

## **Tax Abatement Information and Fiscal Effects**

Big Sky Economic Development staff acts as the facilitator of requests for tax abatements in Yellowstone County. We oversee the application process to determine the application is complete, needed information is supplied and property owner/ business owner signatures are on the application. We provide the applicable jurisdictions Attorney's office (County or County and City) with the application to review and confirm it meets the minimum requirements to move forward with a request. If so, we work with the applicant and shepherd the application through the jurisdictions appropriate process for consideration. We request and gather information from the applicant, County, City, and the Department of Revenue. As economic development professionals we gather and analyze data to show the estimated value of the proposed new private investment. We lean on our partner's expertise within local government and the Department of Revenue as we are neither attorneys, accountants, or taxation specialists and obtain our information through outside experts and supply publicly available and property owner provided information.

### **Economic growth and increased revenue in the long term**

While tax abatements suspend immediate new incremental government revenue, they can stimulate economic growth and generate additional revenue in the long term. By providing incentives for investment and economic activities, tax abatements can attract businesses, create jobs, and spur economic development.

It's important to note that the state legislature along with cities and counties have an impact on tax abatement programs availability, eligibility criteria, and specific details and may change over time. Businesses and individuals interested in tax abatements in Billings and Yellowstone County should contact the local government offices, Big Sky Economic Development, or the Montana Department of Revenue for the most up-to-date information and guidance on these programs.

### **Can the County and the City differ on their decision and what is the impact?**

Response from DOR, "Technically yes, the city and the county do not have to agree, the problem is, if one of them approves, the abatement will still impact the approving authority and the school districts. The mills of the entity denying will not be abated and staff will need to go in by hand and calculate the total taxable value to enter separately on the tax bills for the entity denying the application. Additionally, we will need to manipulate the certified values as well for the denying entity as the value in our system will appear abated for all. It does leave room for human error without a doubt. The same only worse would be true if the city and the county both approved but at different rates."

### **Can the City and County approve a 10-year tax abatement at different percentages?**

Response from DOR, "Technically yes, the city and the county can approve at different rates. However, as mentioned above, this creates complications and poses a risk for error. There is no way for the state to systematically make these differing changes and will have to calculate by hand the differences for the taxing jurisdiction when certifying taxable value and when preparing the property tax bill. Additionally, because the schools are affected by any approval, if the percentages were approved differently, which percentage would we use for the schools? Any special districts that are mill driven are also impacted by

the abated taxable value. The state levies are the only levies specifically excluded in statute and are therefore never abated.”

Districts and jurisdictions are not negatively impacted by a tax abatement, current taxes are not reduced. The incremental increase in property value in taxes based on a business’s investment in an expansion are reduced for the period as determined by the 5 or 10-year tax abatement programs.

### **Projecting the amount of tax savings calculation**

The estimated tax savings would depend upon the type of property and the percentage abated. An investment of \$1 million, does not necessarily mean an increase of \$1 million in market value. Investments will affect the property’s value differently.

For example:

A \$1,000,000 increase in assessed value of Improvements, the effect of City tax revenue would be:

$$\text{\$1,000,000 (Assessed Value Increase)} \times .0189 \text{ (Tax Rate)} = \text{\$18,900.00 (Taxable Value)}$$

$\text{\$18,900 (Taxable Value)} \times 177.3 \text{ (City Mills – 2022)}/1,000 = \text{\$3,350.97 (Total City Taxes Due on that value if an abatement were denied)}$

The annual effect during the period of abatement of a \$1,000,000 increase in new assessed value to the City would be:

\$3,350.97 (Full abatement under 5-year Tax Abatement Program),

\$2,513.23 (75% abatement for the first 5 years under the 10-year Tax Abatement Program, years 6-10 are incrementally increased to full taxable value by year 10), or,

\$1,675.49 (50% abatement for the first 5 years under the 10-year Tax Abatement Program, years 6-10 are incrementally increased to full taxable value by year 10).

### **Approved Tax Abatements Examples**

#### **5-year Tax Abatements**

Heights Eye Care –Optometrists, eye exams, glasses, contacts, eye care supplies sales

Shipton’s Big R—farm and ranch supplies, clothing, home goods sales

Rimrock KIA—automotive service and sales

#### **10-year Tax Abatements**

Auto Trim Design—automotive specialties, goods and service

Big Horn Resort—Lodging and tourism

Home Science Training Tools-science kits, educational

Staley’s Tire—tire sales and service