

Webinar: Understanding the Permissive Mill Levy... the first step.

- Things for Districts to Consider
- Base Contributions
- Estimating what it will cost the taxpayer
- Steps to take for now
- Recap on important notes
- Q&A's

Mar 28, 2017

Karl Christians, DNRC CDB, kchristians@mt.gov , 444-3022

Understanding the Difference Between Your District Mill Levy and the Permissive Mill Levy:

Mill Levy Income: *MCA 76-15 Part 5 & 15-10-420* Tax levied on real property within the conservation district. This is a floating mill and is based on prior years revenue. CD's submit annual budget to commissioners by first week of July. The annual revenue to CD should not go down due to inflation factor. Provides funding for operating expenses including salaries and benefits, as well as conservation activities for that CD.

Permissive Mill Levy Income: *MCA 2-9-212* Annual tax levied for group benefits in excess of the base contribution the CD is paying their employees. This additional levy does not require voter approval.

Things for Districts to Consider:

Knowing CD's operate on very tight small budgets, many can not afford to pay group benefits to their employees.

- This could be an opportunity to provide group benefits to employee(s) that is an easy process to go thru and that is completely allowable thru state statute.
- Group benefits are defined (MCA 2-9-212) as hospitalization, health, medical, surgical, life, or related benefits. This includes flexible spending account benefits and payments in lieu of group benefits.
- However, prior to implementing a permissive levy, a CD must provide some sort of monthly group benefit payment to all employees for an entire fiscal year (starting July 1). This can be as little as \$10 per month. This establishes your district base contribution.
- Keep in mind, permissive mill (if implemented) funds can not be co-mingled with other district funds or used for anything other than group benefits. The CD must set up a separate account for these funds.

Base Contribution (MCA 2-18-703):

The base contribution must be paid monthly for the entire state fiscal year. If those costs increase, the board may decide to implement a Permissive Mill Levy.

- The board must consider employer contributions and any increases in their budget at a board meeting.
- The employer's contributions may exceed but may not be less than \$10 a month.
- The state fiscal year is July 1 thru June 30.
- Once the CD levies the permissive mill levy, the prior years' contribution becomes the base. The base is permanent.

Estimating what it will cost the taxpayer:

For illustration purposes, let's assume the Board decides to pay a \$50 per month stipend. After this first year, the increase in group benefits has gone to \$100 per month. So, they know the base amount is \$50 per month, but want to know what it will cost the taxpayer if the increase goes to \$100 per month.

\$100 monthly stipend
- \$ 50 base
= \$ 50 Permissive levy
X 12 = \$600 increase in group benefits.

Once your district determines the level of group benefit they will provide to the employees, you can then estimate what it will cost the taxpayer. To do this, you will need:

- 2016 Certified Taxable Valuation Information sheet (Form AB-72T)
- Special Mill Levy Calculation spreadsheet cd only

IMPORTANT Steps/Dates –

Calendar for illustration purposes for April time frame

FIRST STEPS for NOW

Prior to July preferably in April

- CD Board decide:
 - Yes or no on paying group benefits
 - Establish a “Base”: (this comes from the CD operating budget directly)
 - Document in meeting minutes

July ... Begin paying employee(s) the “base”. This monthly amount must be continuous for the entire year to be eligible to implement the levy a year from now.

Steps for next year

Prior to July (one year later)

- Determine amount of increase in group benefits (if any)
- Hold public hearing if levying permissive mill

1st Monday of July – submit budget *estimate* to county

August 2016

- Department of Revenue Certifies Taxable Value (*due to CD's first Monday in August*)
- Submit Permissive Mill Levy Forms to County **Please confirm date with county**

September 2016

- 1st Tuesday after first Thursday in September – County sets budget **(Be sure to followup with county to make sure everything is in order,**

December 2016

- Funds become available to district

Important notes:

- The permissive medical levy may be established to pay for increased costs of group benefits.
- A base must be established (paid for an entire fiscal year) prior to implementing the permissive levy. This would begin at the beginning of the state fiscal year (July 1).
- The Board may determine the initial levy amount less the current stipend. In subsequent years the maximum that can be levied is the difference between the base and the increase in cost.
- The Board must conduct a public hearing annually in correlation with the fiscal budget year. The permissive mill levy amount can only be adjusted (lowered or increased) at this time. It does not require a vote of the people.
- The District must establish a separate revenue account for permissive mill funds... Set up a BARS account for this #2372.
- The permissive funds can only be used for group benefits and not district operating expenses.
- The funds can be paid via a stipend (payment in lieu of group benefits), which then may be used to pay for insurance premium(s), medical co-payments or other medical expenses incurred by the employee.
- The payment (stipend) to the employee is taxable income.

Thank you Becky Lihme, Lincoln CD Administrator for providing most of these notes!

FORMS to use for now will be posted on DNRC website:

<http://dnrc.mt.gov/divisions/cardd/conservation-districts/training-and-information>

Q&A's

Q: Does a referendum need to be held to levy the permissive medical mill?

A: *No, if the procedures are followed, no referendum need be held.*

Q: Is there a cap on what can be levied?

A: *Yes, the maximum that can be levied is the difference between the base and the increase in cost.*

Q: Can the county say no?

A: *No, the law gives the authority to political subdivisions to determine whether a permissive medical levy should occur. Many counties have not yet levied this tax. Contact them early to find out dates and additional information they may need.*

Q: What if the CD provided benefits in the past or only provided them for part of the fiscal year?

A: *Districts that have made group health contributions in the past but stopped and did not make contributions in FY 2016 or for districts that have made payments for less than the entire fiscal year 2016, contact your county attorney about whether your contributions qualify as a base.*

Q: Do CD employees have to pay taxes on the payment in lieu of group benefits?

A: *Yes. It should be included on the W2 as income.*

Q&A's

Q: Does the group benefit have to apply to all employees?

A: *Generally yes, however regarding temporary or seasonal employees for example, it would depend on what is spelled out in your personnel policy.*

Q: What is the BARS account # for the Permissive Levy funds?

A: #2372

Q: What is the BARS account # for Group Benefits?

A: #2371

Next webinar:
Implementing the Permissive levy