EXHIBIT 1
DATE 3/20/2023
HB 390

Information Request

MONTANA DEPARTMENT OF REVENUE

Memorandum

To: Chairman Fielder
Representative Sherry Essmann

From: Dylan Cole, Tax Policy and Research

Date: February 10, 2023

Subject: HB 390 Homestead Exemption

Question:

What are the county by county effects of a $50,000 homestead exemption on primary homes?

Answer:

The attached table contains the tax shifts by county due to the homestead exemption of $50,000 contained in HB 390. There is additional information relevant to the additional requests made during the hearing of the effects on a median home in the county, as well as the number of homes in the county. Some caveats and explanation are necessary with this information.

As referenced in assumptions #2-4 of the fiscal note, I am overcounting primary residences based on the estimates of the Census Bureau. There is no current way to tell if a residential property is a primary residence. I considered a property a primary residence if it has a unique mailing address. In the case with multiple properties with the same mailing address, I considered the higher market value property to be the primary residence. The fiscal note adjusts the total revenue estimates by this overcounting factor (assumption #4), but this analysis does not perform a similar adjustment.

These numbers are based on tax year 2022 data. Tax year 2023 is a reappraisal year that will see significant market value increases in the western portion of the state, but values are not finalized and budgets for local governments are not set. Tax year 2022 is the most recently available finalized dataset.

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For this analysis, it is assumed that all local mills may float. Each taxing jurisdiction had its mills recalculated to achieve the same budget despite the lower tax base after the exemption was applied. To the extent that some mills cannot float, average benefits to homestead properties are greater and total dollar shifts are smaller, in both cases because mills increase by less than what is shown in the table.

The total benefit to primary households is calculated as the reduction in taxable value multiplied by the adjusted mills. State revenue losses is foregone revenue from the 95, 6, and 1.5 state levied mills. Shifts onto other property is the difference between the total benefit and the state revenue foregone. All other property refers to any property not qualifying for the homeowner exemption, including class 4 residential property not considered a primary residence. Shifts for a particular property can be calculated by taking the market value of that property multiplied by the relevant tax rate multiplied by the change in average mill. For example, a secondary home worth $300,000 in Missoula County would see a tax increase of about $300,000 X 0.0135 X 53/1000 = $215.

The Tax 2022 column is the median home value multiplied by the residential tax rate multiplied by the average county mill. The average county mill is the dollar-weighted average mill, meaning total taxes levied in the county divided by the total taxable value base of the county. The Tax 2022 Homestead column is the median home value, minus the $50,000 homestead exemption, multiplied by the residential tax rate multiplied by the new average county mill after shifts occur.

Median primary home savings range from $161 in Carter County to $524 in Sheridan County. Tax savings are a function of how many average mills are currently being assessed (counties with higher average mills have greater tax savings) and how diverse the tax base is (counties with mostly residential property cannot fully shift the tax burden off themselves). The final point I will make is that counties with lower median home values see greater percentage benefits than higher median home values, as a larger percentage of the total market value of the home is exempted.

If you have any additional questions, please don't hesitate to give me a call at (406) 444-6634.

HB390 2023 Montana Homestead Act
Median Home Savings

Co Name	Total Benefit to Primary Homes	Shifts to Other Property	State Revenue Losses	Tax Year 2022 Mills	2022 Mills w/Homestead	# Homes	# Primary Homes	Median Primary Home	Tax 2022	Tax 2022 Homestead	Median Home Savings	Percent Savings
Beaverhead	$ 1,264,122	$ 1,061,033	$ 203,089	588	629	4,634	3,104	$ 210,190	$ 1,669	$ 1,359	$ 310	18.57%
Big Horn	$ 814,927	$ 709,137	$ 105,790	748	778	2,596	1,711	$ 115,100	$ 1,162	$ 684	$ 478	41.14%
Blaine	$ 519,488	$ 453,007	$ 66,481	759	789	1,855	1,068	$ 117,350	$ 1,202	$ 712	$ 490	40.77%
Broadwater	$ 1,010,628	$ 846,159	$ 164,469	579	621	3,418	2,498	$ 247,700	$ 1,935	$ 1,656	$ 279	14.42%
Carbon	$ 1,506,336	$ 1,201,413	$ 304,923	477	499	6,596	4,637	$ 245,700	$ 1,582	$ 1,318	$ 265	16.75%
Carter	$ 67,698	$ 39,160	$ 28,538	239	240	800	477	$ 93,240	$ 301	$ 140	$ 161	53.49%
Cascade	$ 10,841,517	$ 9,321,588	$ 1,519,928	680	731	30,430	22,657	$ 194,400	$ 1,785	$ 1,419	$ 367	20.56%
Chouteau	$ 528,736	$ 434,362	$ 94,374	551	566	2,752	1,527	$ 129,600	$ 965	$ 606	$ 359	37.20%
Custer	$ 1,654,084	$ 1,440,947	$ 213,137	723	784	4,647	3,340	$ 149,500	$ 1,459	$ 1,052	$ 407	27.90%
Daniels	$ 327,649	$ 285,692	$ 41,958	747	789	1,160	735	$ 96,850	$ 976	$ 499	$ 477	48.87%
Dawson	$ 1,359,338	$ 1,180,748	$ 178,590	722	769	3,814	2,820	$ 129,952	$ 1,267	$ 830	$ 438	34.57%
Deer Lodge	$ 1,580,346	$ 1,372,196	$ 208,150	708	767	4,533	3,166	$ 134,250	$ 1,283	$ 872	$ 411	32.03%
Fallon	$ 203,716	$ 141,172	$ 62,544	327	329	1,450	968	$ 145,200	$ 641	$ 423	$ 218	34.01%
Fergus	$ 1,470,535	$ 1,219,915	$ 250,620	567	593	5,783	3,959	$ 141,000	$ 1,079	$ 727	$ 352	32.62%
Flathead	$ 14,384,613	$ 11,983,936	$ 2,400,677	570	605	47,443	35,971	$ 331,900	$ 2,555	$ 2,287	$ 267	10.45%
Gallatin	$ 13,341,407	$ 10,992,330	$ 2,349,077	550	574	45,052	34,770	$ 434,300	$ 3,224	$ 2,950	$ 274	8.50%
Garfield	$ 184,515	$ 152,268	$ 32,247	558	578	861	536	$ 105,825	$ 797	$ 436	$ 361	45.29%
Glacier	$ 783,240	$ 676,223	$ 107,017	716	739	2,565	1,755	$ 92,500	$ 894	$ 420	$ 474	53.02%
Golden Valley	$ 87,989	$ 69,733	$ 18,256	478	487	496	313	$ 92,867	$ 599	$ 281	$ 318	53.09%
Granite	$ 570,185	$ 463,707	$ 106,478	511	541	2,524	1,637	$ 199,300	$ 1,375	$ 1,087	$ 288	20.95%
Hill	$ 1,506,837	$ 1,261,064	$ 245,772	590	619	5,743	3,799	$ 175,800	$ 1,401	$ 1,043	$ 358	25.55%
Jefferson	$ 1,749,682	$ 1,454,186	$ 295,496	556	598	5,705	4,465	$ 286,700	$ 2,151	$ 1,908	$ 243	11.30%
Judith Basin	$ 210,011	$ 155,285	$ 54,726	381	388	1,468	905	$ 112,540	$ 578	$ 327	$ 251	43.43%
Lake	$ 3,650,380	$ 3,002,029	$ 648,350	530	569	13,142	9,755	$ 290,100	$ 2,075	$ 1,832	$ 243	11.71%
Lewis & Clark	$ 11,210,104	$ 9,759,531	$ 1,450,573	733	792	28,004	21,473	$ 255,400	$ 2,528	$ 2,187	$ 341	13.49%
Liberty	$ 183,705	$ 151,362	$ 32,342	558	574	992	514	$ 129,293	$ 973	$ 606	$ 367	37.72%
Lincoln	$ 2,756,548	$ 2,259,740	$ 496,809	507	560	10,712	7,686	$ 190,100	$ 1,302	$ 1,059	$ 243	18.66%
Madison	$ 1,017,275	$ 611,460	$ 405,815	250	253	7,894	5,879	$ 379,500	$ 1,282	$ 1,092	$ 190	14.82%
McCone	$ 282,735	$ 242,409	$ 40,326	678	708	1,147	663	$ 97,300	$ 890	$ 452	$ 439	49.33%
Meagher	$ 322,505	$ 268,551	$ 53,954	577	604	1,434	846	$ 145,685	$ 1,134	$ 776	$ 358	31.57%

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Mineral	$ 768,856	$ 657,298	$ 111,559	643	696	2,176	1,711	$ 166,550	$ 1,445	$ 1,094	$ 350	24.22%
Missoula	$ 17,665,853	$ 15,603,095	$ 2,062,759	825	878	40,696	30,400	$ 323,000	$ 3,600	$ 3,213	$ 386	10.72%
Musselshell	$ 611,407	$ 502,945	$ 108,462	530	569	2,468	1,794	$ 102,440	$ 733	$ 402	$ 331	45.16%
Park	$ 2,050,268	$ 1,619,800	$ 430,468	457	481	9,177	6,469	$ 318,500	$ 1,966	$ 1,736	$ 230	11.70%
Petroleum	$ 84,775	$ 74,049	$ 10,726	755	798	336	204	$ 63,905	$ 652	$ 150	$ 502	76.99%
Phillips	$ 543,359	$ 462,228	$ 81,131	647	676	2,155	1,326	$ 126,043	$ 1,100	$ 694	$ 406	36.91%
Pondera	$ 650,020	$ 554,095	$ 95,925	653	684	2,317	1,523	$ 139,700	$ 1,231	$ 811	$ 421	34.20%
Powder River	$ 166,103	$ 127,454	$ 38,649	423	434	1,015	649	$ 103,280	$ 590	$ 312	$ 277	46.95%
Powell	$ 690,220	$ 566,107	$ 124,112	534	562	2,977	1,925	$ 155,600	$ 1,121	$ 798	$ 322	28.72%
Prairie	$ 170,804	$ 143,702	$ 27,102	610	637	654	489	$ 69,918	$ 576	$ 170	$ 406	70.49%
Ravalli	$ 5,236,218	$ 4,264,520	$ 971,699	505	544	20,149	14,526	$ 300,200	$ 2,045	$ 1,831	$ 213	10.42%
Richland	$ 983,696	$ 771,359	$ 212,337	454	468	4,522	3,237	$ 192,200	$ 1,179	$ 898	$ 280	23.75%
Roosevelt	$ 613,221	$ 511,809	$ 101,412	595	611	2,545	1,706	$ 94,385	$ 758	$ 366	$ 392	51.72%
Rosebud	$ 450,124	$ 340,866	$ 109,258	411	416	2,569	1,798	$ 113,250	$ 628	$ 355	$ 273	43.47%
Sanders	$ 1,426,423	$ 1,141,760	$ 284,663	481	506	6,317	4,368	$ 187,930	$ 1,220	$ 942	$ 278	22.79%
Sheridan	$ 773,311	$ 683,602	$ 89,710	823	871	2,185	1,542	$ 100,025	$ 1,112	$ 588	$ 524	47.12%
Silver Bow	$ 5,313,785	$ 4,633,744	$ 680,041	749	801	14,139	10,063	$ 156,600	$ 1,584	$ 1,150	$ 434	27.40%
Stillwater	$ 1,083,751	$ 861,418	$ 222,333	479	492	4,705	3,371	$ 250,900	$ 1,623	$ 1,335	$ 288	17.74%
Sweet Grass	$ 400,438	$ 313,796	$ 86,642	457	467	1,956	1,317	$ 233,200	$ 1,439	$ 1,153	$ 286	19.87%
Teton	$ 728,223	$ 597,544	$ 130,679	535	563	3,120	2,036	$ 168,850	$ 1,220	$ 895	$ 325	26.64%
Toole	$ 544,379	$ 463,066	$ 81,314	655	676	2,089	1,307	$ 112,000	$ 990	$ 561	$ 429	43.33%
Treasure	$ 82,416	$ 66,443	$ 15,973	508	521	419	266	$ 105,855	$ 727	$ 393	$ 334	45.94%
Valley	$ 950,844	$ 798,900	$ 151,943	605	632	3,895	2,513	$ 152,200	$ 1,243	$ 872	$ 371	29.85%
Wheatland	$ 180,977	$ 140,669	$ 40,308	445	453	1,079	673	$ 87,770	$ 528	$ 230	$ 298	56.44%
Wibaux	$ 69,920	$ 49,114	$ 20,806	338	339	528	348	$ 92,190	$ 421	$ 193	$ 227	53.92%
Yellowstone	$ 20,488,028	$ 17,452,781	$ 3,035,246	650	692	59,151	45,009	$ 243,600	$ 2,138	$ 1,802	$ 336	15.72%
TOTALS	$138,118,270	$116,612,507	$21,505,763			442,989	324,204	$9,629,233	$72,933	$ 53,984	$18,946	25.98%
AVERAGES								$ 171,951	$ 1,302	$ 964	$ 338	25.98%