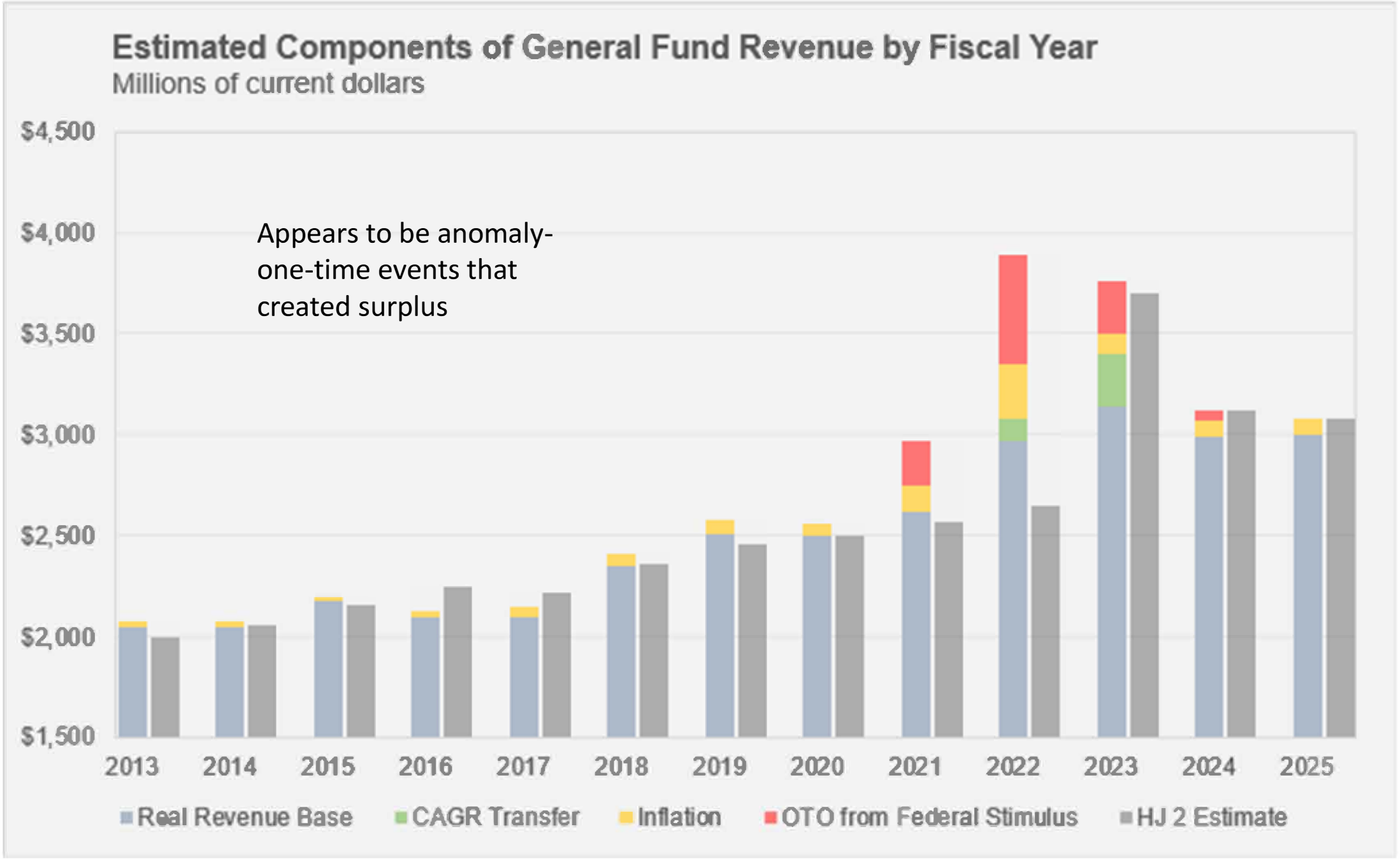
- Residential Grew from 57.6% to 75.8% of Montana's total book of business in 20 years.
- Residential Tax Contribution grew from 45.5% to 57.72%
- In 2003 the Residential market value to tax contribution discount was 21% (57.6% MV paying 45.5% taxes)
- In 2023 the Residential market value to tax contribution discount is 23.8% (75.8%MV paying 57.72% taxes)
- Tax Shift: While residential is paying a lower tax share relative to its market value in 2023 than in 2003, other classes are paying more. For example, commercial grew from paying 4% more taxes than market value to 22% more.
- Reducing the residential rate lower than 1.35% will increase the tax shift .



This data and charts were calculated by the Montana Department of Revenue

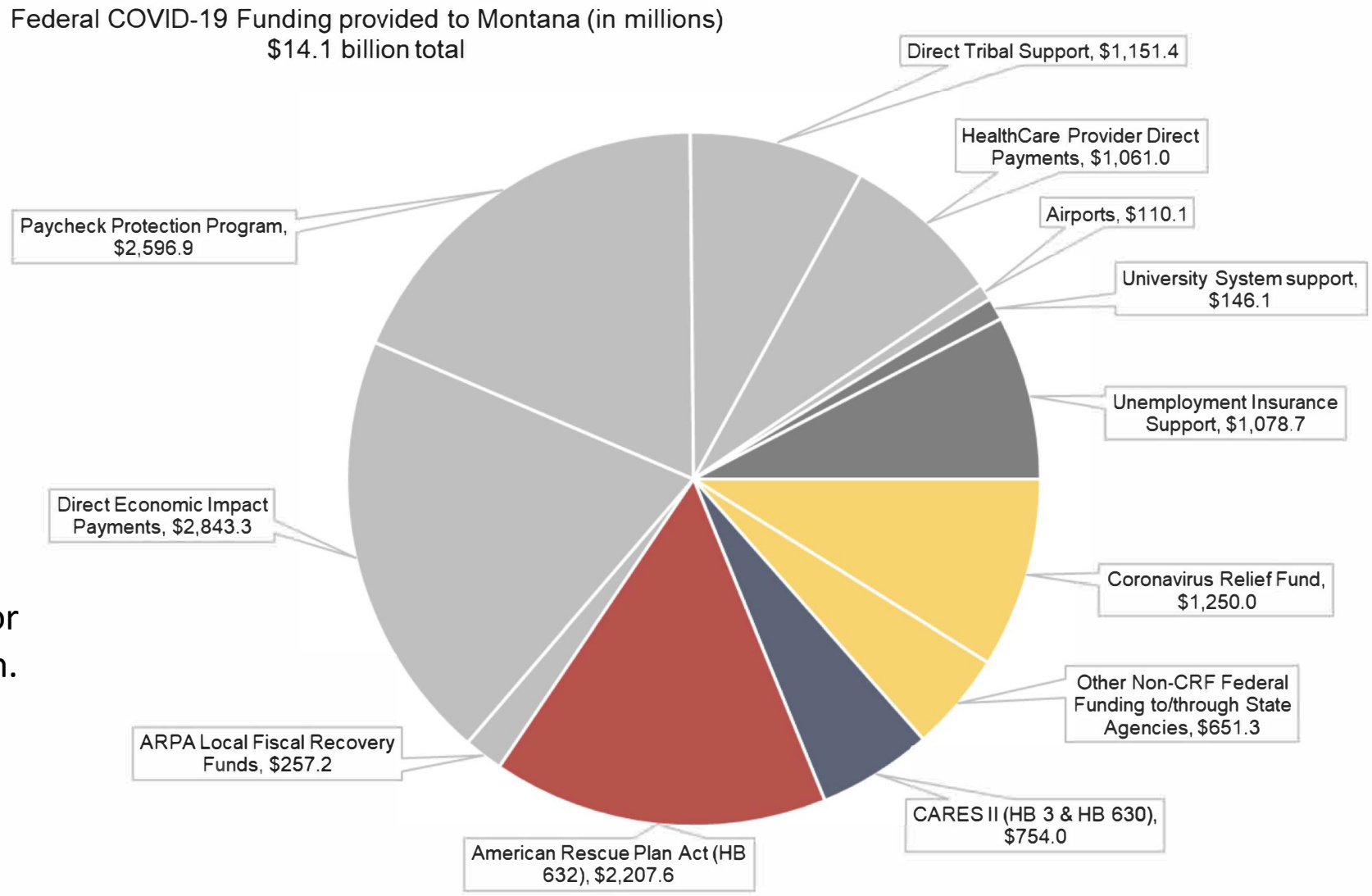
Total Reported Capital Gains, Full-Year Resident Returns



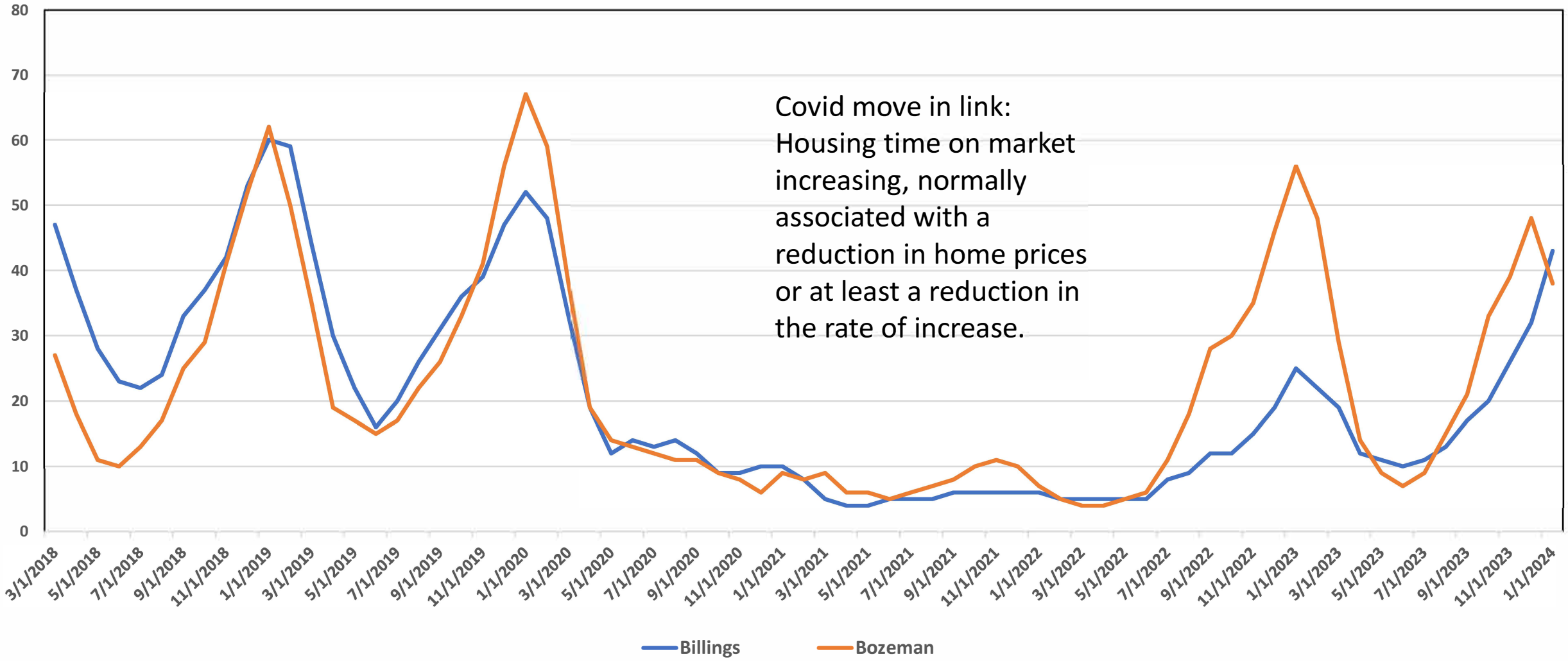

Estimated Components of General Fund Revenue by Fiscal Year
Millions of current dollars
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
Appears to be anomaly-one-time events that created surplus
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Real Revenue Base
CAGR Transfer
Inflation
OTO from Federal Stimulus
HJ 2 Estimate

Federal COVID assistance -Dec 2021 Report

Appears to be anomaly-one-time events that created surplus. This is 5X to 6X the entire state General Fund. The entire property tax for Montana is 2.1 Billion.

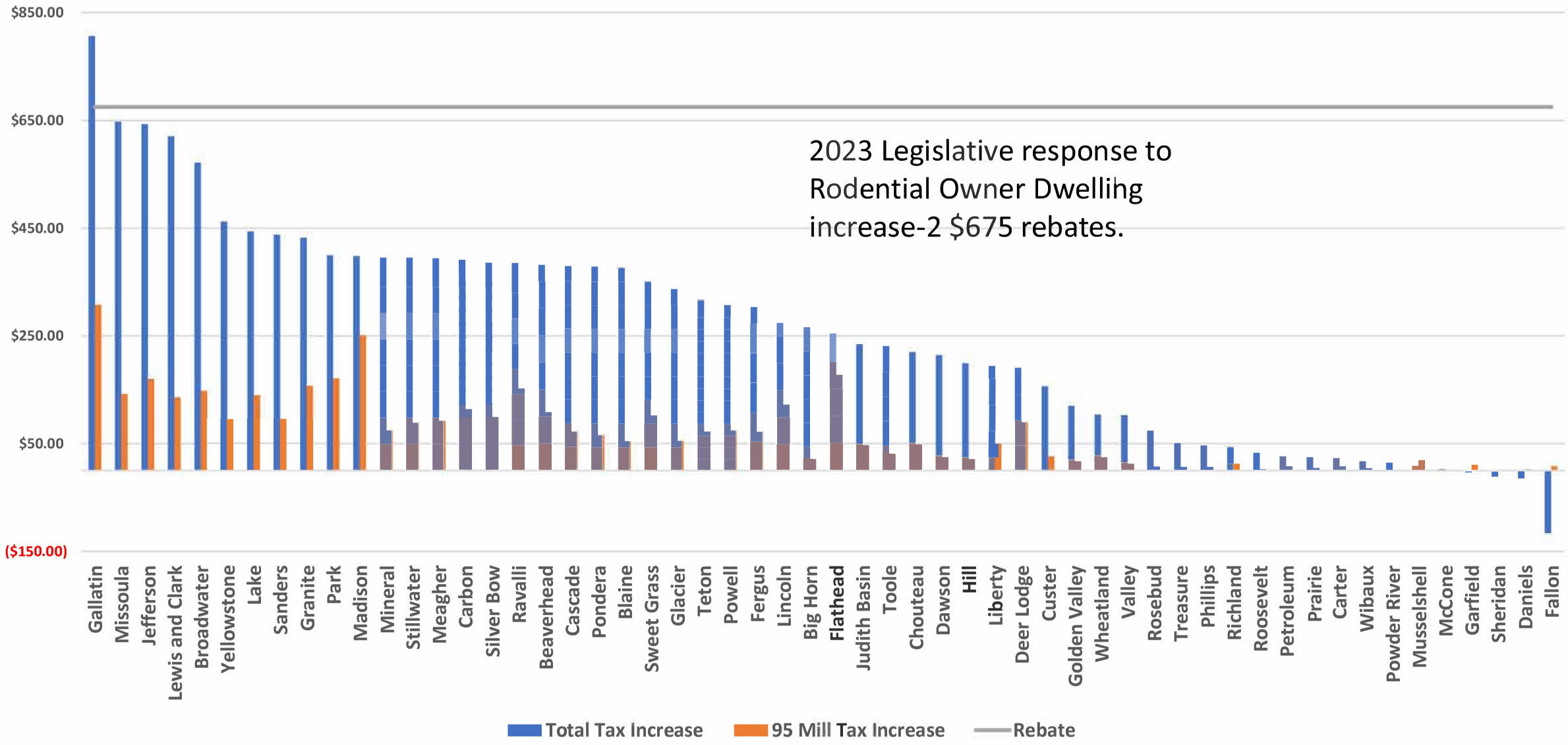


DAYS ON MARKET
Median Days to Pending

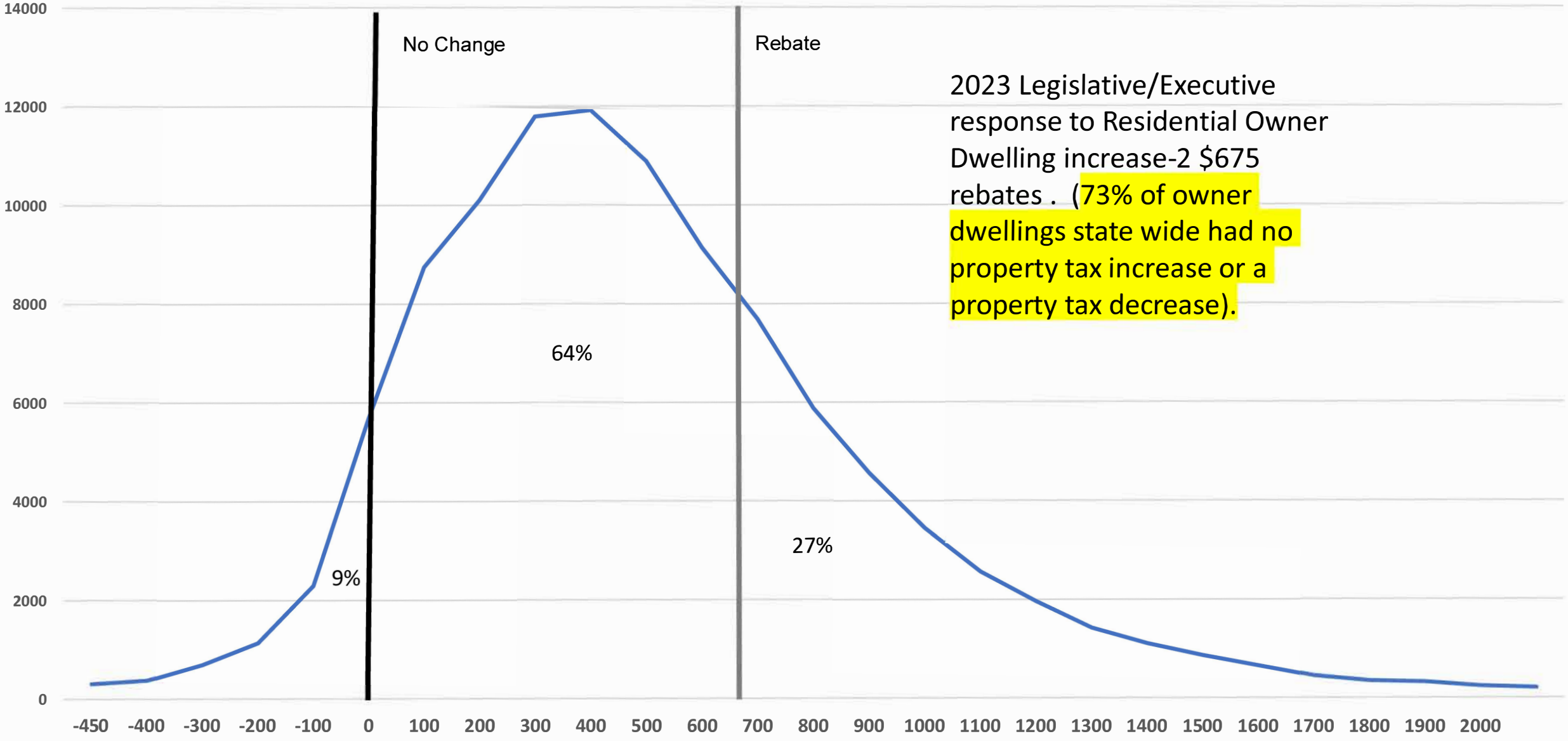


Covid move in link:
Housing time on market increasing, normally associated with a reduction in home prices or at least a reduction in the rate of increase.

Median Residential Home Property Tax Increases

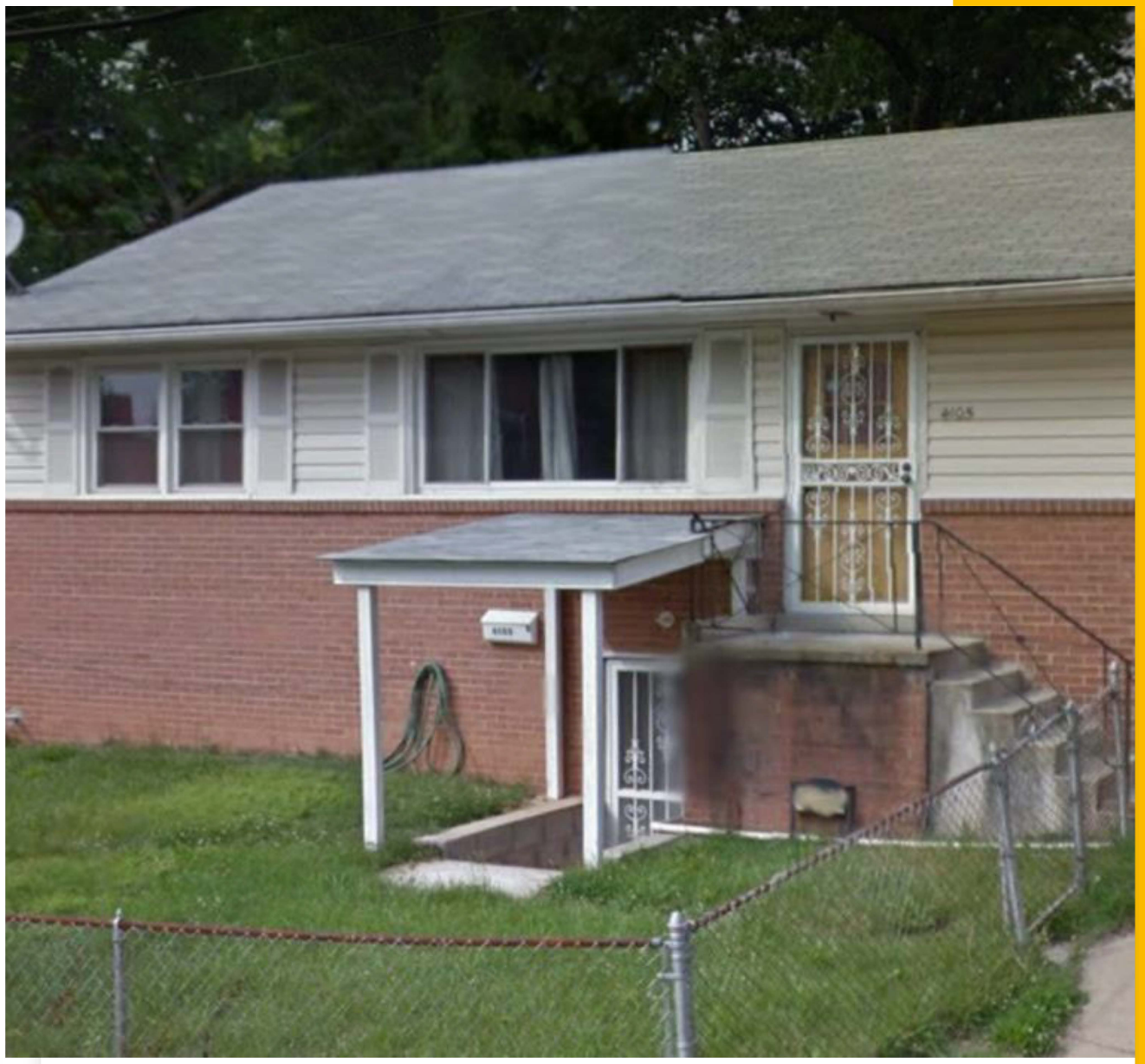


Difference in Taxes TY 22 - TY 23



2023 Legislative/Executive response to Residential Owner Dwelling increase-2 $675 rebates . (73% of owner dwellings state wide had no property tax increase or a property tax decrease).

- Policy Option: Homestead Exemption
- As we discuss these options, I would ask we do so in the context of the “considerations for evaluation” we spoke of earlier.



Considerations when evaluating Policy Options

- tax shift between various property tax classes
- tax shift between property taxpayers and income taxpayers
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- impact on local government and public-school funding
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  - Managing for where the “puck” is moving to versus a solution for the past
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- identification of necessary statutory changes

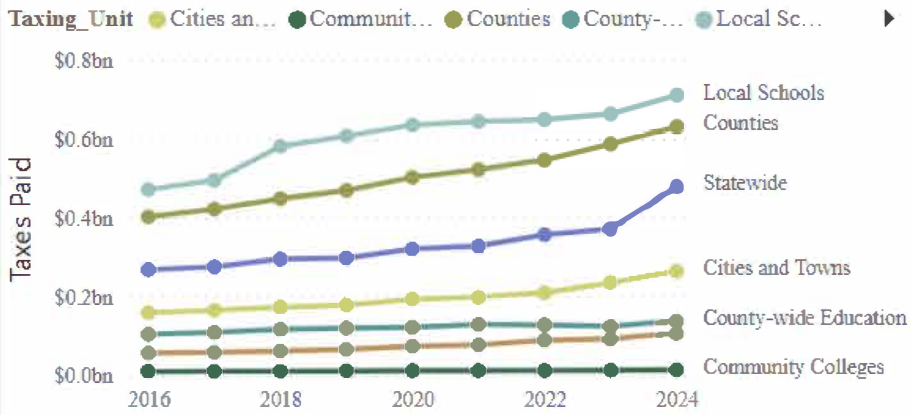
Key Tool: Additions to LFD's Property Model

LFD MONTANA LEGISLATIVE FISCAL DIVISION

General Property Tax Growth by Taxing Unit

Data Sources:
- Montana Department of Revenue
- Montana Office of Public Instruction
- Montana Department of Administration

Taxes Paid by Taxing Unit



Annual Growth in Taxes Paid

(as compared to county population/inflation growth and county personal income growth)

Select a Taxing Unit to view this visual ->

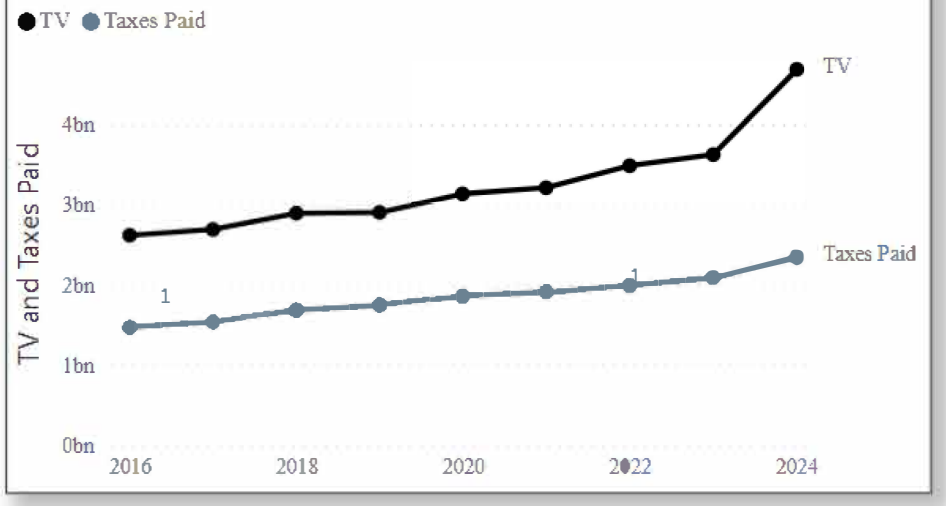
Slicer Options

Taxing Unit
- Cities and Towns
- Community Colleges
- Counties
- County-wide Educ...
- Local Schools
- Other
- Statewide

County Name
All

Municipality
All

Taxable Value vs. Taxes Paid



Compound Annual Growth Rate (CAGR) by Taxing Unit

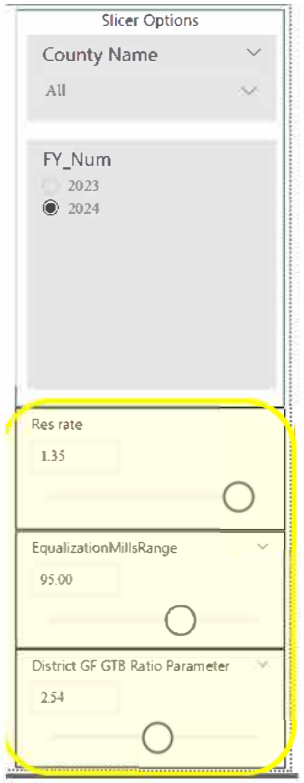
Taxing_Unit	CAGR Taxes Paid (8 year)	CAGR Year over Year FY23-24
Cities and Towns	6.55%	12.38%
Community Colleges	5.19%	9.72%
Counties	5.79%	7.42%
County-wide Education	3.60%	10.91%
Local Schools	5.24%	7.04%
Other	8.27%	15.50%
Statewide	7.54%	29.08%
Total	**5.99%**	**12.29%**

- Statewide includes the 1.5 mill votech levies in Silver Bow, Cascade, Yellowstone, Missoula, and Lewis & Clark counties.
- Community Colleges includes Gallatin College, Flathead Valley Community College, Miles City Community College, and Dawson Community College.
- Other includes jurisdictions that levy mills for various specific purposes such as rural fire districts, cemeteries, libraries, roads, planning, weed control, etc.
- 2023 county-level income information is not yet available. The income information shown here is an

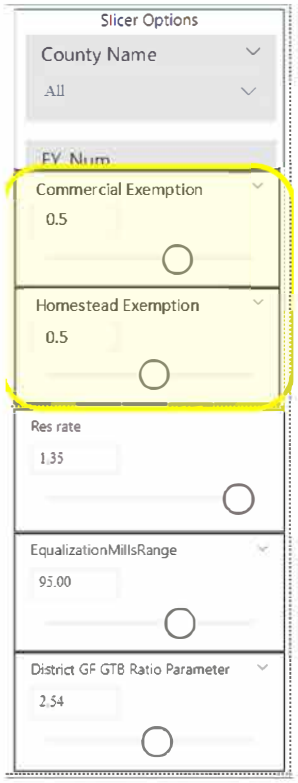
NOTE: Due to the nature of these data, there are many calculated fields in this dashboard. In most cases, these data match the biennial report on property taxes produced by the Department of Revenue. However, there are a number of explainable differences. These fields are calculated estimates based on available data. If you have questions or concerns, please contact the Legislative Fiscal Division.

Additions to Property Model

Where we are

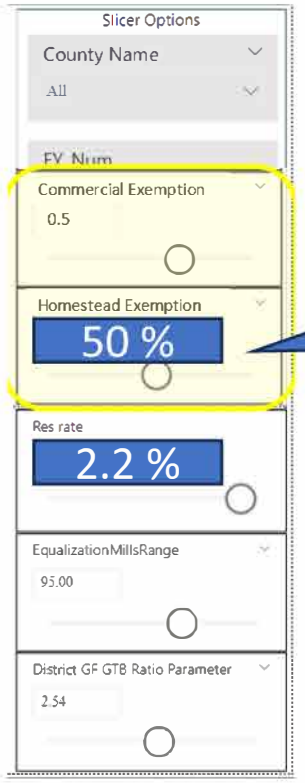


Where we're going



Caps could be added as well, example: exemption is available on up to a 2 mill. residence.

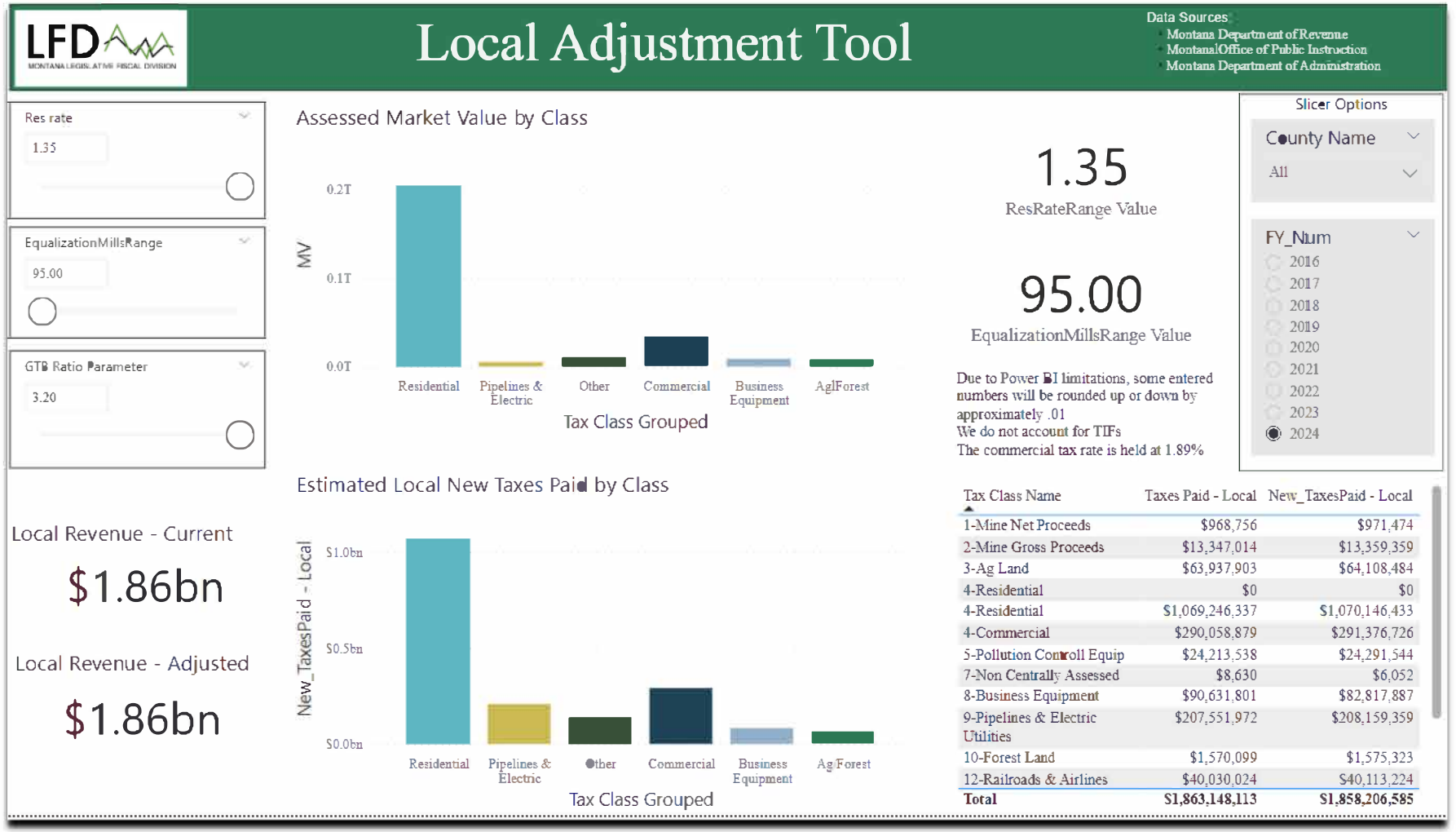
Example concept



For Owner Dwellings and Long Term Rentals

Short term rentals and out of state properties would provide the source to reduce the prop tax on Montana residents and long-term renters.

LFD Discussion Addition of Homeowner Exemption to Model (Current versus planned)



Tax Class Name	Taxes Paid - Local	New_TaxesPaid - Local
1-Mine Net Proceeds	$968,756	$971,474
2-Mine Gross Proceeds	$13,347,014	$13,359,359
3-Ag Land	$63,937,903	$64,108,484
4-Residential	$0	$0
4-Residential	$1,069,246,337	$1,070,146,433
4-Commercial	$290,058,879	$291,376,726
5-Pollution Control Equip	$24,213,538	$24,291,544
7-Non Centrally Assessed	$8,630	$6,052
8-Business Equipment	$90,631,801	$82,817,887
9-Pipelines & Electric Utilities	$207,551,972	$208,159,359
10-Forest Land	$1,570,099	$1,575,323
12-Railroads & Airlines	$40,030,024	$40,113,224
Total	**$1,863,148,113**	**$1,858,206,585**

Addition of Homeowner Exemption to Model

- What needs to happen
  - Taxable Value Change Estimate
    - Estimate the number of eligible properties
    - Estimate the value of eligible properties
    - Model the decrease in taxable value within a jurisdiction
      - How much will the exemption be for?
  - Budget Change Estimate
    - Estimate changes to revenue collections by taxing jurisdiction
    - Calculate associated tax shift
      - How much do eligible home-owners benefit?
      - Where do taxes shift to?

- Needed Data Sources:
  - Department of Revenue - Property Rebate Data
    - Property Rebate Data (1st round Just Received, December data should be better)
  - U.S. Census (to check rebate response)
    - Homeownership Rate Home
    - Vacancy Rate
    - Homeownership Rate (5-year estimate) by County

Addition of Homeowner Exemption to Model

Additional Resources

Lincoln Institute of Land Policy 50-State Comparison (33-39)

https://www.lincolninst.edu/publications/other/50-state-property-tax-comparison-study-2021

Lincoln Institute of Land Policy Property Tax For Homeowners report (35-39)

https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners

Homestead Exemption that shifts tax to Montana income taxpayer.

Example: HB390 (2023 Legislative Session – Not Passed)

- Would reduce the assessed value of homestead properties by $50,000
- Must be owned by or under contract through deed by the applicant and used as a primary residence
- Applicants would only receive a homestead exemption for one property at a time
- Applicants would not benefit from a homestead exemption if already enrolled in:
  - The intangible land value assistance program
  - The property tax assistance program
  - The disabled veteran program
  - The mobile home exemption program

- Fiscal Cost to General Fund of this version approximately 17 million.

Comstead Exemption

- Current Commercial Tax Rate is 1.89%
  - Linked currently to 1.4X the Residential rate
- If the policy option chosen is to increase residential rate with a homestead exemption for Mt. homeowners and long-term rentals, then possibly:
  - Decouple the link is a possibility
  - Comstead Exemption available to Montana businesses
- Comstead exemption could also be targeted to smaller Montana businesses.
  - Example concept: Commercial rate is 2%, with a 25% Comstead exemption for Montana owned businesses for the first 2 million dollars of property value.
  - LFD model will be able to show this impact statewide and by Local tax area.

Accommodations taxes

- Total collections for FY 2023 were about $118.9 Million
- In accordance with 15-68-102, MCA, a 4% accommodations sales tax is levied on all charges for accommodations at lodging facilities and campgrounds in the state. In accordance with 15-65-111, MCA, Montana charges a lodging facility use tax of 4% on all accommodations.
- Example consideration: An additional 2% during July, August, and September would have yielded about $11.4 Million in additional revenues

Other states lodging taxes as of 2022

- South Dakota – 7% (1.5% lodging tax & 4.5% statewide sales tax)
- Utah – 5.02% (0.32% lodging tax & 4.7% statewide sales tax)
- Wyoming – 9% (5% lodging tax & 4% statewide sale tax)
- North Dakota – 5% (no lodging tax & 5% statewide sales tax)
- Idaho – 8% (2% lodging tax & 6% statewide sales tax)

Other state data source: NCSL 2022

INSTITUTE FOR TOURISM & RECREATION RESEARCH UNIVERSITY OF MONTANA

2018 Montana Nonresident Traveler Quarterly Travel Comparison

UNIVERSITY OF MONTANA

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)	Year,Total[1] 2018
Visitation & Length of Stay					
Nonresident Visitors	1,440,000	3,331,000	5,687,000	1,912,000	12,370,000
% of Total	12%	27%	46%	15%	100%
Nonresident Travel Groups	696,000	1,500,000	2,394,000	920,000	5,510,000
% of Total	13%	27%	43%	17%	100%
Group Size (people per group)	2.07	2.24	2.41	2.09	2.27
Length of Stay (nights)	3.93	4.20	5.18	4.17	4.59
Expenditure Category[2,3] (Average Daily per Gro	**Quarter,1**	**Quarter 2**	**Quarter,3**	**Quarter,4**	**Year,Total[1]**
Gasoline, Diesel	$31.85	$36.51	$32.00	$32.79	$33.12
Restaurant, Bar	$27.26	$26.57	$27.38	$22.60	$26.54
Hotel, B&B, etc.	$22.85	$18.54	$17.26	$14.70	$17.87
Outfitter, Guide	$9.38	$6.75	$22.39	$16.76	$16.52
Retail Sales	$10.50	$14.20	$14.36	$12.60	$13.63
Groceries, Snacks	$8.91	$11.37	$11.97	$8.07	$10.95
Licenses, Entrance Fees	$32.95	$5.20	$7.92	$8.08	$10.28
Auto Rental	$6.21	$4.72	$6.41	$5.61	$5.89
Rental Home, Cabin, Condo	$5.69	$3.18	$5.27	$3.79	$4.64
Made in MT	$3.32	$3.43	$4.54	$1.91	$3.79
Campground, RV Park	$0.02	$2.50	$2.35	$0.07	$1.80
Auto Repair	$0.31	$0.80	$1.79	$2.15	$1.44
Misc.eServices	$0.95	$0.66	$1.33	$0.34	$1.00
Gambling	$0.46	$0.88	$0.40	$0.60	$0.54
Farmers Market	$0.00	$0.09	$0.45	$0.08	$0.26
Transportation Fares	$0.11	$0.03	$0.01	$0.02	$0.03
	$160.77	**$135.43**	**$155.83**	**$130.17**	**$148.30**
Total Expenditures	**$440,000,000**	**$852,950,000**	**$1,932,150,000**	**$499,450,000**	**$3,724,550,000**
% of Total	12%	23%	52%	13%	100%

[1]Data are collected quarterly. Therefore, year total group size, length of stay and avg. daily expenditures are weighted averages of quarterly figures. [2]Expenditures may appear lower than typical costs in these categories because they are averaged across all visitor groups. [3]Spending data are gathered from nonresident travelers intercepted at airports, gas stations, and rest areas in MT. Travelers report 24 hours worth of trip expenditures.

INSTITUTE FOR TOURISM & RECREATION RESEARCH UNIVERSITY OF MONTANA

2019 Montana Nonresident Traveler Quarterly Travel Comparison

UNIVERSITY OF MONTANA

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)	Year Total[1] 2019
Visitation & Length of Stay					
Nonresident Visitors	1,343,000	3,397,000	5,904,000	1,992,000	12,636,000
% of Total	11%	27%	47%	16%	100%
Nonresident Travel Groups	668,000	1,588,000	2,471,000	1,014,000	5,741,000
% of Total	12%	28%	43%	18%	100%
Group Size (people per group)	2.00	2.12	2.37	1.96	2.19
Length of Stay (nights)	3.64	3.97	4.79	4.18	4.32

Expenditure Category[2, 3] (Average Daily per Group)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year Total[1]
Gasoline, Diesel	$29.40	$38.75	$34.44	$32.39	$34.49
Restaurant, Bar	$28.95	$24.70	$28.53	$27.64	$27.55
Hotel, Motel	$25.46	$21.09	$19.79	$15.88	$20.09
Outfitter, Guide	$10.88	$6.06	$19.57	$18.59	$15.30
Retail sales	$12.20	$13.96	$14.32	$16.66	$14.39
Groceries, Snacks	$9.25	$11.82	$13.58	$10.85	$12.21
Licenses, Entrance Fees	$35.94	$3.95	$3.75	$11.40	$8.85
Auto Rental	$7.20	$4.29	$5.84	$6.00	$5.67
Rental cabin, Condo	$12.96	$3.32	$4.58	$2.37	$4.90
Made in MT	$2.58	$2.87	$3.75	$2.85	$3.26
Campground, RV Park	$0.01	$2.19	$3.00	$0.18	$1.99
Misc. Services	$5.14	$1.71	$0.91	$2.23	$1.81
Vehicle Repairs	$0.07	$0.95	$1.19	$1.90	$1.12
Gambling	$0.52	$0.50	$0.44	$1.08	$0.57
Farmers Market	$0.01	$0.07	$0.43	$0.41	$0.30
Transportation Fares	$0.18	$0.01	$0.02	$0.03	$0.04
	$180.75	**$136.24**	**$154.14**	**$150.46**	**$152.54**
Total Expenditures	**$439,340,000**	**$858,650,000**	**$1,824,810,000**	**$638,090,000**	**$3,760,880,000**
% of Total	12%	23%	49%	17%	100%

[1]Data are collected quarterly. Therefore, year total group size, length of stay and avg. daily expenditures are weighted averages of quarterly figures. [2]Expenditures may appear lower than typical costs in these categories because they are averaged across all visitor groups. [3]Spending data are gathered from nonresident travelers intercepted at airports, gas stations, and rest areas in MT. Travelers report 24 hours worth of trip expenditures.

INSTITUTE FOR TOURISM & RECREATION RESEARCH UNIVERSITY OF MONTANA

Estimated 2020 Montana Nonresident Traveler Quarterly Travel Comparison

UNIVERSITY OF MONTANA

	Quarter 1 (Jan-Mar)	*Quarter 2 *est.* (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)	Year Total[1] 2020 *est.*
Visitation & Length of Stay					
Nonresident Visitors	1,464,000	2,326,000	5,624,000	1,718,000	11,132,000
%1of Total	13%	21%	51%	15%	100%
Nonresident Travel Groups	772,000	1,072,000	2,330,000	868,000	5,042,000
%1of Total	15%	21%	46%	17%	100%
Group Size (people per group)	1.92	*2.12*	2.41	1.96	2.20
Length of Stay (nights)	4.22	*3.97*	5.70	4.49	4.90
Expenditure Category[2,3] (Average Daily per Group)	**Quarter 1**	**Quarter 2 *est.***	**Quarter 3**	**Quarter 4**	**Year Total[1]**
Gasoline, Diesel	$31.09	$29.16	$28.01	$30.66	$29.05
Restaurant, Bar	$33.61	$17.66	$26.56	$20.37	$25.59
Retail sales	$18.42	$15.16	$13.67	$13.65	$14.64
Groceries, Snacks	$11.41	$15.09	$15.40	$13.52	$14.44
Hotel, Motel	$18.65	$8.27	$13.92	$15.67	$14.18
Outfitter, Guide	$4.05	$5.50	$13.68	$8.88	$10.31
Rental cabin, Condo	$8.27	$1.30	$5.12	$4.53	$5.03
Made in MT	$3.18	$3.12	$6.05	$1.41	$4.51
Licenses, Entrance Fees	$15.93	$1.89	$2.03	$3.46	$4.47
Auto Rental	$7.68	$1.14	$2.60	$2.90	$3.27
Campground, RV Park	$0.01	$0.86	$2.52	$0.57	$1.60
Vehicle Repairs	$2.80	$0.70	$0.39	$1.23	$0.95
Misc. Services	$1.04	$0.04	$0.41	$0.53	$0.48
Gambling	$0.86	$0.36	$0.29	$0.61	$0.44
Farmers Market	$0.03	$0.05	$0.44	$0.05	$0.26
Transportation Fares	$0.02	$0.01	$0.01	$0.00	$0.01
	$157.05	**$100.31**	**$131.10**	**$118.04**	**$129.23**
Total Expenditures	**$511,440,000**	**$426,960,000**	**$1,741,390,000**	**$460,050,000**	**$3,139,840,000**
% of Total	16%	14%	55%	15%	100%

[1]Data are collected quarterly. Therefore, year total group size, length of stay and avg. daily expenditures are weighted averages of quarterly figures. [2]Expenditures may appear lower than typical costs in these categories because they are averaged across all visitor groups. [3]Spending data are gathered from nonresident travelers intercepted at airports, gas stations, and rest areas in MT. Travelers report 24 hours worth of trip expenditures. *Q2 figures are estimates based on ITRR data adjusted by VisaVue data changes, because ITRR data collection was paused due to pandemic.

INSTITUTE FOR TOURISM & RECREATION RESEARCH UNIVERSITY OF MONTANA

2021 Montana Nonresident Traveler Quarterly Travel Comparison

UNIVERSITY OF MONTANA

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)	Year Total[1] 2021
Visitation & Length of Stay					
Nonresident Visitors	1,354,000	3,417,000	5,895,000	1,855,000	12,522,000
% of Total	11%	27%	47%	15%	100%
Nonresident Travel Groups	677,000	1,598,000	2,402,000	922,000	5,599,000
% of Total	12%	29%	43%	16%	100%
Group Size (people per group)	2.04	2.40	2.46	2.07	2.33
Length of Stay (nights)	4.43	4.54	5.64	5.74	5.20

Expenditure Category[2,3] (Average Daily per Gro	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year Total[1]
Gasoline, Diesel	$32.27	$42.25	$40.90	$46.75	$41.43
Restaurant, Bar	$36.63	$33.93	$37.35	$30.21	$35.20
Hotel, Motel	$25.48	$23.86	$23.34	$18.42	$22.83
Outfitter, Guide	$0.65	$19.59	$20.44	$16.10	$17.62
Groceries, Snacks	$13.66	$17.95	$17.82	$14.45	$16.88
Retail sales	$17.68	$13.04	$12.79	$13.46	$13.43
Auto Rental	$6.88	$8.64	$10.04	$5.82	$8.67
Rental cabin, Condo	$11.97	$6.47	$7.44	$4.92	$7.19
Licenses, Entrance Fees	$8.43	$2.76	$3.16	$10.23	$4.77
Made in MT	$3.90	$3.98	$4.38	$5.48	$4.42
Campground, RV Park	$0.05	$2.31	$3.54	$0.27	$2.34
Vehicle Repairs	$0.48	$2.65	$0.61	$0.00	$1.01
Misc. Services	$1.98	$0.96	$1.07	$0.03	$0.95
Gambling	$1.25	$0.38	$0.42	$0.58	$0.52
Farmers Market	$0.16	$0.10	$0.25	$0.05	$0.17
Transportation Fares	$0.02	$0.03	$0.05	$0.05	$0.04
	$161.49	**$178.90**	**$183.60**	**$166.81**	**$177.46**
Total Expenditures	**$484,680,000**	**$1,297,530,000**	**$2,487,240,000**	**$882,480,000**	**$5,151,930,000**
% of Total	9%	25%	48%	17%	100%

[1]Data are collected quarterly. Therefore, year total group size, length of stay and avg. daily expenditures are weighted averages of quarterly figures. [2]Expenditures may appear lower than typical costs in these categories because they are averaged across all visitor groups. [3]Spending data are gathered from nonresident travelers intercepted at airports, gas stations, and rest areas in MT. Travelers report 24 hours worth of trip expenditures.

2022 Montana Nonresident Traveler Quarterly Travel Comparison

	Quarter 1 (Jan-Mar)	Quarter 2 (Apr-Jun)	Quarter 3 (Jul-Sep)	Quarter 4 (Oct-Dec)	Year Total[1] 2022
Visitation & Length of Stay					
Nonresident Visitors	1,589,000	3,442,000	5,419,000	2,056,000	12,506,000
% of Total	13%	28%	43%	16%	100%
Nonresident Travel Groups	776,000	1,540,000	2,315,000	993,000	5,624,000
% of Total	14%	27%	41%	18%	100%
Group Size (people per group)	2.04	2.25	2.33	2.05	2.23
Length of Stay (nights)	3.98	4.49	5.53	5.35	5.02
Expenditure Category[2,3] (Average Daily per Gro	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Year Total[1]**
Gasoline, Diesel	$57.61	$62.98	$54.61	$55.28	$57.18
Restaurant, Bar	$37.82	$37.17	$33.63	$32.94	$34.88
Hotel, Motel	$39.13	$28.62	$25.14	$16.22	$26.10
Outfitter, Guide	$0.20	$13.47	$30.13	$15.17	$20.05
Groceries, Snacks	$17.79	$18.11	$19.10	$15.40	$18.08
Retail sales	$17.32	$21.39	$13.46	$16.67	$16.44
Rental cabin, Condo	$17.60	$6.98	$9.23	$7.78	$9.36
Auto Rental	$12.46	$10.19	$8.84	$6.69	$9.23
Licenses, Entrance Fees	$8.59	$3.44	$3.80	$7.85	$4.92
Made in MT	$2.51	$3.55	$6.66	$3.76	$4.92
Campground, RV Park	$0.05	$2.38	$3.80	$0.46	$2.46
Vehicle Repairs	$0.88	$0.63	$1.70	$1.42	$1.29
Misc. Services	$1.16	$2.16	$1.27	$0.08	$1.28
Gambling	$2.11	$1.66	$0.53	$1.43	$1.14
Farmers Market	$0.00	$0.16	$0.28	$0.12	$0.19
Transportation Fares	$0.02	$0.03	$0.01	$0.04	$0.02
	$215.25	**$212.92**	**$212.19**	**$181.31**	**$207.56**
Total Expenditures	**$664,680,000**	**$1,472,150,000**	**$2,715,870,000**	**$963,610,000**	**$5,816,310,000**
% of Total	11%	25%	47%	17%	100%

[1]Data are collected quarterly. Therefore, year total group size, length of stay and avg. daily expenditures are weighted averages of quarterly figures. [2]Expenditures may appear lower than typical costs in these categories because they are averaged across all visitor groups. [3]Spending data are gathered from nonresident travelers intercepted at airports, gas stations, and rest areas in MT. Travelers report 24 hours worth of trip expenditures.

April, 2023 Kara Grau, M.S.

2018: 12.4

2018: 33.12

2018: 4.64

2018: 1.80

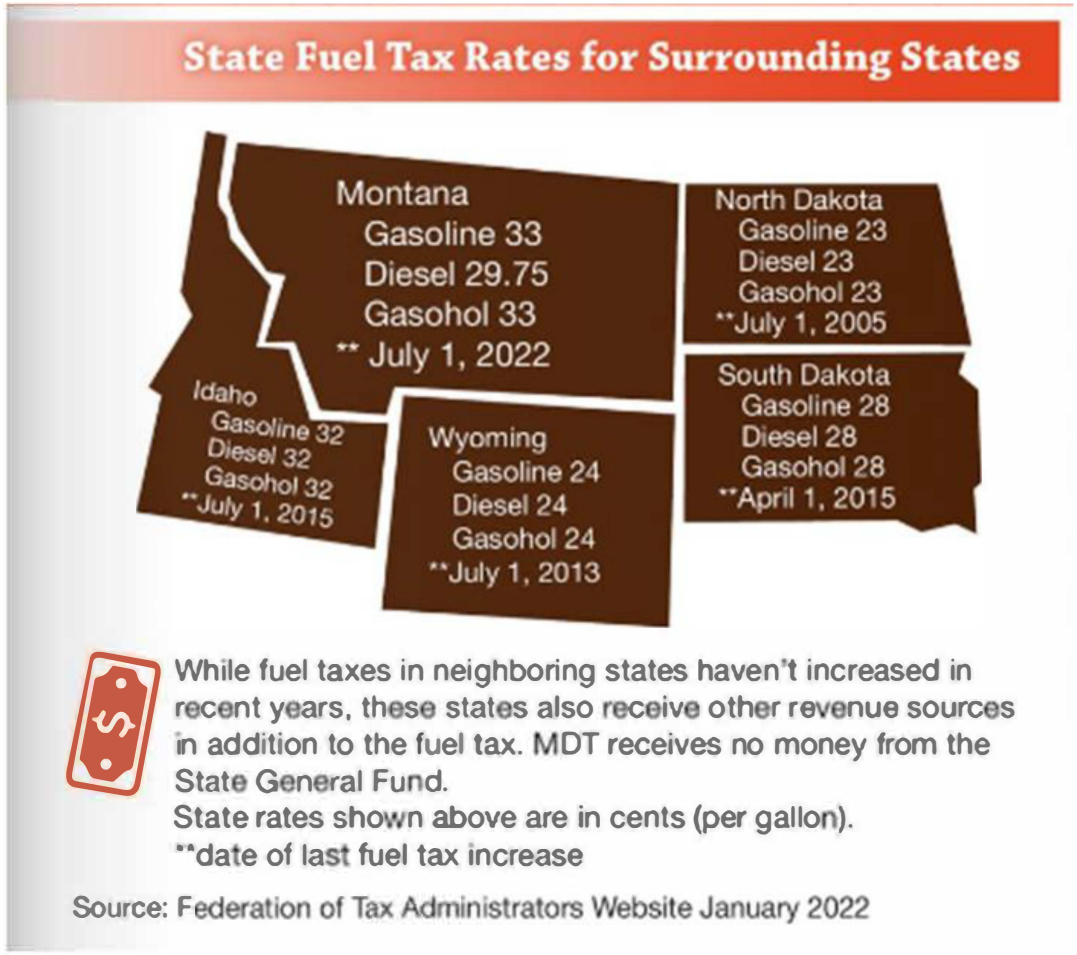
Gasoline Tax

- Gas is taxed at 0.33 gallon, diesel at 0.2975 per gallon.
- Recent summer averages of 50-60 million gallons of gas are sold each month. This is up from a low of 40 million gallons in March. Each penny of fuel tax per summer month brings in $500,000 to $600,000. This does not include diesel which averages closer to 30 million gallons per month.

How the tax returns to the impacted area.

- Approximately $0.07 of each gallon of gasoline tax goes to locals. Of this approximately 2.6 cents to counties and 4.4 cents to cities.

Montana vs Surrounding states



Would a seasonal gas tax increase, with the amount collected returned to buy down property taxes, make sense? Would there be a way to collect receipts and refund Montana income resident collections?

Thoughts? Discussion? Direction?

Some Concepts being set forth:

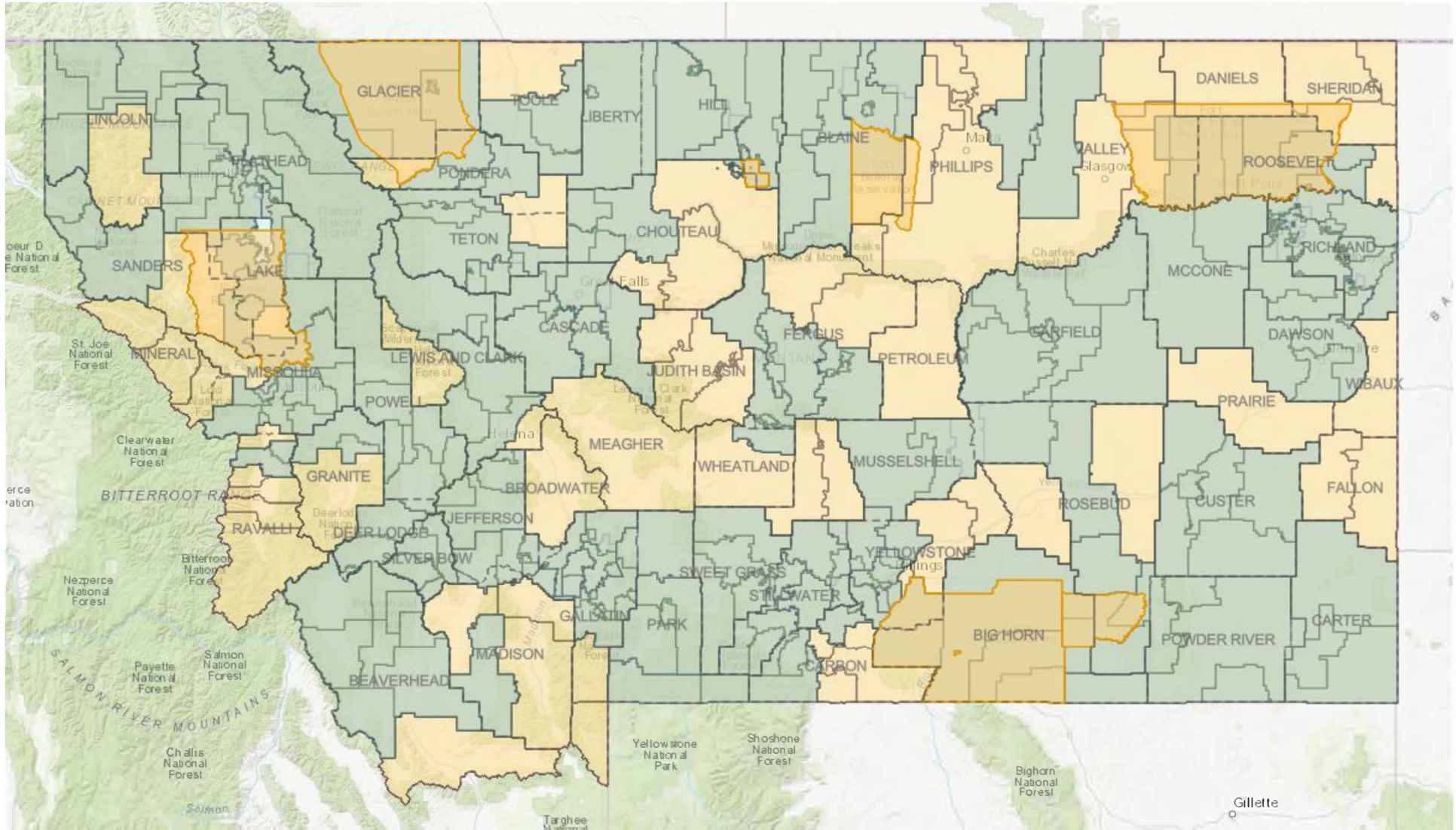
- Targeted toward tourist items
- Revenue collected must reduce local property tax
- A mechanism to share a portion of the revenue collected from a larger community would be developed to share with surrounding counties.

Concerns being set forth:

- May be subject to Montana's Sales Cap 4%
- Is likely to impact residents significantly, especially shoppers from surrounding trade area who do not benefit from the tax.
- Is effectively a sales tax, but not as evenly distributed as a statewide model, and does not touch ecommerce. (Jaret Coles doing analysis here)
  - *According to the South Dakota Department of Revenue, in 2020, e-commerce sales in South Dakota made up 14.4% of total retail sales. The growth of e-commerce is having a significant impact on the retail industry,*

Montana's system includes 397 operating school districts for approximately 155,000 students:

- 64 K-12 districts (shown in tan below)
- 94 combined EL and HS districts (unified governance but unique boundaries, so 188 unique districts)
- 141 independent EL districts that "feed" into a larger HS district (sometimes multiple HS districts)
- 4 county high school districts (Beaverhead, Carter, Custer, and Garfield)



Montana has a larger number of School Districts (taxing jurisdictions) relative to its overall students loads.

Area Comparison States (Numbers are approximate).

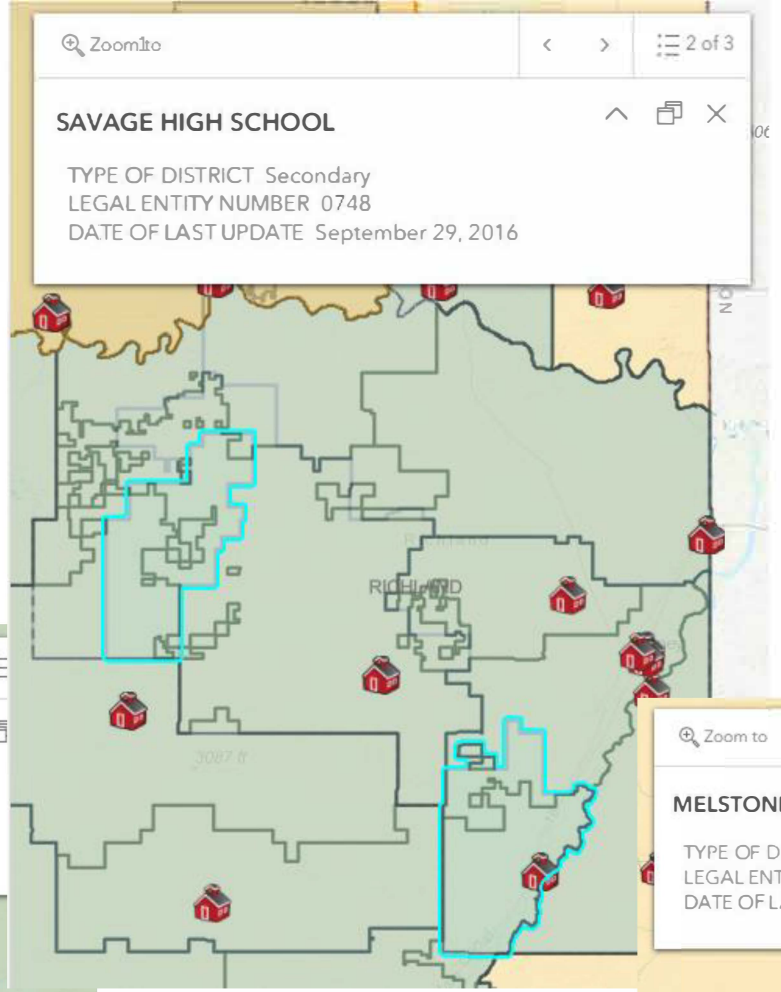
Montana has 397 School Districts and has approximately 155,000 Students with a $12,000 per pupil spend
North Dakota has 153 School Districts with 114,000 Students with a $14,000 per pupil spend **Oil tax**
South Dakota has 148 School Districts with 120,00 Students with a $10,000 per pupil spend
Idaho has 115 School Districts with 307,000 Students with a $8000 per pupil spend
Wyoming has 50 School Districts with 90,000 Students with a $16,000 per pupil spend **Coal Tax**
Colorado has 178 Districts with 883,264 Students with a $11,000 per pupil spend
Utah has 41 School Districts with 667,000 Students with a cost of $9000 per pupil spend

All these more rural states have numerous schools that the students attend, but are split is into less taxable Districts. Is there a possibility where these Districts can be better aligned to encourage efficiencies while maintaining the schools needed to serve students in a rural state?

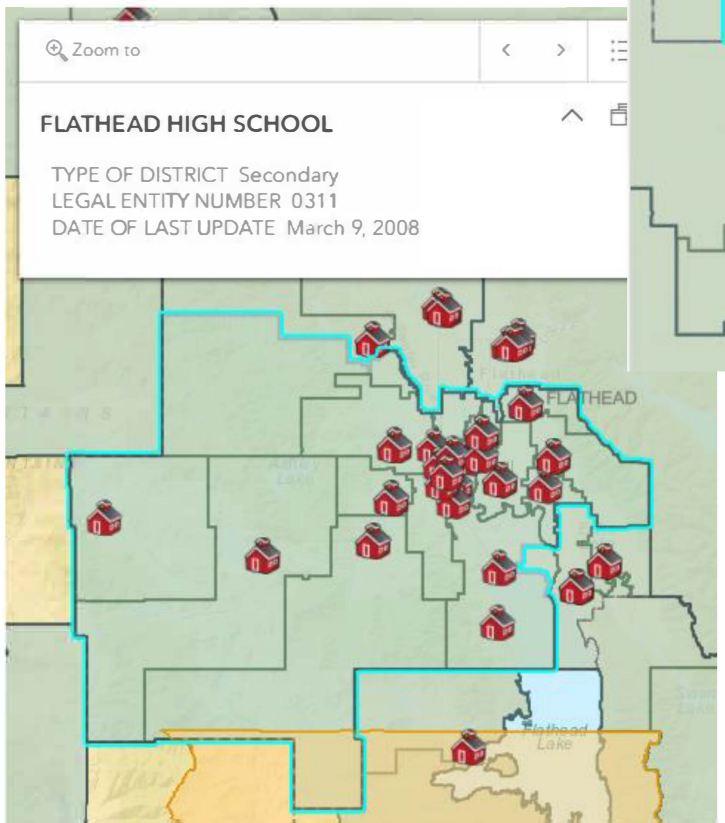
Montana's school district structure leads to some complexities and some anomalies.

Sometimes district boundaries reflect property tax interests more than educational ones.

HB 203 (Bedey; 2023) will illuminate where kids actually attend school and protect taxpayers in districts that receive out-of-district students.

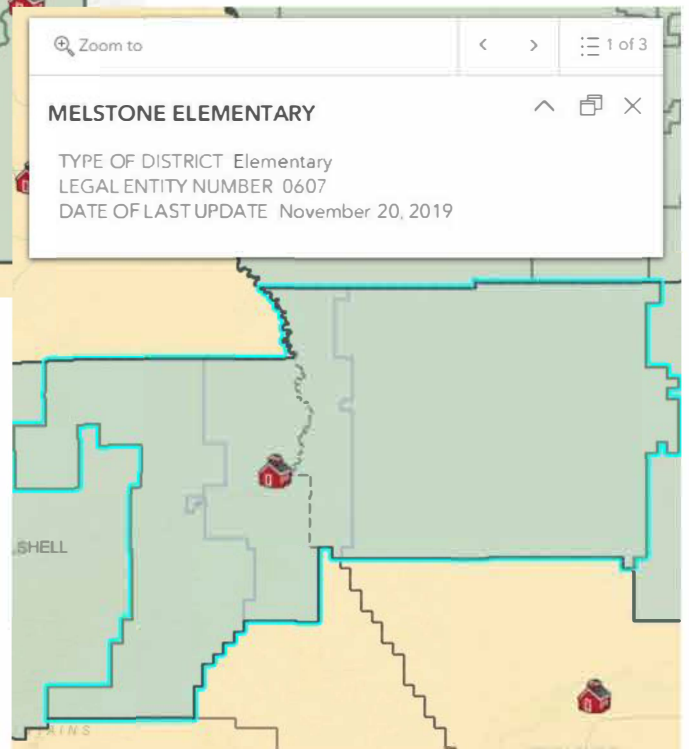


Richland County has a patchwork of noncontiguous school district boundaries, including Savage HS with this bizarre configuration.

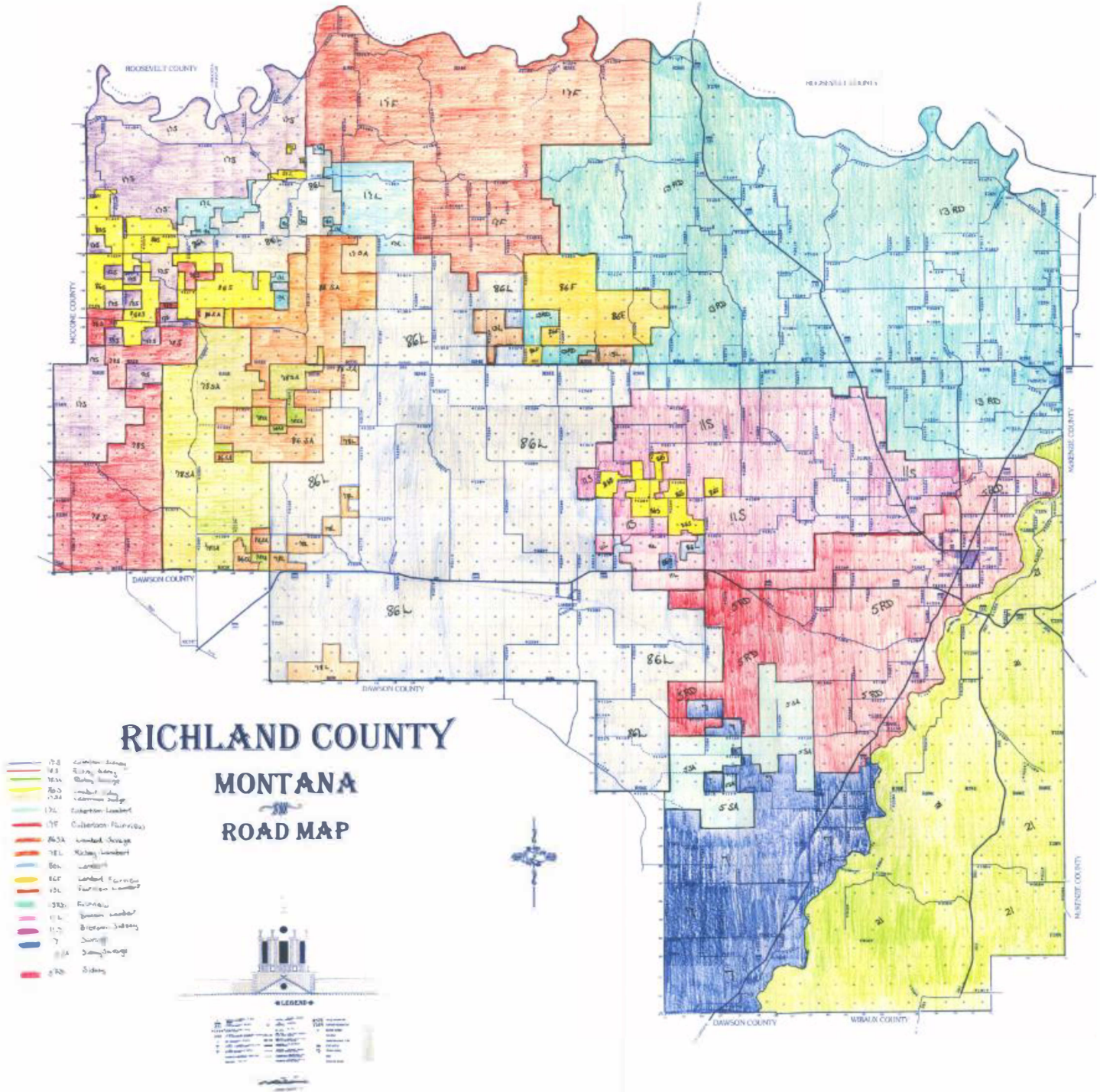


Flathead HS District is made up of 10+ EL districts.

Melstone EL District is trifurcated between Roundup, Melstone, and Forsyth HS Districts.



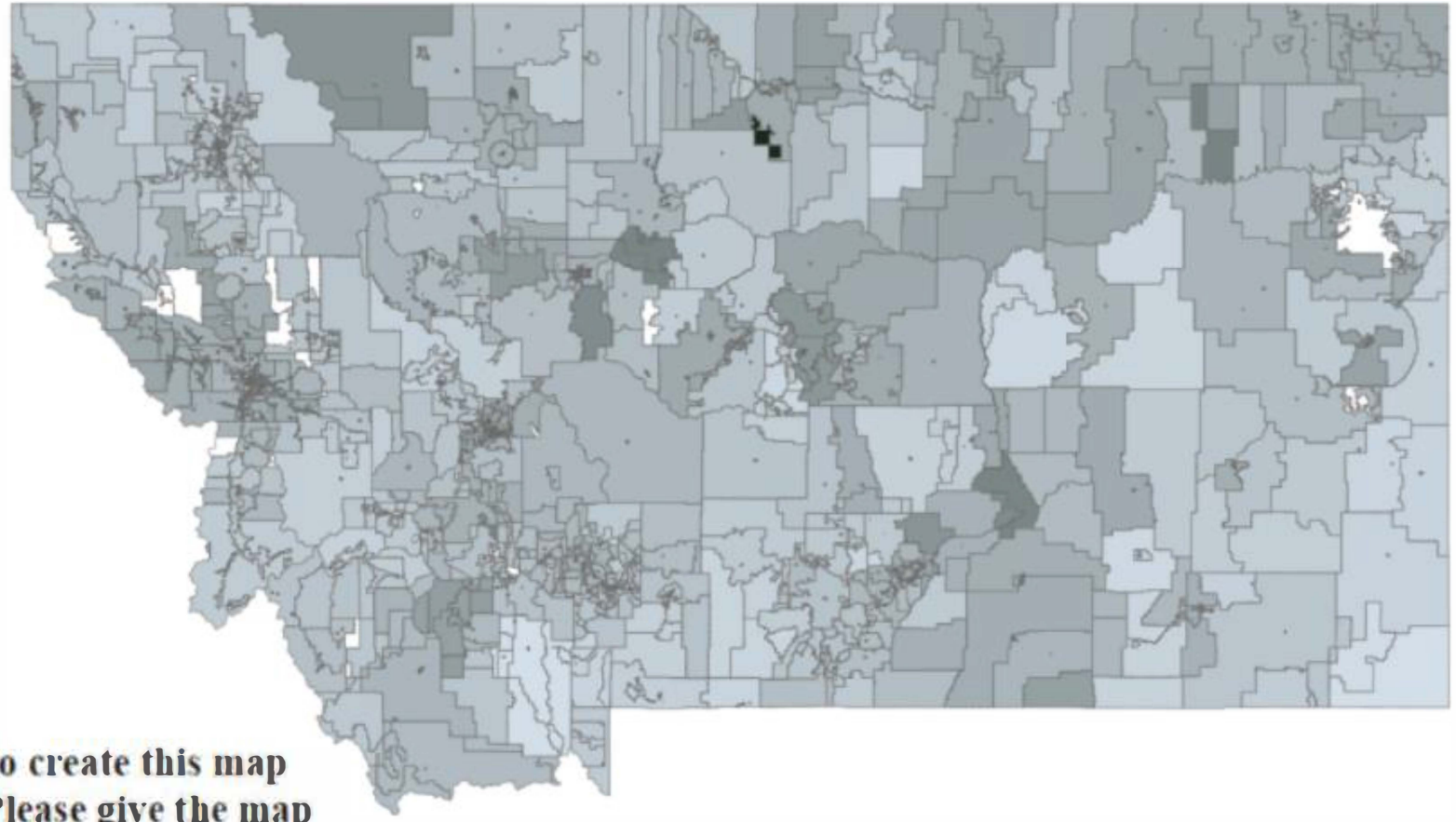
In some areas they School Districts are not even contiguous. As school close and property moves to other Districts, it appears to have as much to do with tax avoidance as education relevance.



FY 2024 Effective Tax Rate by Levy District

Data Sources:
- Montana Department of Revenue
- Montana Office of Public Instruction
- Montana Department of Administration

FY 2024 Effective Tax Rate by Levy District



0.2020%

Effective Tax Rate

Slicer Options

Taxing_Unit
- Counties
- County-wide Education
- Local Schools
- Other
- Statewide

County Name
All

Res/Other
- (Blank)
- All Other
- Res

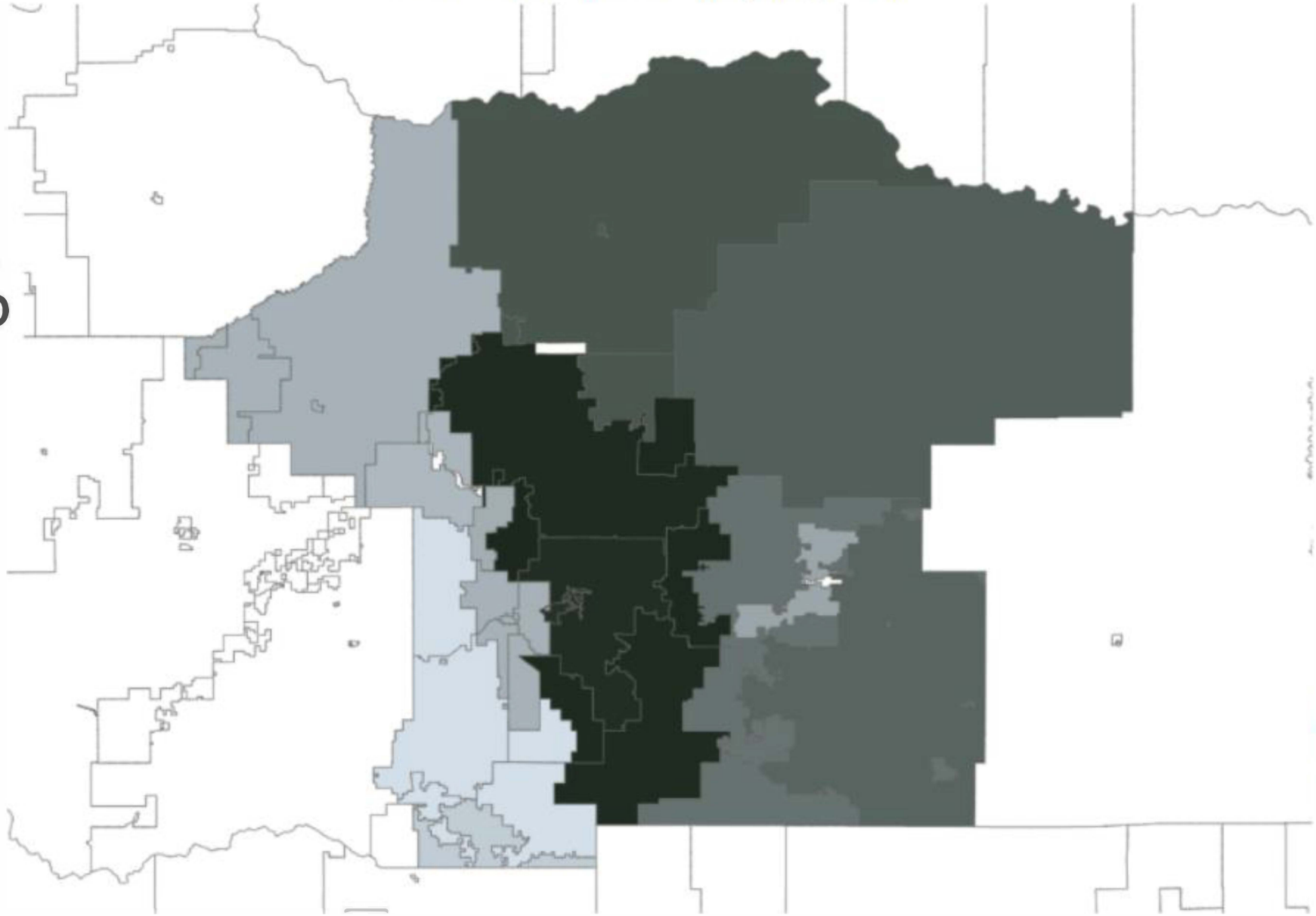
Effective Tax Rate: taxes paid as a percentage of ASSESSED property value

The software used to create this map can be slow to load. Please give the map a few seconds to load after selecting a slicer option.

NOTE: If you have questions or concerns, please contact the Legislative Fiscal Division.

FY 2024 Effective Tax Rate by Levy District

Data Sources:
- Montana Department of Revenue
- Montana Office of Public Instruction
- Montana Department of Administration



Slicer Options

Taxing_Unit
- Counties
- County-wide Education
- Local Schools
- Other
- Statewide

County Name
Fergus

Res/Other
- (Blank)
- All Other
- Res

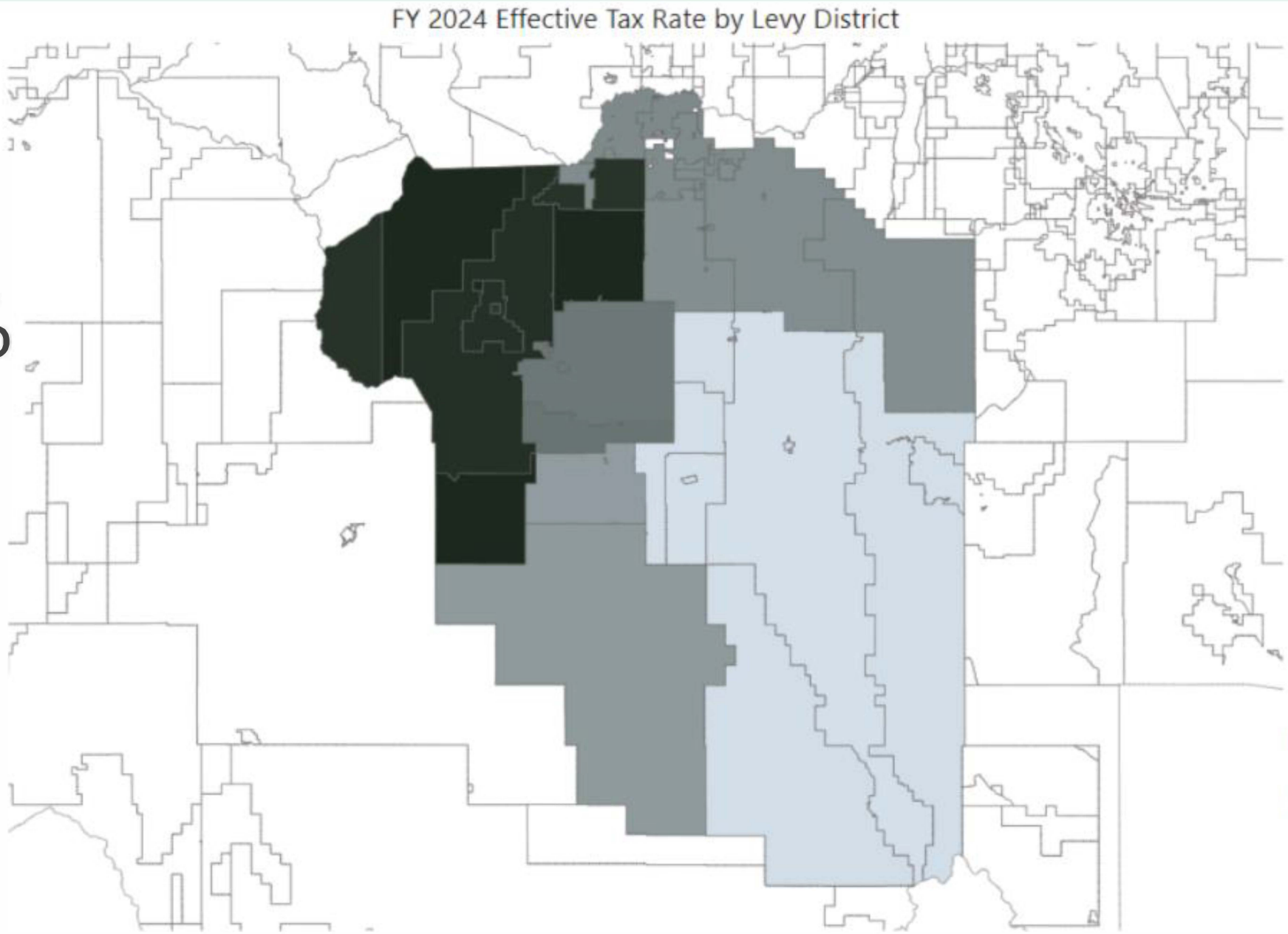
0.3549%
Effective Tax Rate

Effective Tax Rate: taxes paid as a percentage of ASSESSED property value

NOTE: If you have questions or concerns, please contact the Legislative Fiscal Division.

FY 2024 Effective Tax Rate by Levy District

Data Sources:
- Montana Department of Revenue
- Montana Office of Public Instruction
- Montana Department of Administration



Slicer Options

Taxing_Unit
- Counties
- County-wide Education
- Local Schools
- Other
- Statewide

County Name
Madison

Res/Other
- (Blank)
- All Other
- Res

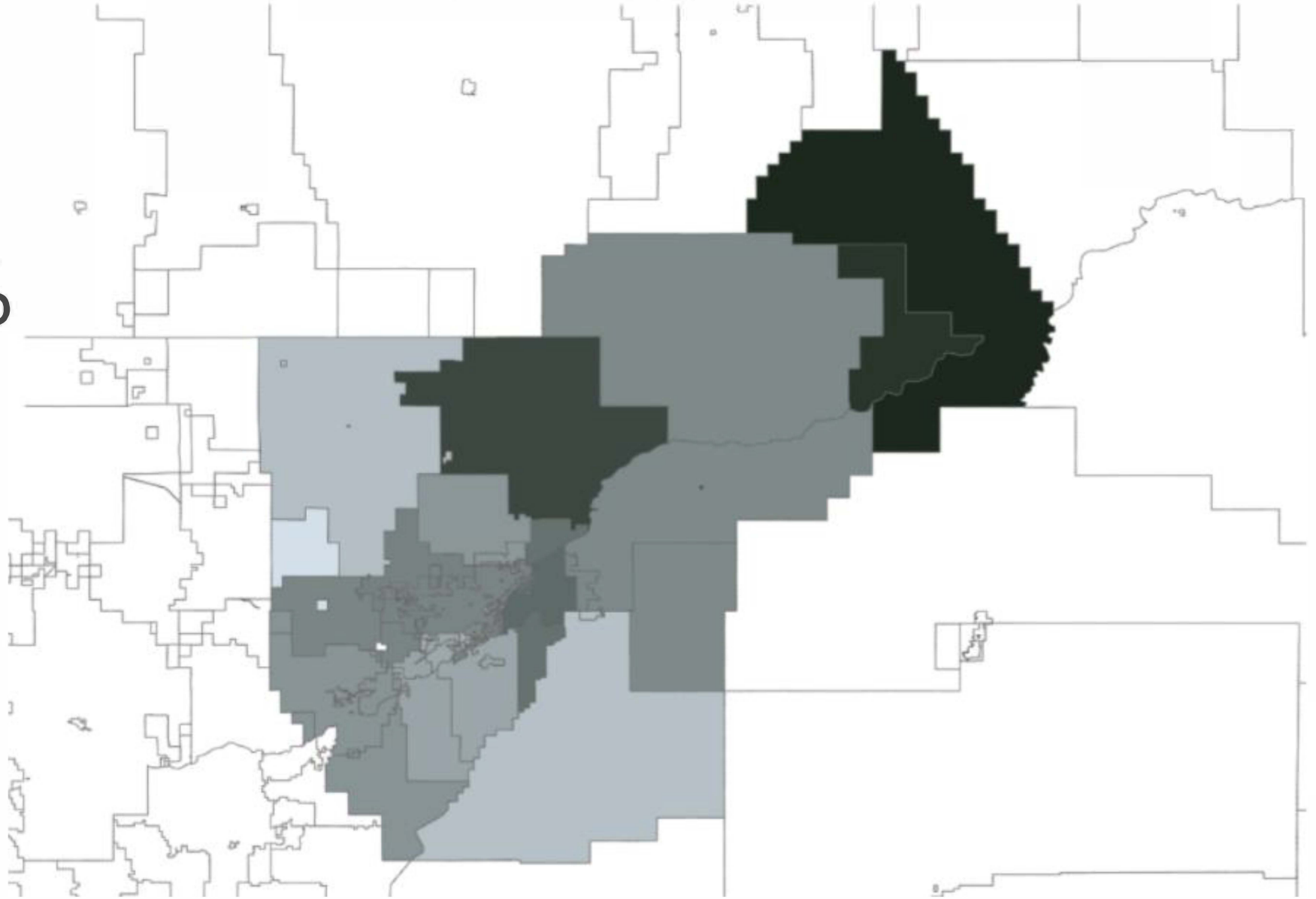
0.0278%
Effective Tax Rate

Effective Tax Rate: taxes paid as a percentage of ASSESSED property value

NOTE: If you have questions or concerns, please contact the Legislative Fiscal Division.

FY 2024 Effective Tax Rate by Levy District

Data Sources:
- Montana Department of Revenue
- Montana Office of Public Instruction
- Montana Department of Administration



0.2824%
Effective Tax Rate

Effective Tax Rate: taxes paid as a percentage of ASSESSED property value

Slicer Options

Taxing_Unit
- Counties
- County-wide Education
- Local Schools
- Other
- Statewide

County Name
Yellowstone

Res/Other
- (Blank)
- All Other
- Res

NOTE: If you have questions or concerns, please contact the Legislative Fiscal Division.

Schools consume 56% of all Property tax dollars.

- Some Districts have very high mills, some very low mills.
- A county can have both high and the low mill Districts.
- It has been suggested that moving toward a more “K-12 Districts” concept would increase administrative and school business efficiencies (lower costs), and potentially move toward a more equitable distribution of tax.
- Another possible suggestion: Equalize base levies across the county.
- Another possible suggestion: Redefine what the qualifications for isolation status.
- Other?
- Is there interest into looking into this concept further?

Thoughts/Suggestions from Members on the “fairness tax topic” that should be considered?

Public Comment

Next Steps