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TO: SJR 31 Subcommittee on Taxation and School Funding
Revenue and Transportation Interim Committee

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SUBJECT: K-12 Schools - Property Tax Revenue Growth TY 2000 to TY 2007

This paper is an update to a paper presented to the Quality School Interim Committee in July of 2005. The original paper compared TY 2000 to TY 2004. This paper includes: property tax data: (1) for TY 2007 and (2) for TY 1998 in the last section which shows the shift in taxable value and property taxes levied among property classes. In general, tax year data relates to the following school year. For example, Tax Year 2007 is FY 2008 or school year July 2007 through June 2008.

SIGNIFICANT FINDINGS

Statewide Taxable Value

- Total statewide taxable value for TY 2007 reached a historic high of \$2.05 billion. From TY 2000 to TY 2007, statewide taxable value increased 23.11% or \$386.4 million.
- In TY 2007, 67.7% of property taxes were levied on property that is subject to cyclical reappraisal every six years (class 3-agricultural land, class 4-residential and commercial land and improvements, and class 10-forestland). The percentage of property value subject to cyclical reappraisal was 61.4% for TY 1998, 59.6% in TY 2000, and 63.9% in TY 2004.

Statewide Levied Tax Revenue

- From TY 2000 to TY 2007, total property tax revenue has increased 51.10% or \$368.5 million since TY 2000.
- County budgets have grown from 20.9% to 24.7% of total property tax revenues. Under section 15-10-420, MCA, the annual growth of property tax revenue on existing property is limited to half the average rate of inflation for

the prior three years. However, new property is subject to mill levies set under this limit, providing additional revenue.

K-12 Tax Revenue and Mills

- From TY 2000 to TY 2007, local property tax revenue for K-12 schools increased 49.61% or \$152.8 million.
- From TY 2000 to TY 2007, local and state 95 mill property tax revenue for K-12 schools increased 40.69% or \$190.3 million.
- From TY 2000 to TY 2007 the statewide average local K-12 mill levy increased 21.60% or by 39.78 mills.
- Although K-12 school property tax revenue has increased, the proportion of total property tax levy revenues going toward K-12 has decreased. In TY 2000, 65.3% of levied property tax revenue went to K-12; in TY 2007 this percentage decreased to 60.4%.

STATEWIDE PROPERTY TAX

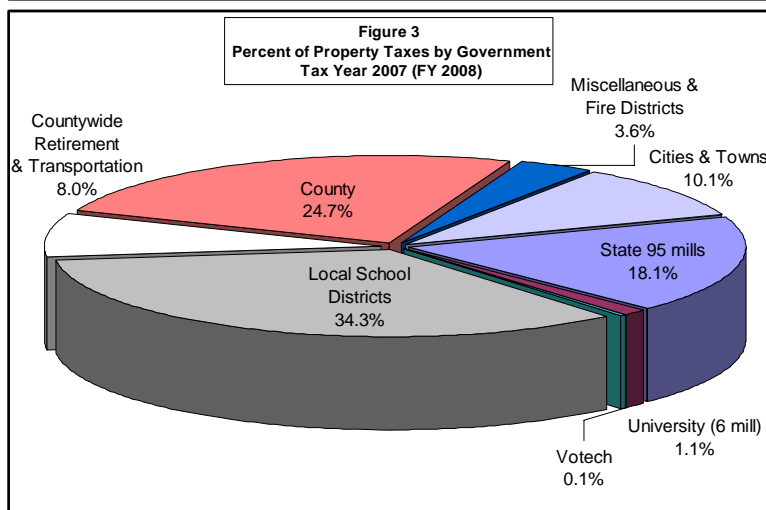
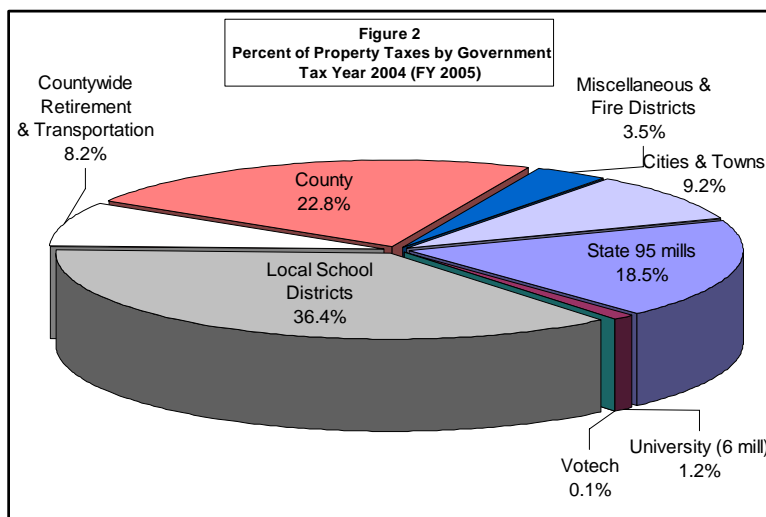
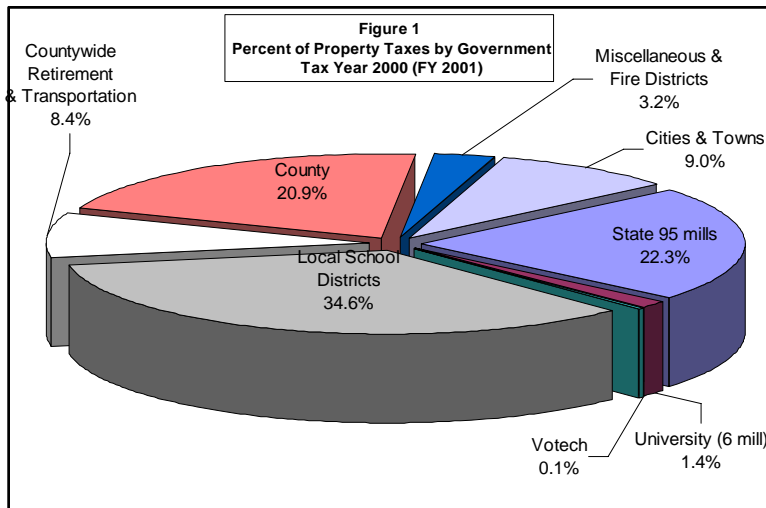
Table 1 shows the changes in property taxable value, average statewide mill levy, and total property tax revenue from January 1, 2000 to January 1, 2007. The primary causes of increased taxable value are newly taxable property added to the tax rolls and increases in market value of existing property. These causes and mill levy increases result in property tax revenues increases.

- The property taxable value has grown 23.11%.
- The statewide average mill levy increased 22.74%.
- The total mill levy revenue grew 51.10% or \$368.5 million.

| Table 1 Total Statewide Taxable Value, Average Statewide Mill Levies, and Mill Levy Revenue | | | | | | |
|--|----------------------|---------------|---------------|---------------|----------------------|---------------|
| Tax Year | Taxable Value (TV) | | Mill Levies | | Total Revenue | |
| | (TV) | % Chg. | Mill | % Chg. | Revenue | % Chg. |
| 2000 | \$1,672,312,858 | - | 431.257 | - | \$721,196,083 | - |
| 2001 | \$1,698,203,415 | 1.55% | 451.435 | 4.68% | \$766,628,644 | 6.30% |
| 2002 | \$1,718,653,223 | 1.20% | 481.098 | 6.57% | \$826,840,237 | 7.85% |
| 2003 | \$1,733,674,415 | 0.87% | 509.617 | 5.93% | \$883,510,356 | 6.85% |
| 2004 | \$1,779,929,986 | 2.67% | 513.569 | 0.78% | \$914,116,943 | 3.46% |
| 2005 | \$1,857,815,373 | 4.38% | 521.916 | 1.63% | \$969,623,424 | 6.07% |
| 2006 | \$1,950,684,636 | 5.00% | 526.843 | 0.94% | \$1,027,704,640 | 5.99% |
| 2007 | \$2,058,757,605 | 5.54% | 529.309 | 0.47% | \$1,089,728,986 | 6.04% |
| Change 00 to '07 | \$386,444,747 | 23.11% | 98.052 | 22.74% | \$368,532,903 | 51.10% |

CHANGE IN PROPERTY TAX LEVIES BY TAXING JURISDICTION

Figures 1, 2, and 3 show the distribution of property taxes by taxing jurisdiction for Tax Years 2000, 2004, and 2007.



In TY 2000, mill levy property tax collections totaled approximately \$721 million. Of this amount, **65.3%** was used for K-12 school costs (95 mill + countywide + local school district mills); with **43.0%** being local levies.

In TY 2004, mill levy property tax collections totaled approximately \$914 million. Of this amount **63.1%** was used for K-12 school costs; with **44.6%** being local levies. The decline in property taxes allocated to K-12 school was due to a drop in the state 95 mill levy share from 22.3% to 18.5%.

In TY 2007, mill levy property tax collections totaled \$1.09 billion. Of this amount, **60.4%** was used for K-12 school costs; with **42.3%** being local levies. The majority of the 4.9% drop in total levied property taxes going to K-12 school is due to the 95 mill levy dropping from 22.3% to 18.1% of the total levied property taxes.

K-12 PROPERTY TAX MILL LEVY AND REVENUE GROWTH

Table 2 illustrates the growth in overall property K-12 mills and tax revenue. From TY 2000 to TY 2007:

- Countywide retirement and transportation revenue increased **45.05%**.
- Local school mill levy revenue increased **50.72%**.
- State 95 mill levy revenue increased **23.46%**. As the 95 mill levy is constant, the growth of \$37.446 million in property tax revenue is due to the growth in statewide taxable value.

| Tax Year | Countywide Ret./Trans. Mills | | | | Local School Mills | | | | State 95 Mills | | | |
|---|------------------------------|---------------|---------------------|---------------|--------------------|---------------|----------------------|---------------|----------------|--------------|---------------------|---------------|
| | Mill | % Chg. | Revenue | % Chg. | Mill | % Chg. | Revenue | % Chg. | Mill | % Chg. | Revenue | % Chg. |
| 2000 | 36.08 | - | \$60,331,513 | - | 148.1 | - | \$247,703,606 | - | 95 | - | \$159,613,015 | - |
| 2001 | 34.92 | -3.22% | \$59,298,643 | -1.71% | 161.3 | 8.86% | \$273,843,006 | 10.55% | 95 | 0.00% | \$161,397,918 | 1.12% |
| 2002 | 40.51 | 16.01% | \$69,623,769 | 17.41% | 176.5 | 9.44% | \$303,311,154 | 10.76% | 95 | 0.00% | \$163,361,935 | 1.22% |
| 2003 | 46.46 | 14.69% | \$80,545,859 | 15.69% | 186.8 | 5.83% | \$323,803,244 | 6.76% | 95 | 0.00% | \$164,829,338 | 0.90% |
| 2004 | 42.30 | -8.95% | \$75,290,839 | -6.52% | 187.1 | 0.18% | \$333,040,884 | 2.85% | 95 | 0.00% | \$169,732,812 | 2.97% |
| 2005 | 39.40 | -6.86% | \$77,532,337 | 2.98% | 173.2 | -7.42% | \$354,138,313 | 6.33% | 95 | 0.00% | \$176,643,979 | 4.07% |
| 2006 | 41.58 | 5.53% | \$80,968,653 | 4.43% | 185.4 | 7.04% | \$361,081,113 | 1.96% | 95 | 0.00% | \$186,299,354 | 5.47% |
| 2007 | 42.53 | 2.28% | \$87,510,904 | 8.08% | 181.5 | -2.14% | \$373,350,963 | 3.40% | 95 | 0.00% | \$197,058,885 | 5.78% |
| Change 00 to '07 | 6.45 | 17.88% | \$27,179,391 | 45.05% | 33.33 | 22.50% | \$125,647,357 | 50.72% | 0 | 0.00% | \$37,445,870 | 23.46% |
| Annual Avg Chg from TY 2000- TY 2007 | | | | 5.46% | | | | 6.04% | | | | 3.06% |

Table 3 shows the combined property tax revenue from the countywide school mill levy, the local school mill levy revenue, and the state 95 mill levy.

As shown in Table 3, total property tax levied for K-12 schools was \$657.9 million in TY 2007, an increase of \$190.3 million or 40.69% since TY 2000. This is an average annual change of 5.0%.

Local mill levies for K-12 schools have increased 21.60% since TY 2000 or an annual average of 2.83%. The revenue increase is much more than the local K-12 mill levy

increase because of the taxable value increase between TY 2000 and TY 2007 of 23.48% (which is shown in Table 1.) The total revenue growth is slightly less than the combined growth of the local K-12 school mill levies and the taxable value because the state portion (95 mills) increases are only due to the taxable value increase. The state 95 mill annual average increase was 3.06% as shown in Table 2.

| Table 3 | | | | | | |
|---|--------------|---------------|----------------------|---------------|----------------------|---------------|
| Total Property Tax Levied for K-12 | | | | | | |
| Tax Year | Local Mills | | Local Revenue | | Local and 95 Revenue | |
| | Mill | % Chg. | Revenue | % Chg. | Revenue | % Chg. |
| 2000 | 184.20 | - | \$ 308,035,119 | | \$467,648,134 | - |
| 2001 | 196.17 | 6.50% | \$ 333,141,649 | 8.15% | \$494,539,567 | 5.75% |
| 2002 | 216.99 | 10.61% | \$ 372,934,923 | 11.94% | \$536,296,858 | 8.44% |
| 2003 | 233.23 | 7.48% | \$ 404,349,103 | 8.42% | \$569,178,441 | 6.13% |
| 2004 | 229.41 | -1.64% | \$ 408,331,723 | 0.98% | \$578,064,535 | 1.56% |
| 2005 | 212.62 | -7.32% | \$ 431,670,650 | 5.72% | \$608,314,629 | 5.23% |
| 2006 | 227.00 | 6.76% | \$ 442,049,766 | 2.40% | \$628,349,120 | 3.29% |
| 2007 | 223.98 | -1.33% | \$ 460,861,867 | 4.26% | \$657,920,752 | 4.71% |
| Change '00 to '07 | 39.78 | 21.60% | \$152,826,748 | 49.61% | \$190,272,618 | 40.69% |
| Annual Change | | 2.83% | | 5.92% | | 5.00% |

COMPARISON OF SELECT FINANCIAL GROWTH FACTORS

Table 4 shows the following growth factors between tax year 2000 and tax year 2007:

- Statewide taxable value growth increased 23.11% which is a 3.01% average annual growth rate. The growth in statewide property tax revenue is due to the combination of overall increase in statewide property taxable value and mill changes.
- Statewide property taxes revenue increased 51.10%, which is a 6.07% average annual growth. This is 118% times faster than the taxable value growth and 157% faster than the consumer price index (CPI).
- Local mills for K-12 schools increased 21.60%, which is a 2.83% average annual growth.
- Combined state and local property tax collected for K-12 schools increased 40.69% which is a 5.00% average annual growth. This is 73% faster than the taxable value and 104% faster than the CPI.
- The 95 mill levy growth increased 23.46% which is 3.06% average annual growth.
- Consumer price index growth is 19.91% or a 2.63% average annual growth rate.

| Table 4 | | |
|---|----------------|--------|
| Growth in Selected Financial Factors | | |
| Tax Year 2000 to Tax Year 2007 | | |
| Growth Item | Percent Change | |
| | Total | Annual |
| Statewide Property Taxable Value | 23.11% | 3.01% |
| Total Statewide Property Tax Levy Revenue | 51.10% | 6.07% |
| Local K-12 School Mill Levies | 21.60% | 2.83% |
| Total K-12 Tax Levy Revenue | 40.69% | 5.00% |
| 95 Mill Levy Revenue | 23.46% | 3.06% |
| Consumer Price Index | 19.91% | 2.63% |

In comparing the difference between the FY 2000 to FY 2007 increase in the local K-12 school property tax revenue to the 95 mill levy revenue, it is important to note the reason for the difference: local K-12 school property tax revenue increases by both mill levies changes averaging 21.60% and the taxable value growth of 23.48% for an overall revenue change of 49.61% while under a constant mill levy, like the 95 mill levy, revenue growth is limited to the taxable value growth of 23.48%.

CHANGES IN PROPERTY TAX STRUCTURE

As shown in Table 5, the amount of taxable value by class has changed since TY 2000. Class 4 taxable value was 54.9% of the total taxable value in TY 2000 and 60.5% in TY 2007. Between TY 2000 and TY 2007, total statewide taxable value grew 23.48%. Many classes of property have seen modest increases in taxable value or even declines. However, since tax year 2000, class 4, residential and commercial real property taxable value grew 35.59% (\$1.245 billion divided by \$918 million) due to the addition of new properties to the tax rolls and increases in existing property values. When class 4 has a larger share of the taxable value, it means that homes and small business as a group pay a larger share of each mill that is levied.

Table 5 also includes TY1998 to give a longer perspective and understand some of the results of major legislative changes that contributed to class 4 becoming a larger portion of the total property taxable value. In TY 1998, class 4 taxable value was 49.0% of the total taxable value. This is 11.5% less than the 60.5% share in TY 2007.

| Table 5 Property Taxable Value - Tax (Calendar) Years 1998, TY 2000, and TY 2007 | | | | | | | |
|---|--------------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| Tax Class | Description | Tax Year 1998 | | Tax Year 2000 | | Tax Year 2007 | |
| | | Taxable Value | % | Taxable Value | % | Taxable Value | % |
| 1 | Mine Net Proceeds | \$7,625,083 | 0.4% | \$5,178,965 | 0.3% | \$3,839,998 | 0.2% |
| 2 | Gross Proceeds Metal Mines | \$8,780,846 | 0.5% | \$8,460,976 | 0.5% | \$18,849,252 | 0.9% |
| 3 | Agricultural Land | \$143,007,340 | 7.4% | \$139,255,994 | 8.3% | \$141,328,914 | 6.9% |
| 4 | Residential and Commercial Real | \$952,058,718 | 49.0% | \$918,122,252 | 54.9% | \$1,244,916,482 | 60.5% |
| 5 | Pollution Control Equipment | \$34,068,495 | 1.8% | \$37,449,237 | 2.2% | \$35,418,055 | 1.7% |
| 6 | Livestock | \$23,679,865 | 1.2% | \$17,941,172 | 1.1% | \$0 | 0.0% |
| 7 | Non-Cent. Assessed Public Utilities | \$1,781,069 | 0.1% | \$155,867 | 0.0% | \$1,095,826 | 0.1% |
| 8 | Business Equipment | \$203,540,116 | 10.5% | \$109,560,688 | 6.6% | \$143,627,413 | 7.0% |
| 9 | Non-Elec. Gen Prop of Electric Util. | \$494,534,742 | 25.5% | \$230,832,978 | 13.8% | \$264,323,803 | 12.8% |
| 10 | Forest Land | \$7,677,880 | 0.4% | \$8,658,284 | 0.5% | \$6,822,373 | 0.3% |
| 12 | Rail and Airline Properties | \$65,266,087 | 3.4% | \$49,557,929 | 3.0% | \$43,003,619 | 2.1% |
| 13 | Telecom. & Elec. Gen Property | \$0 | 0.0% | \$147,138,517 | 8.8% | \$152,941,911 | 7.4% |
| 14 | Commercial Wind Gen. Facilities | \$0 | 0.0% | \$0 | 0.0% | \$2,589,959 | 0.1% |
| Totals | | \$1,942,020,241 | 100.0% | \$1,672,312,859 | 100.0% | \$2,058,757,605 | 100.0% |

Table 5 shows the percent change in taxable value by property class from TY 1998 to TY 2007. The total taxable value of the three property classes, which are currently appraised every six years, is increasing relative to the other property classes. In tax year 1998, cyclical reappraised properties (class 3 agricultural land, class 4 residential and commercial, and class 10 forest land) made up 56.8%. In TY 2007, property subject to cyclical reappraisal comprised 67.7% of the total property taxable value.

Table 6 shows the average mill levy and estimated total property taxes paid by property tax class for TY 1998, TY2000, and TY 2007. Class 4 property paid 54.2% of the taxes in TY 1998, 59.6 % in TY 2000, and 63.9% in TY 2007. The percent of taxes paid is larger than the percent of taxable value because the class 4 property is located in taxing jurisdictions which have high mill levies. Class 4 property had the highest statewide average mill levy in TY 1998. In TY 2000 and TY 2007, class 7, which makes up less than 1% of the total taxable value, had the highest average mill levy.

| Tax Class | Description | Tax Year 1998 | | | Tax Year 2000 | | | Tax Year 2007 | | |
|---------------|--------------------------------------|-------------------|----------------------|---------------|-------------------|----------------------|---------------|-------------------|------------------------|---------------|
| | | Average Mill Levy | Taxes Levied | % | Average Mill Levy | Taxes Levied | % | Average Mill Levy | Taxes Levied | % |
| 1 | Mine Net Proceeds | 308.232 | \$2,350,297 | 0.3% | 332.69 | \$1,723,001 | 0.2% | 412.13 | \$1,582,585 | 0.1% |
| 2 | Gross Proceeds Metal Mines | 434.412 | \$3,814,503 | 0.5% | 380.12 | \$3,216,216 | 0.4% | 512.96 | \$9,668,903 | 0.9% |
| 3 | Agricultural Land | 370.873 | \$53,037,614 | 6.8% | 384.32 | \$53,518,598 | 7.4% | 469.15 | \$66,305,049 | 6.1% |
| 4 Res | Residential Real Property | 433.661 | \$305,357,644 | 39.3% | 456.77 | \$305,064,295 | 42.3% | 546.18 | \$505,247,082 | 46.4% |
| 4 Com | Commercial Real Property | 466.391 | \$115,627,571 | 14.9% | 499.94 | \$125,112,177 | 17.3% | 595.59 | \$190,456,030 | 17.5% |
| Sub 4 | Subtotal Class 4 | 442.184 | \$420,985,215 | 54.2% | 468.54 | \$430,176,472 | 59.6% | 558.88 | \$695,703,112 | 63.9% |
| 5 | Pollution Control Equipment | 333.774 | \$11,371,161 | 1.5% | 365.12 | \$13,673,327 | 1.9% | 466.12 | \$16,508,959 | 1.5% |
| 6 | Livestock | 368.197 | \$8,718,855 | 1.1% | 378.95 | \$6,798,816 | 0.9% | 0 | \$0 | 0.0% |
| 7 | Non-Cent. Assessed Public Utilities | 356.19 | \$634,399 | 0.1% | 512.08 | \$79,817 | 0.0% | 649.99 | \$712,271 | 0.1% |
| 8 | Business Equipment | 409.539 | \$83,357,551 | 10.7% | 430.05 | \$47,116,259 | 6.5% | 510.42 | \$73,310,684 | 6.7% |
| 9 | Non-Elec. Gen Prop of Electric Util. | 331.949 | \$164,160,258 | 21.1% | 406.68 | \$93,875,141 | 13.0% | 491.16 | \$129,895,324 | 11.9% |
| 10 | Forest Land | 388.582 | \$2,983,486 | 0.4% | 397.49 | \$3,441,593 | 0.5% | 485.41 | \$3,311,616 | 0.3% |
| 12 | Rail and Airline Properties | 391.887 | \$25,576,905 | 3.3% | 407.11 | \$20,175,533 | 2.8% | 499.66 | \$21,487,004 | 2.0% |
| 13 | Telecom. & Elec. Gen Property | NA | \$0 | 0.0% | 322.15 | \$47,401,309 | 6.6% | 456.78 | \$69,861,408 | 6.4% |
| 14 | Commercial Wind Gen. Facilities | NA | \$0 | 0.0% | NA | \$0 | 0.0% | 390.73 | \$1,011,965 | 0.1% |
| Totals | | 400.094 | \$776,990,245 | 100.0% | 431.26 | \$721,196,083 | 100.0% | 529.14 | \$1,089,358,879 | 100.0% |

Table 7 shows that property taxes increased \$241.5 million from TY 1998 to TY 2007 and \$368.2 million from TY 2000 to TY 2007. Class 2 property had the biggest change and class 4 property had the second largest change, over 60% increase, in property taxes levied.

| Tax Class | Description | TY98 to TY07 Change | | TY00 to TY07 Change | |
|---------------------------------------|--------------------------------------|----------------------|--------------|----------------------|--------------|
| | | Taxes Levied | % | Taxes Levied | % |
| 1 | Mine Net Proceeds | -\$767,712 | -32.7% | -\$140,416 | -8.1% |
| 2 | Gross Proceeds Metal Mines | \$5,854,400 | 153.5% | \$6,452,687 | 200.6% |
| 3 | Agricultural Land | \$13,267,435 | 25.0% | \$12,786,451 | 23.9% |
| 4 Res | Residential Real Property | \$199,889,437 | 65.5% | \$200,182,786 | 65.6% |
| 4 Com | Commercial Real Property | \$74,828,460 | 64.7% | \$65,343,853 | 52.2% |
| Sub 4 | Subtotal Class 4 | \$274,717,897 | 65.3% | \$265,526,640 | 61.7% |
| 5 | Pollution Control Equipment | \$5,137,797 | 45.2% | \$2,835,631 | 20.7% |
| 6 | Livestock | -\$8,718,855 | -100.0% | -\$6,798,816 | NA |
| 7 | Non-Cent. Assessed Public Utilities | \$77,871 | 12.3% | \$632,454 | 792.4% |
| 8 | Business Equipment | -\$10,046,867 | -12.1% | \$26,194,425 | 55.6% |
| 9 | Non-Elec. Gen Prop of Electric Util. | -\$34,264,934 | -20.9% | \$36,020,183 | 38.4% |
| 10 | Forest Land | \$328,129 | 11.0% | -\$129,977 | -3.8% |
| 12 | Rail and Airline Properties | -\$4,089,901 | -16.0% | \$1,311,471 | 6.5% |
| 13 | Telecom. & Elec. Gen Property | NA | NA | \$22,460,099 | 47.4% |
| 14 | Commercial Wind Gen. Facilities | NA | NA | \$1,011,965 | NA |
| Total Change in Property Taxes | | \$241,495,261 | 31.1% | \$368,162,796 | 51.0% |

Statewide property taxes increased 31% between TY 1998 and TY 2007 and 51% between TY 2000 and TY 2007. When TY 1998 is used as the base, there is a smaller change in property taxes levied than there is when TY 2000 is the base. This is because the 1999 Legislature made many changes to Montana's property tax structure. Many classes of property had a significant reduction in property subject to property tax or a significant reduction in the tax rate applied to property left in the tax base.

The 31.1% percentage change in property taxes from TY 1998 to TY 2007 reflects the changes in property tax structure. Changes for the period TY 2000 to TY 2007 are primarily due to changes in taxable value and mill levies.

SUMMARY OF STRUCTURAL CHANGES

The 1999 session property tax-related legislation reduced property tax revenues a total of \$113.3 million for TY 2000, before any change in local government or school mill levies. As shown in Table 7, Class 4 residential property taxes paid in TY 2000 were equal to the property taxes paid in TY 1998. However, class 4's percent of the total property taxes paid increased from 54.2% in TY 1998 to 59.6% in TY 2007. Following is a brief description of each of the property tax bills from reports done by the Department of Revenue following the 1999 legislative session.

HB 128 and *HB 174* addressed tax consequences of deregulating the telecommunications and electric energy generation industries, respectively. These bills reduced property taxes on regulated utilities by placing telecommunications and electric energy generation property in a new Class 13, reducing the taxable valuation rate from 12% to 6%. The new telecommunications excise tax in *HB 128* generates revenue sufficient to replace reduced property taxes, as well as revenue lost as a result of repealing the Telephone Company License Tax. The new Wholesale Energy Transaction (WET) tax in *HB 174* does not offset the property tax reductions provided for, resulting in an on-going, annual, net reduction in revenues of about \$5.3 million.

HB 479 provides for taxation of newly acquired airline property of small airline companies at 28% of full and true value in its first year, increasing the value by 8% annually until full and true value is reached. *HB 669* revises the method used to value rail transportation property. *SB 11* exempts intangible personal property from taxation.

SB 184, among other things, phases in full 1997 reappraisal values for residential and commercial properties over four years. It also reduces the tax rates applied to these properties and provides for gradually increasing homestead and comstead exemptions to more than offset the affects of increasing values. This results in a net reduction in property taxes paid by these properties.

SB 200 halves the tax rate applied to Class 8 business equipment, and provides for full elimination of this tax if the inflation-adjusted growth in wage and salary income exceeds 2.85% in any year beginning with tax year 2004. Businesses with less than \$5,000 market value of business equipment are provided a full exemption from tax for this property. *SB 200* also phases out the taxation of livestock over a four-year period.

SB 487 clarifies that certain oil field equipment is taxed as Class 8 business equipment, rather than Class 4 real property.

Local governments and schools would see a reduction in property taxes of \$115.6 million over the biennium, with most of this reduction (\$79.9 million) occurring in FY 2001 (TY 2000). Of this amount, \$53.8 million applied to local governments and \$61.8 million applied to schools. Reductions in local government and school property taxes are offset by state general fund reimbursements provided for in *SB 184* and *HB 260*. Specifically, *SB 184* and *HB 260* provided appropriations totaling \$76 million for reimbursements to local governments and schools for the 2001 biennium. For local governments and schools to get back to TY 1999 levels, \$39.6 million had to be recouped, wholly or in part, through increases in mill levies.

For a more complete report on the 1999 session changes in property taxes, there were three reports done by the Department of Revenue on this topic. The reports are:

1. An Assessment of the Impact of *SB 184* on Taxpayers and Local Governments. Tax Policy and Research – December 1999.
2. Financial Analysis of Tax Legislation Passed by the 56th Legislative Assembly (1999). Tax Policy and Research – September 1999.
3. Tax Legislation Passed by the 56th Legislative Assembly: Implication for Future Tax Policy. Tax Policy and Research – September 1999.