



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0361	Title:	Providing a property tax rebate
Primary Sponsor:	Hunter, Chuck	Status:	As Introduced

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| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$103,023,850	\$0	\$0	\$0
Revenue:				
General Fund	\$3,988,994	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$99,034,856)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill provides a refund of up to a \$400 in property taxes paid over three years to qualified Montana homeowners on their primary residence. There is a statutory appropriation for the \$400 refund. The bill is expected to lead to \$102.140 million refunded to taxpayers in FY 2014, cost \$0.884 million to administer, and generate approximately \$4 million in additional income tax revenue as a result of lower deductions for property taxes paid.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 361, as introduced, would provide owners of a primary residence in Montana a refund on TY 2012, TY 2011, and TY 2010 property taxes assessed and paid up to a maximum rebate amount of \$400.
2. Based on figures from the 2011 American Community Survey, there are 274,570 owner-occupied houses in Montana.
3. It is assumed that all 274,570 households will qualify for the full \$400 refund. The total amount of refunds households would be eligible for would be \$109,828,000 (\$400 X 274,570).

4. Based on the state accounting system (SABHRS) records for the similar FY 2008 property tax rebate, this fiscal note assumes that 93% of households will claim the refund and the full amount will be paid in FY 2014. Based on these assumptions, the general fund expenditure in FY 2014 is \$102,140,040 (\$109,828,000 X 93%).
5. Taxpayers who claim an itemized deduction for property taxes paid on their 2012 state income tax returns would be required to report their refunds as income on their 2013 tax returns. It is assumed that all income taxpayers who itemize would be receiving the \$400 refund.
6. In 2011, 177,029 resident households claimed an itemized deduction for property taxes paid. The number of itemizers is expected to grow at the same rate as the overall population of taxpayers between TY 2011 and TY 2013. Therefore, this fiscal note assumes the number of taxpayers itemizing and claiming a deduction for property taxes paid will be 179,684 (177,029 X 1.015). These households will report their rebates as an additional \$71,873,774 (\$400 x 179,684) of income on the TY 2013 income tax returns they file in the spring of CY 2014 (FY 2014).
7. In TY 2011, the average marginal tax rate of taxpayers who claimed an itemized deduction for property taxes was 5.55%. Taxpayers who receive refunds and took an itemized deduction for property taxes paid in TY 2012 will owe an additional \$3,988,994 (5.55% x \$71,873,774) when they file their TY 2013 income tax returns in the spring of CY 2014 (FY 2014).
8. The department estimates that there will be a one-time information management cost of \$103,800 in contracted services to implement this bill. There will be a one-time processing cost to the processing division of \$150,027 in contracted services and an additional one-time expense of \$531,853, mostly related to postage and mailings. The department will also incur one-time costs of call center staff and associated operating expenses to answer taxpayer questions about the refund and their individual eligibility at an estimated cost of \$68,380. Costs associated with the verification and compliance of the \$400 refund claim forms is estimated at \$29,750 in one-time contracted service. Total department costs are forecast to be \$883,810 (103,800+150,027+531,853+68,380+29,750).

<u>Fiscal Impact:</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Department of Revenue	Difference	Difference	Difference	Difference
<u>Expenditures:</u>				
Operating Expenses	\$883,810	\$0	\$0	\$0
Transfers	\$102,140,040	\$0	\$0	\$0
TOTAL Expenditures	<u>\$103,023,850</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$103,023,850	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$103,023,850</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$3,988,994	\$0	\$0	\$0
TOTAL Revenues	<u>\$3,988,994</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$99,034,856)	\$0	\$0	\$0

Technical Notes:

1. The refund that some individuals may be eligible to receive will be retained by the state to cover those individual's outstanding debts that might not have been collected in the absence of HB 361. Based on the implementation of the HB 9 rebate (2007 Special Session), an additional \$600,000 was recouped due to outstanding debts to the state. However, the level of offsetting revenue as a result of HB 361, or to which state special revenue funds this revenue would distributed, is difficult to estimate.
2. An appropriation currently exists in HB 361 for \$1.2 million to cover administrative costs incurred by the Department of Revenue. Based on estimates in this fiscal note, the appropriation could be amended to reflect the administration costs reflected herein.

Sponsor's Initials

Date

Budget Director's Initials

Date