

MARA MODULE: Property Taxes

MARA Committee
October 10, 2024

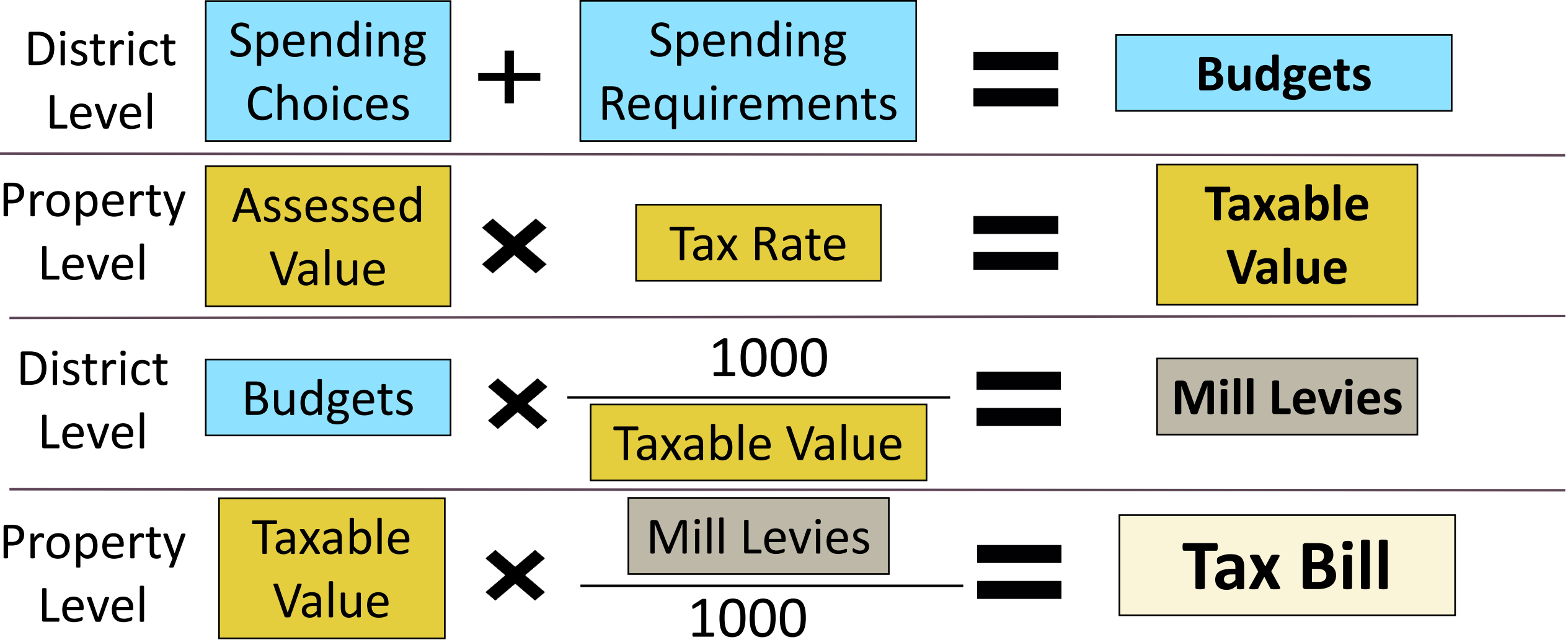
Kurt Swimley, Fiscal Analyst



Why Forecast Property Taxes?

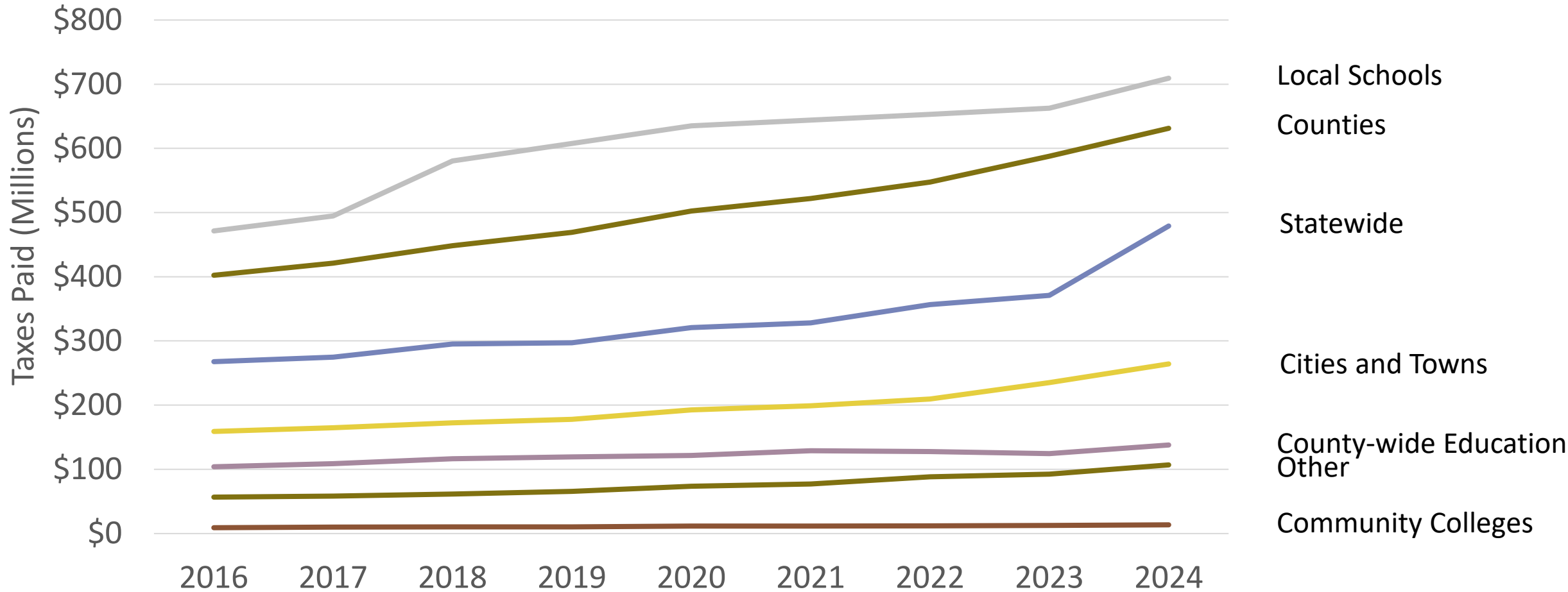
- Substantial portion of revenues for the state and across local jurisdictions
- Impacts homeowners, business owners, renters, etc.
- How do we expect expenses will change?
- Is this a sustainable source of revenue into the future?

The Property Tax Process

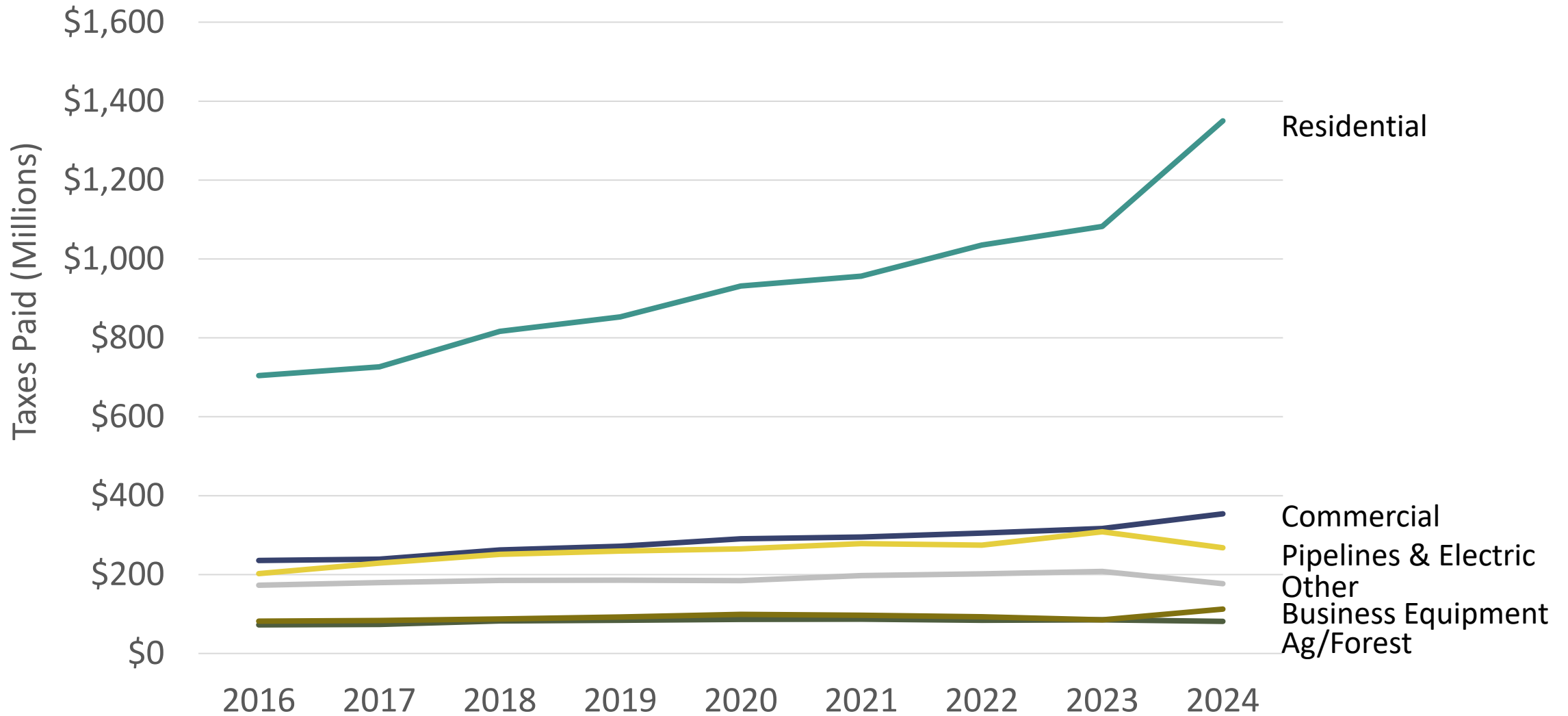


Property Tax History

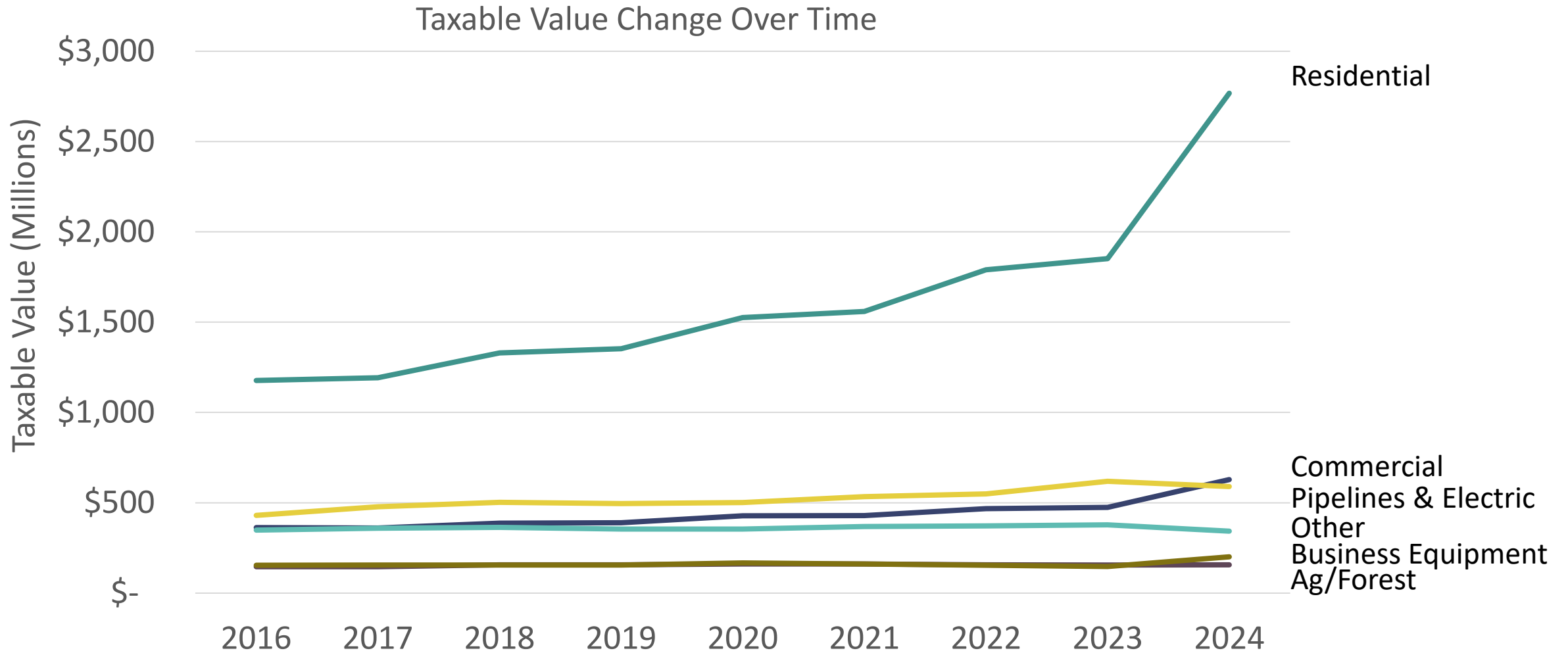
Taxes Paid by Taxing Unit



Property Tax History



Property Tax History

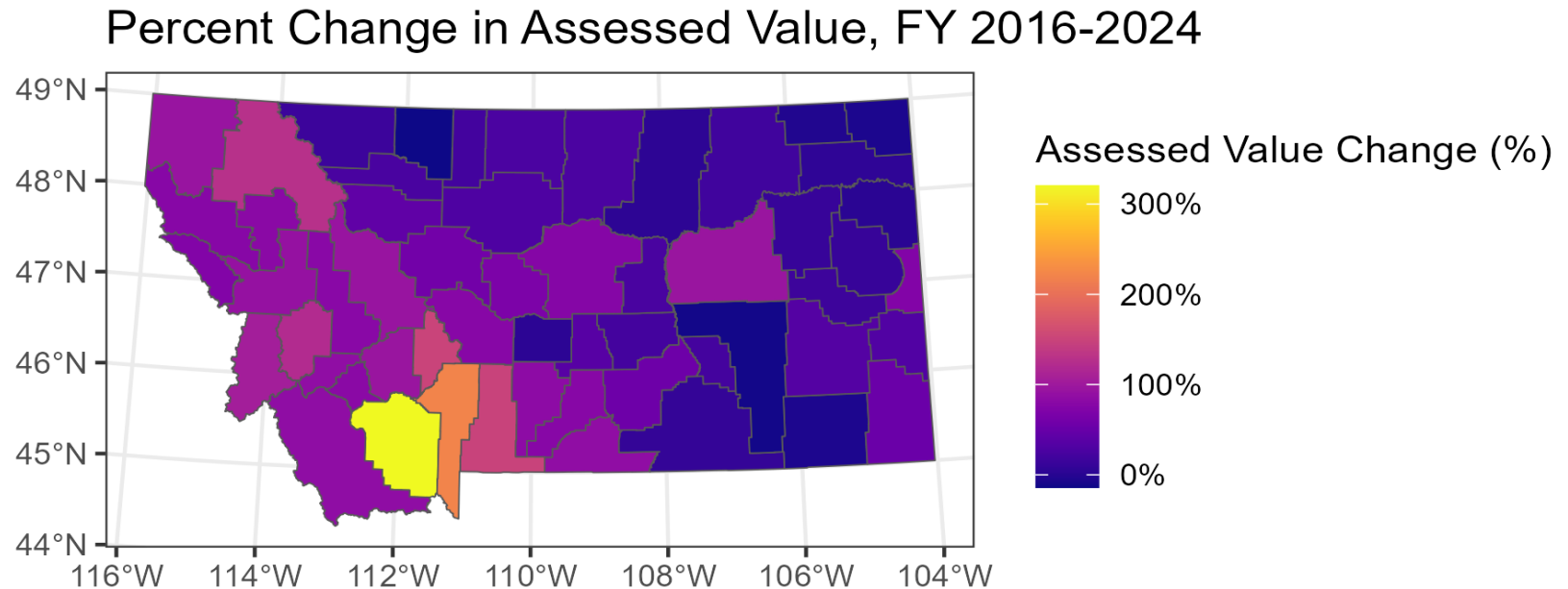


Property Tax History

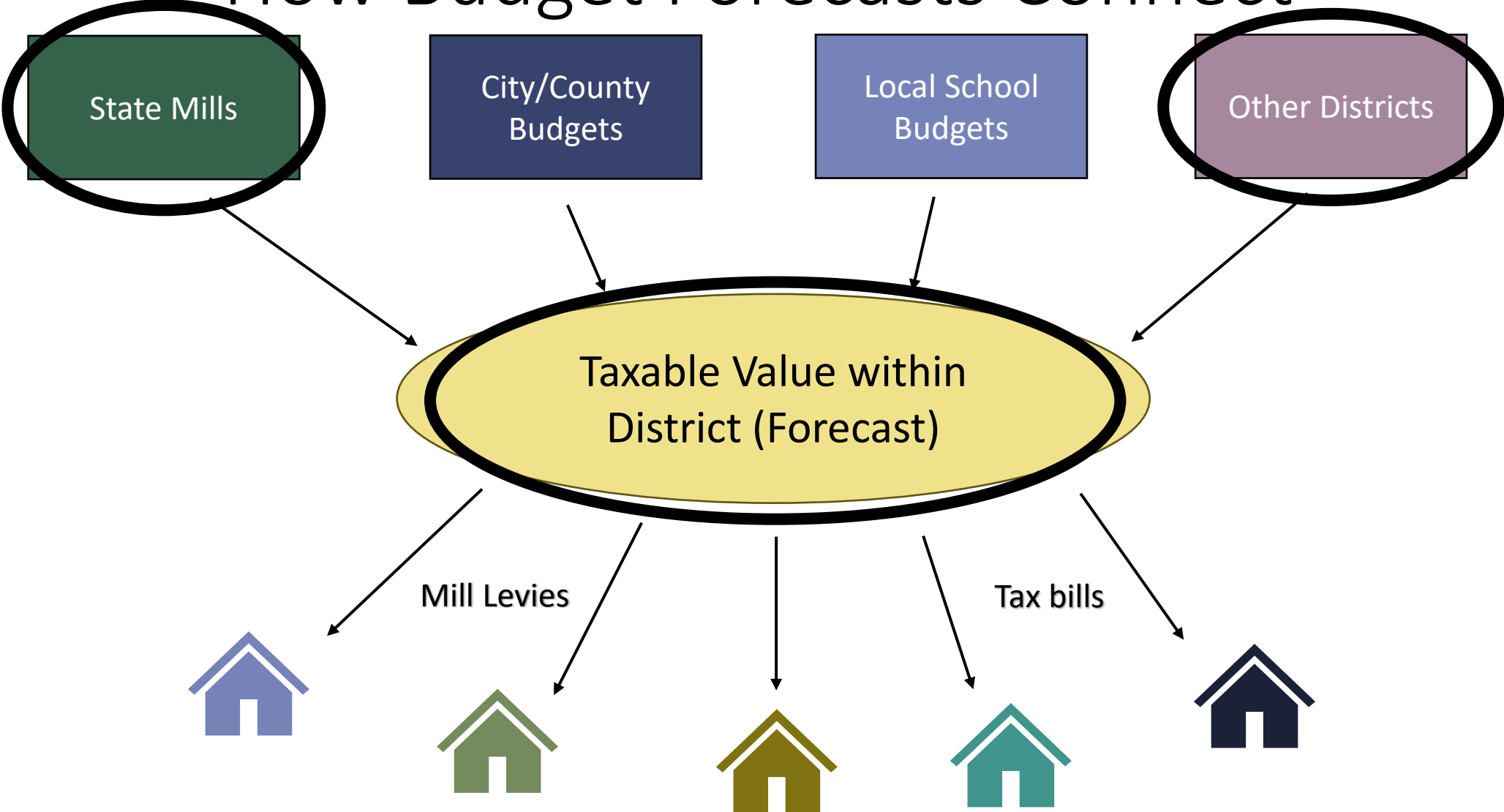
Property value increases are more evident on the western part of the state

Increases in value are due to:

- Market Changes
- New Development

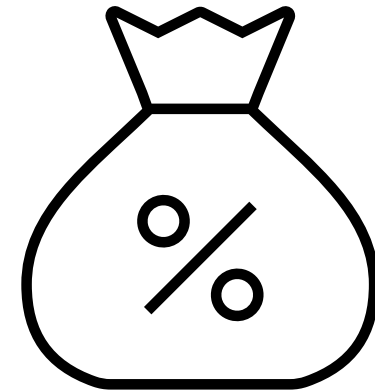


How Budget Forecasts Connect



Taxable Value Methodology

- All classes **except** for class 4 (Residential/Commercial): apply a growth rate based on previous trends or specific knowledge
 - Agricultural
 - Mine Proceeds
 - Forest
 - Pipelines & Electric
 - Business Equipment/Personal Property
 - Railroad/Airline Property
 - Other



		Custom Forecast					General Forecast					
Tax Class Name	TaxClass	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Mine Net Proceeds	1	137.0%	140.5%	132.8%	125.5%	118.6%	119.8%	121.0%	122.2%	123.4%	124.7%	125.9%
Gross Proceeds Metal Mines	2	78.2%	89.7%	84.8%	80.1%	75.7%	76.5%	77.2%	78.0%	78.8%	79.6%	80.4%
Ag Land	3	100.6%	100.0%	99.4%	98.8%	98.2%	98.1%	97.9%	97.8%	97.6%	97.5%	97.3%
Residential Improvements	4.1											
Residential Land	4.2											
Commercial Improvements	4.8											
Commercial Land	4.9											
Pollution Control Equipment	5	100.9%	101.8%	102.7%	103.6%	104.6%	107.7%	110.9%	114.3%	117.7%	121.2%	124.8%
Non-Centrally Assed Utilities	7	91.5%	83.8%	76.7%	70.2%	64.2%	64.2%	64.2%	64.2%	64.2%	64.2%	64.2%
Business Personal Property	8	99.4%	101.7%	104.0%	106.4%	106.4%	108.9%	111.4%	113.9%	116.6%	119.2%	122.0%
Electrical Utilities	9	103.7%	107.3%	111.0%	114.9%	118.9%	125.1%	128.6%	131.6%	134.5%	137.4%	140.5%
Forest Land	10	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%
Railroads and Airlines	12	95.0%	95.7%	96.4%	95.8%	95.5%	97.7%	100.0%	102.3%	104.6%	107.0%	109.5%
Telecomm and Electric Generation	13	101.5%	98.8%	96.2%	93.7%	91.2%	87.8%	84.6%	81.4%	78.4%	75.5%	72.7%
Wind Generation	14	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%	88.6%
C02/Qualifying Liquid Pipeline	15	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%
High Voltage DC Converter	16	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Data Server Facility	17	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%

+ More

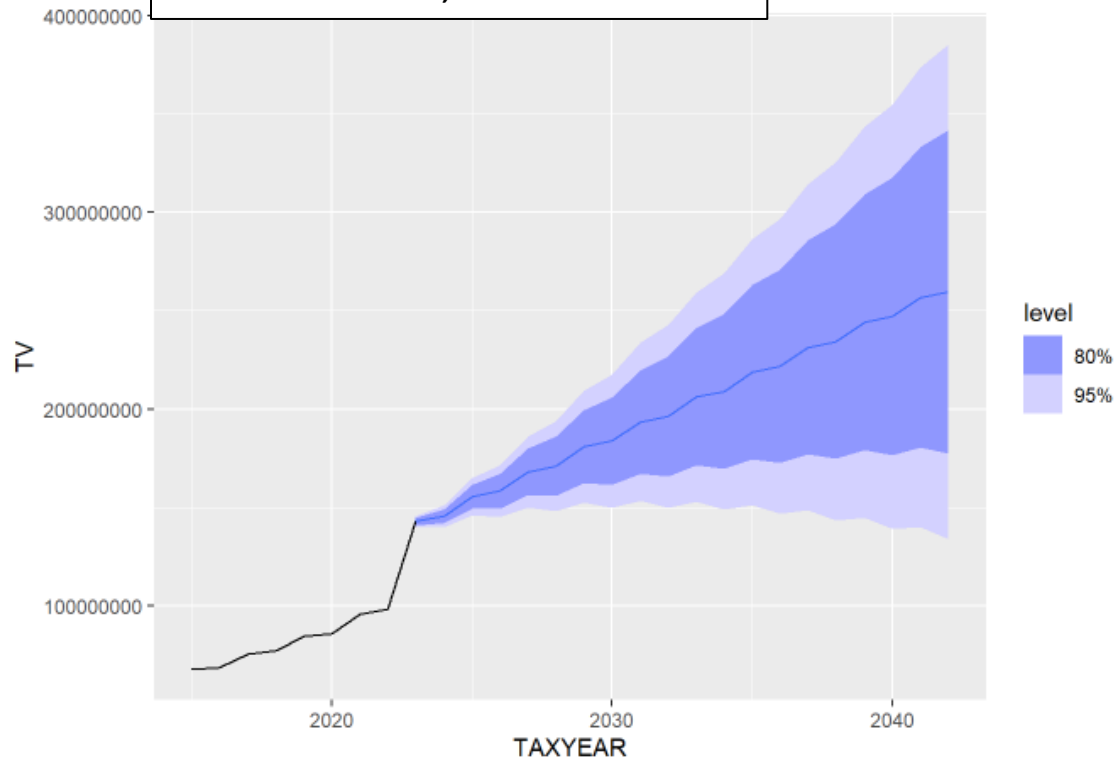
Applied to property-level data

Residential/Commercial Property:

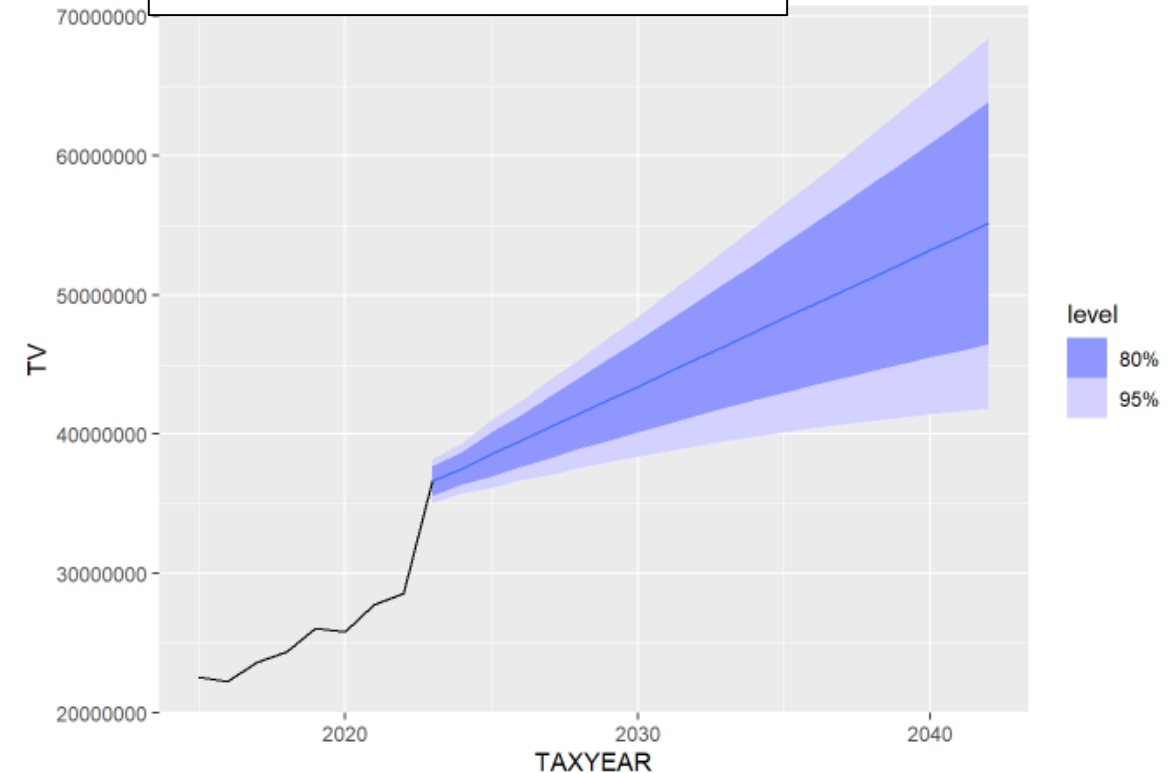
- County-level trends from growth rates with biennial reappraisal factored in.
 - Varying locale-specific growth rates
 - Excluded the 2024 growth from trends

Example: Lewis & Clark

Residential TV, ARIMA Model

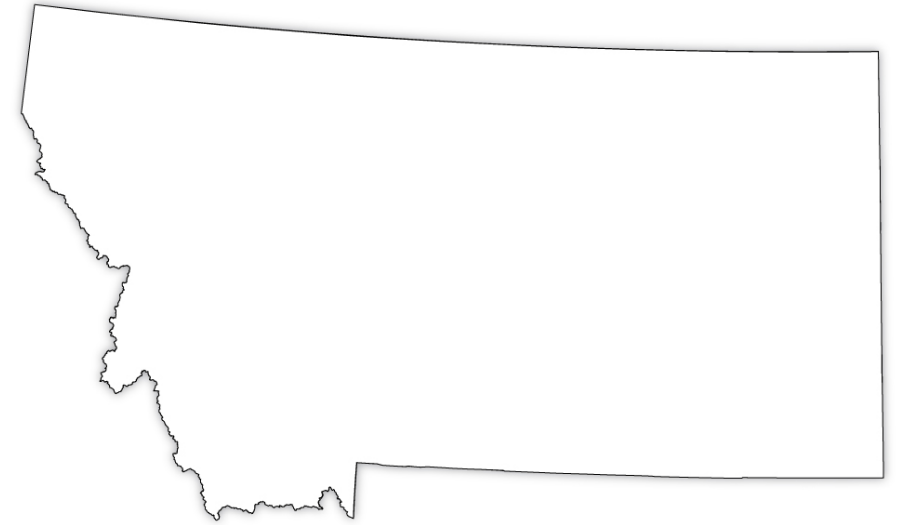


Commercial TV, ARIMA Model



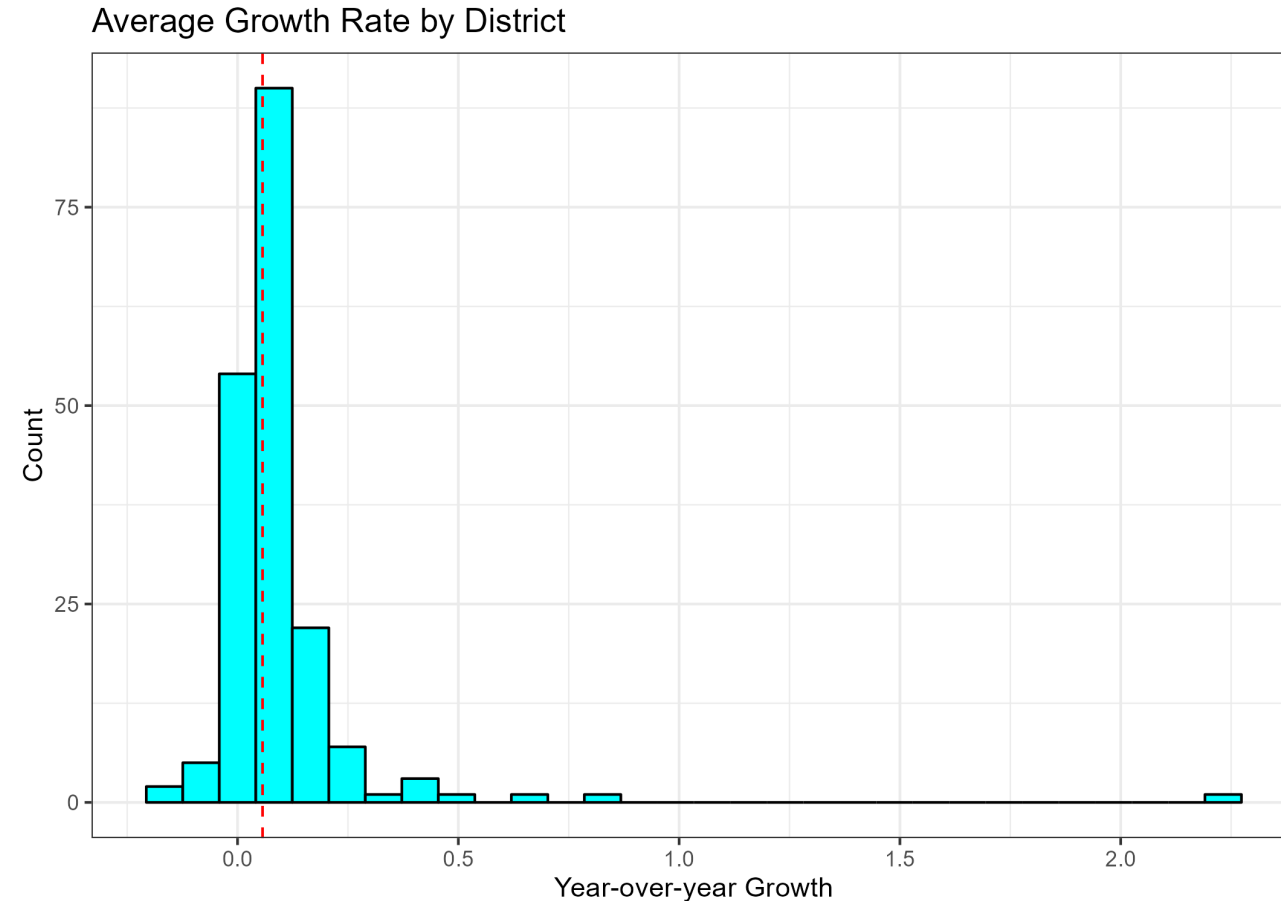
Statewide Methodology

- 95 Education Mills
- 6 Mill University Levy (we assume renewal)
- 1.5 Vo-tech Mills for select counties
- Applied to all property statewide



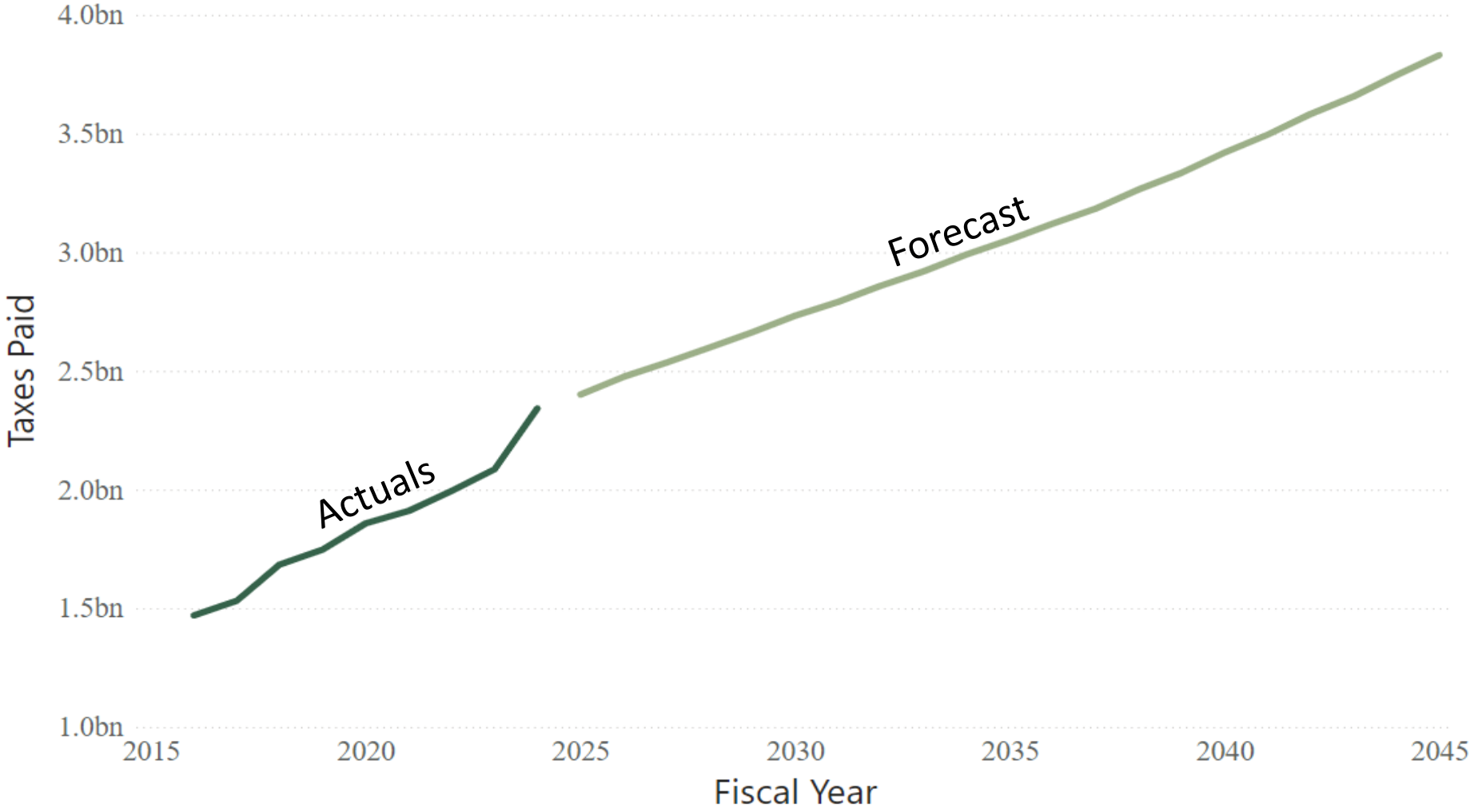
Other District/Community College Methodology

- Evaluate typical growth by taxing jurisdiction
 - Fire districts, weed districts, medical districts
 - Typical growth was about 5.6% per year
- Limited growth on exceptionally high-growth districts
 - Typically newer districts, or had large one-year increases



Forecast Results

Taxes Paid Actuals vs Forecast



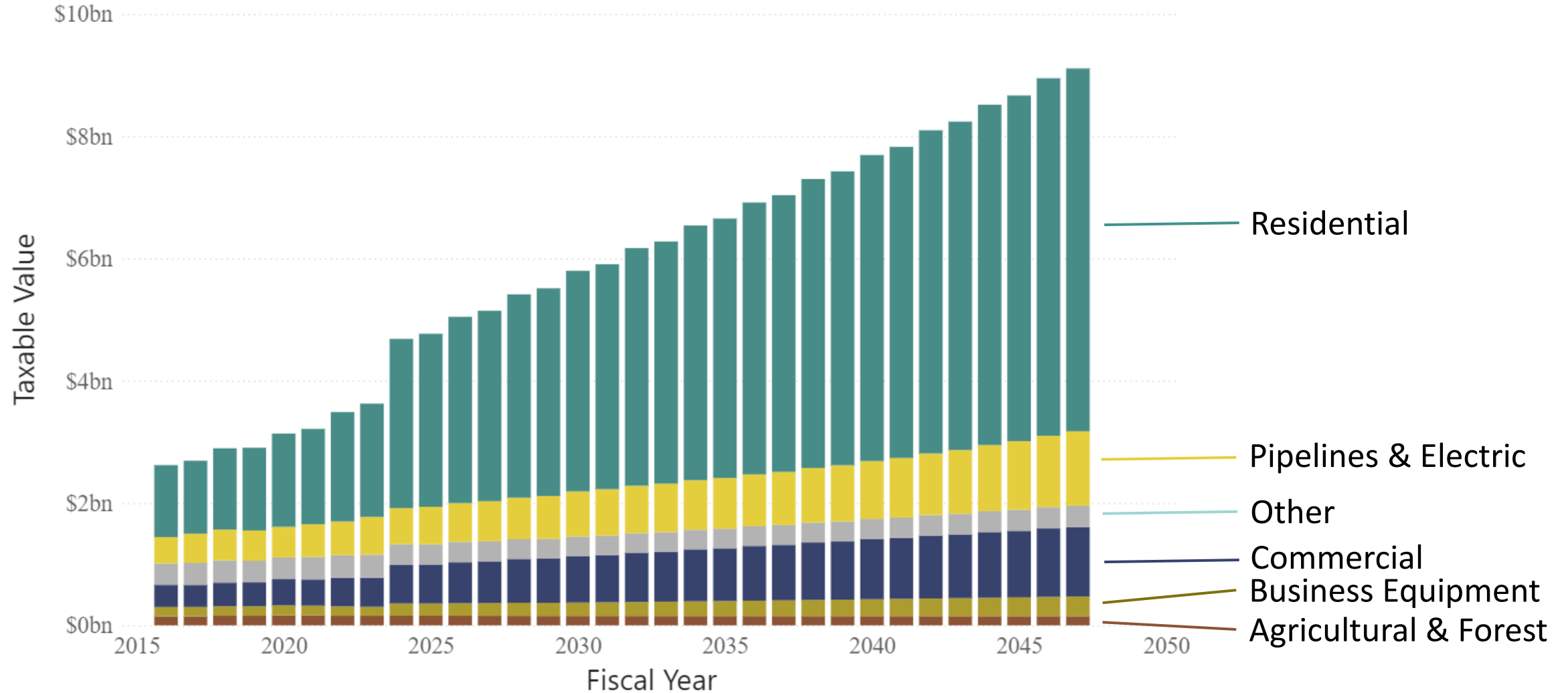
FY 2025-2045
Forecast Compound
Annual Growth Rate:
2.36%

FY 2016-2024
Actuals Compound
Annual Growth Rate:
5.99%

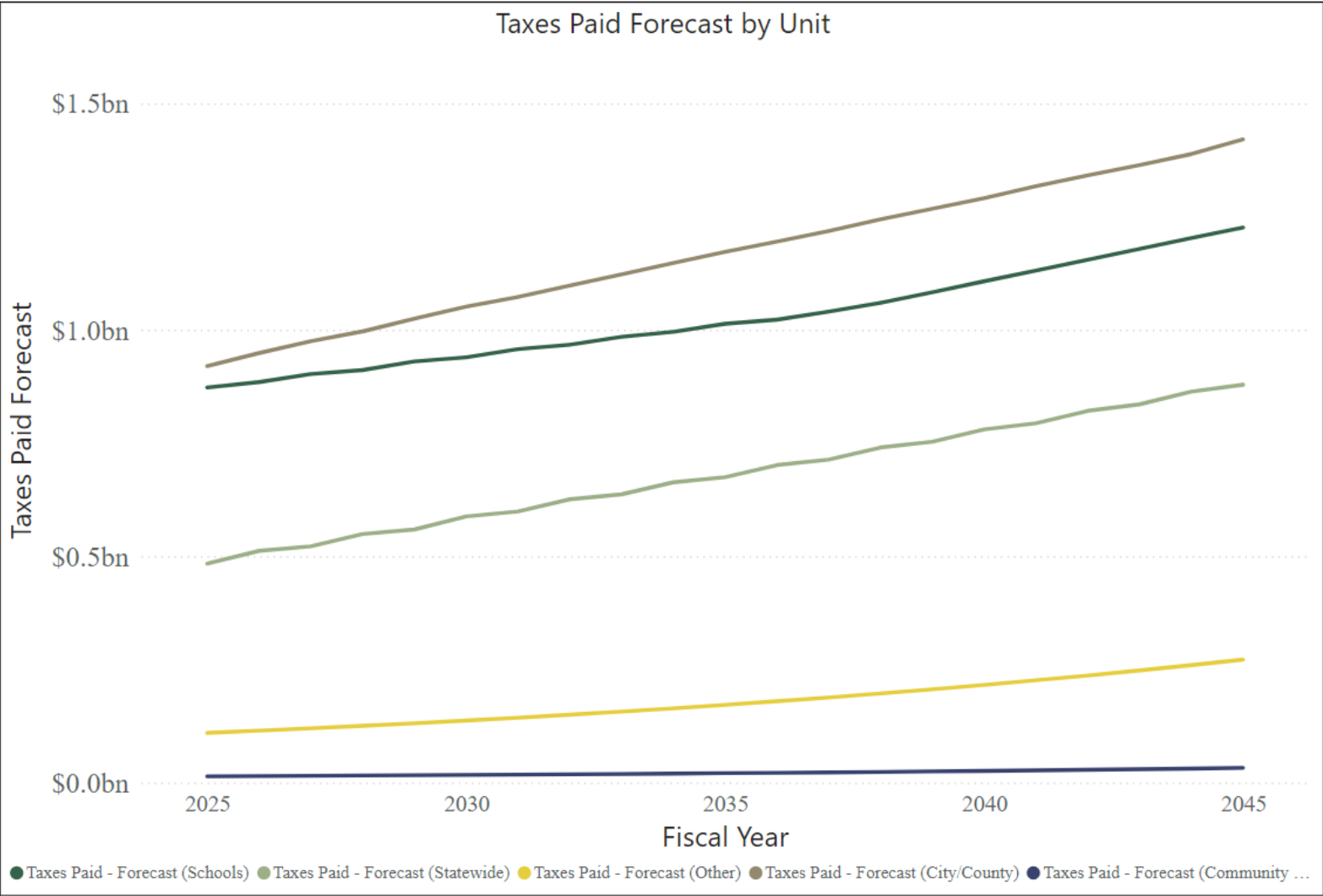


Forecast Results

Taxable Value History and Forecast Growth



Forecast Results



City/County

Local Schools

Statewide

Other Districts

Community Colleges

*Countywide School Mills are included in the Schools Forecast component

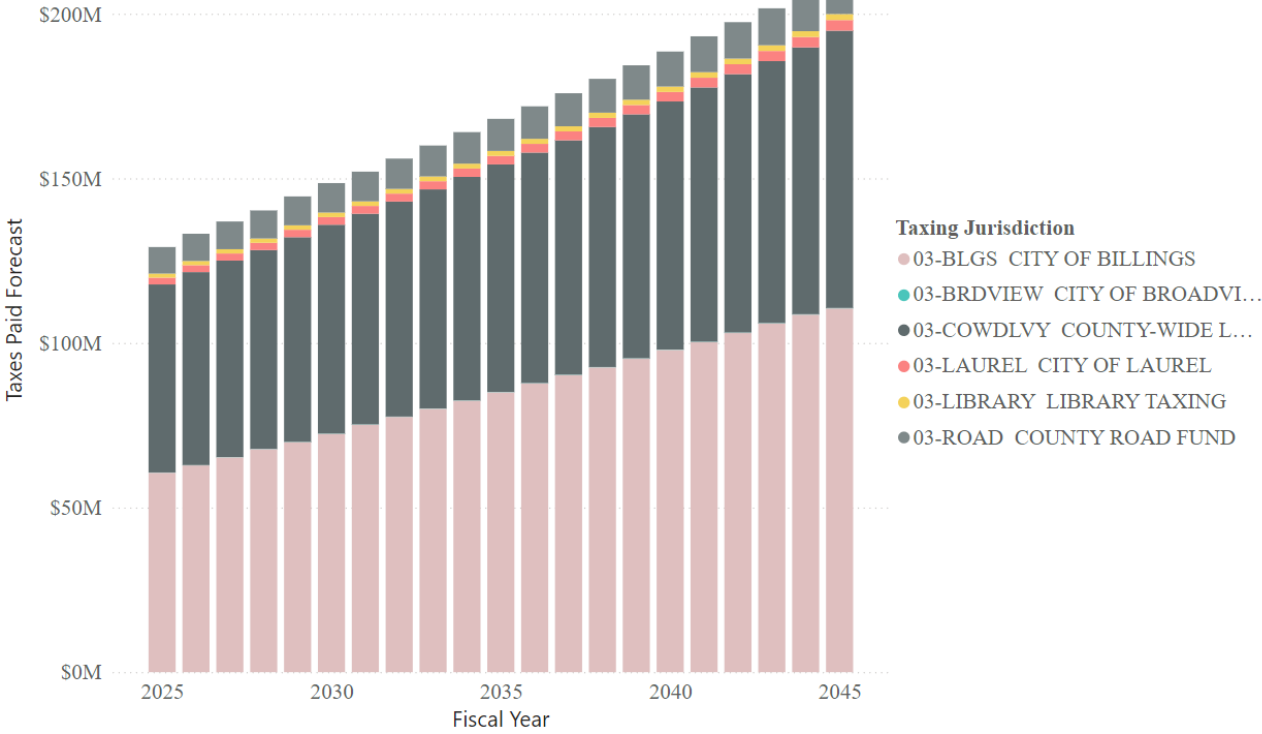


Findings

- Non-levy revenue and resort taxes are some major sources of revenue that offset property taxes
 - E.g. Columbia Falls was able to offset property taxes in FY 2022-23 with a resort tax
- Fire districts are the fastest-growing and largest type of special district
 - Transit districts are second-largest
- The general fund portion of school funding is expected to increase at a faster rate than the property tax share

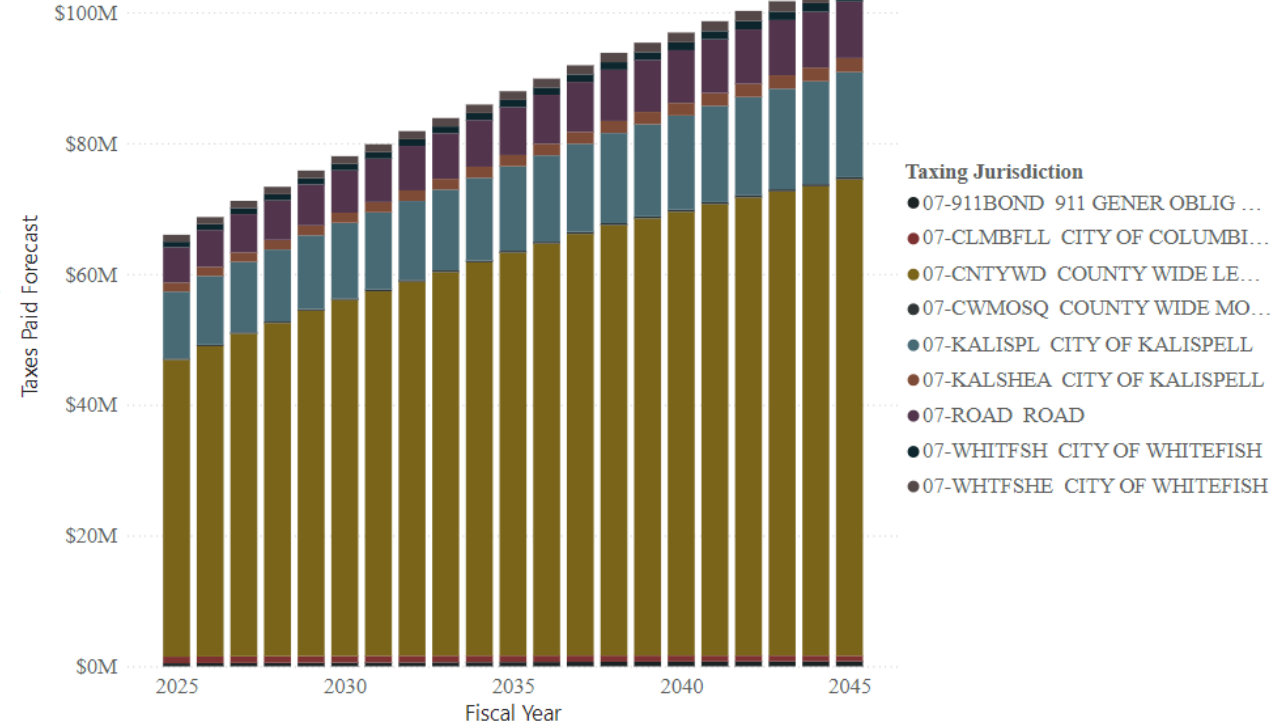
Findings - City/County

Taxes Paid Forecast by Unit



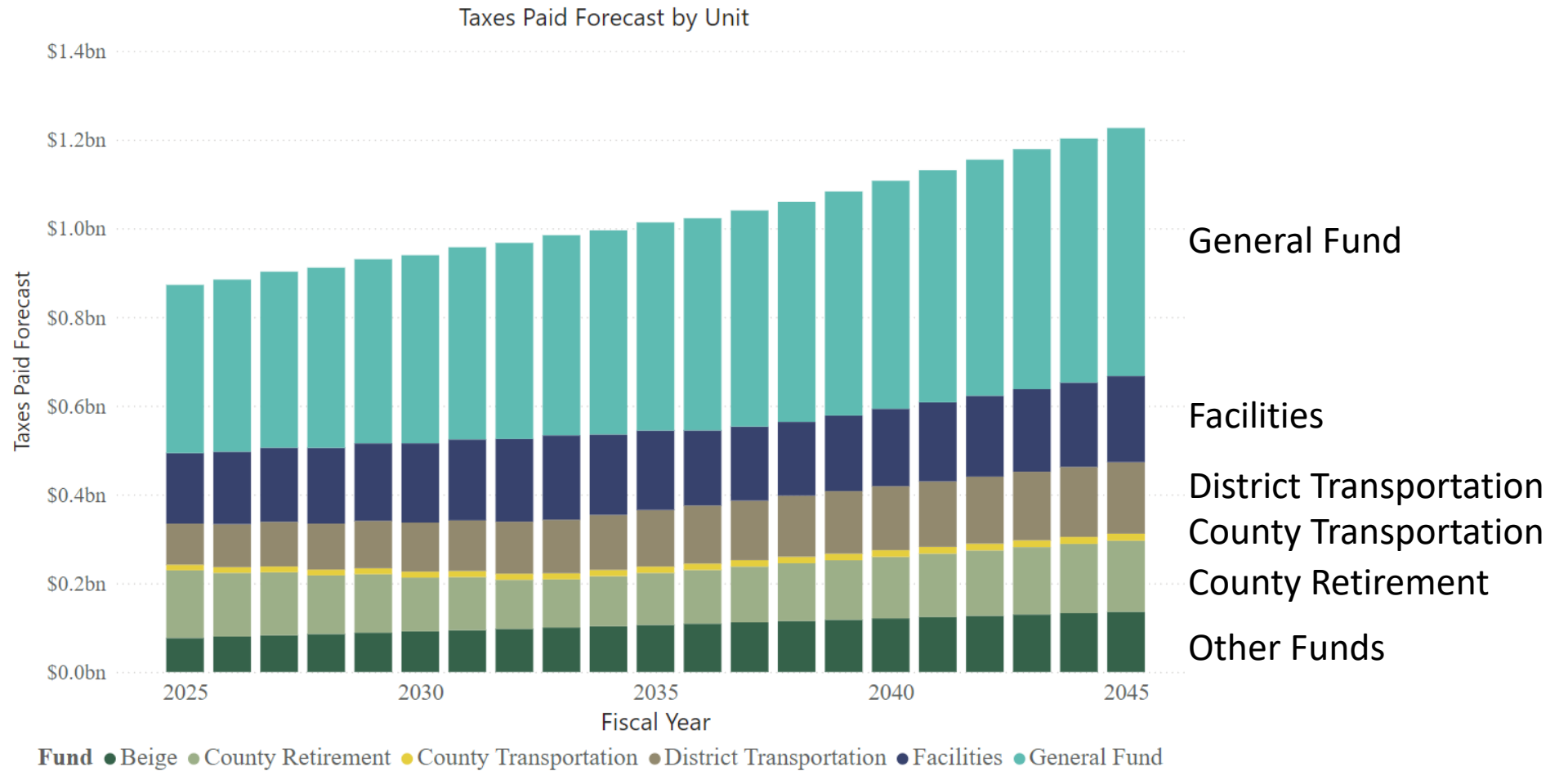
Yellowstone

Taxes Paid Forecast by Unit

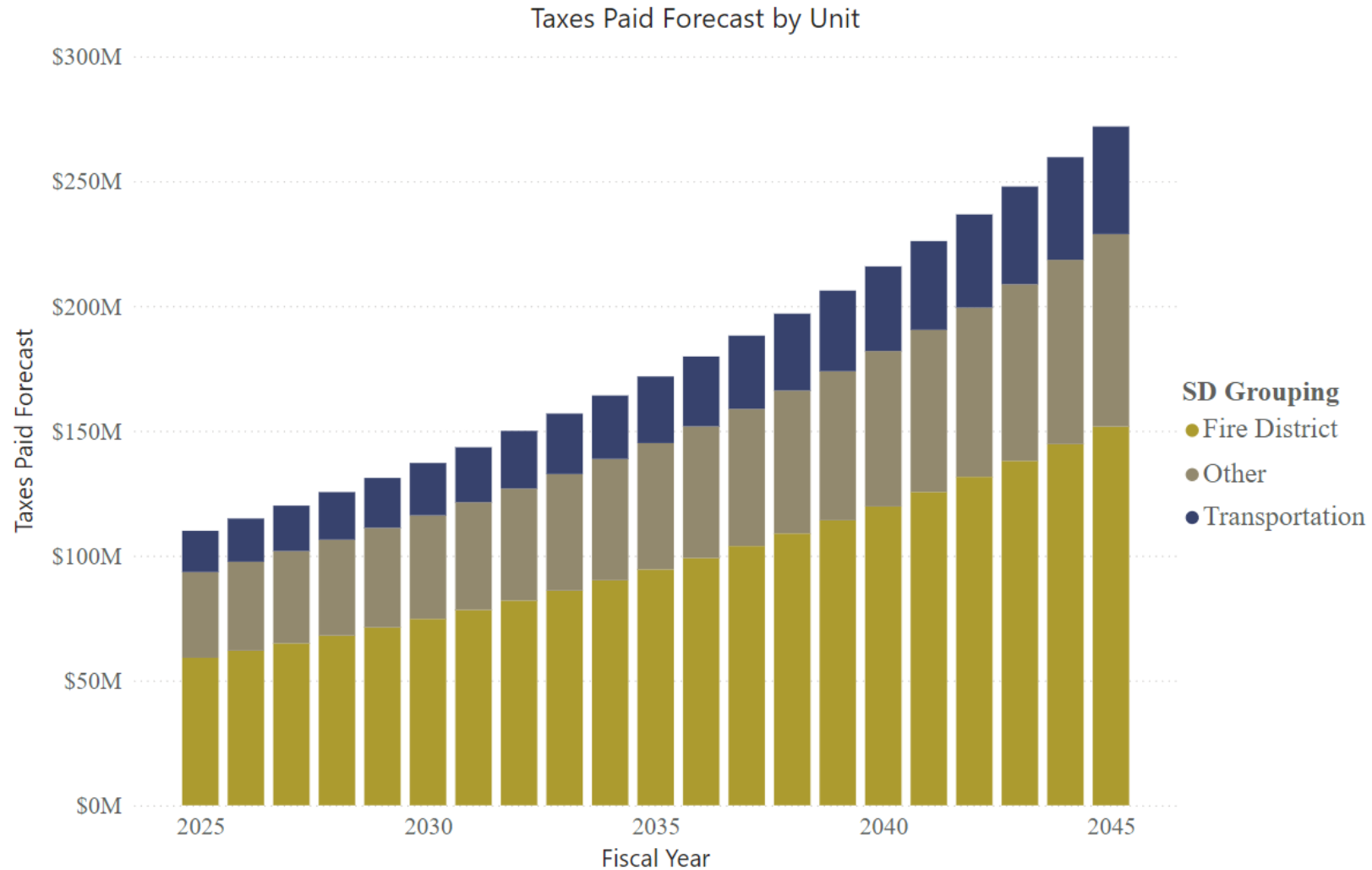


Flathead

Findings - Schools



Findings – Other Districts



Implications

Property taxes are forecast as a consistent source of revenue for both the state and local jurisdictions

At this point, we forecast relatively steady increases in property taxes over time

Changes may be more apparent within individual areas

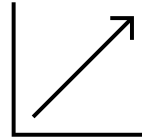
- Certain jurisdictions are forecast to see more growth than others

Limitations

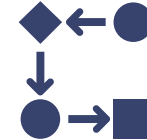


We may be under-forecasting taxes that would result from new mills/districts

Excluded some abnormally high growth rates which are still a risk in the future



Property values are based off historic growth, rather than future drivers of value



Economic variables were tested, but a regression/input-based model is not yet ready

Change Factors



Market Fluctuations

Under current system, some property tax payments are susceptible to shifts in valuation

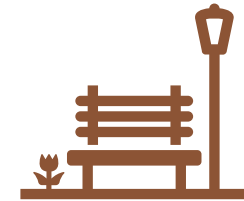
The FY 2024 reappraisal caused a shock that shifted taxes in many districts



Revenue Changes

When counties lose or gain revenue sources, property taxes change

Natural resources, state support for education, etc.



Budget Demands

Growth, declines or changes of needs within jurisdictions can shift taxes

Fire districts, city/county growth, new services/buildings

Where to go from here?



Other revenue sources for cities/counties

Oil/gas
Resort tax
Other



More detail on school needs

Infrastructure
Enrollment prediction



Closer look at expected property tax burdens

Taxpayer-level
City/county budget level
Ability to pay

Where to go from here?

Better integration with existing property tax tool:

<https://archive.legmt.gov/lfd/property-tax/>

Questions?