



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0357	Title:	Revise property tax assistance program inflation adjustment laws
Primary Sponsor:	Hamilton, Jim	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input 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 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$239,000)	(\$239,000)	(\$239,000)	(\$239,000)
State Special Revenue	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
Net Impact-General Fund Balance:	<u>(\$239,000)</u>	<u>(\$239,000)</u>	<u>(\$239,000)</u>	<u>(\$239,000)</u>

Description of fiscal impact: HB 357 adjusts the income thresholds for the Property Tax Assistance Program (PTAP), and the Montana Disabled Veterans (MDV) programs and makes a change in how the annual adjustment to these income brackets is calculated.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. The formulas adjusting the income brackets for the PTAP and MDV programs were last modified in statute during the 2015 legislative session. The brackets are adjusted annually by taking the personal consumption expenditure (PCE) index for April of the year prior to the tax year being calculated divided by the PCE for index value for April of 2015. This generally results in a slight increase in the brackets to adjust for inflation. However, in TY 2021, the income thresholds decreased, making it more difficult to qualify.
2. HB 357 effectively eliminates this decrease by changing the basis for PCE from the respective figures for the month of April to the first quarter PCE averages for the respective years. The base year is also updated to CY 2020 with no fiscal effect.
3. The department examined properties that received reductions in taxable value as a result of the PTAP or MDV programs in TY 2020 and had their income verified.

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(continued)

4. Based on the TY 2020 applications, a net increase of 1,316 properties would have qualified for PTAP under the provisions of HB 357.
5. The impact of the bill would have reduced taxable value by \$2.129 million with more people qualifying for PTAP, and taxable value would be reduced by \$390,000 as a result of more people qualifying for the MDV program. Since this is a one-off change and PCE inflation should run parallel to the present law calculation, no growth is applied to the forecast period estimates.
6. These estimated taxable values are multiplied by the general fund 95 mills and the university six mills to estimate the loss in revenue due to HB 357. The general fund 95 mill reduction would be \$239,000 and the 6 mill university state special revenue reduction would be \$15,000.
7. The department does not anticipate additional cost associated with the implementation of HB 357.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$239,000)	(\$239,000)	(\$239,000)	(\$239,000)
State Special Revenue (02)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
TOTAL Revenues	<u>(\$254,000)</u>	<u>(\$254,000)</u>	<u>(\$254,000)</u>	<u>(\$254,000)</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$239,000)	(\$239,000)	(\$239,000)	(\$239,000)
State Special Revenue (02)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)

Effect on County or Other Local Revenues or Expenditures:

Department of Revenue

1. Local mills would adjust to offset the reduction in taxable value. Statewide, the taxable value reduction due to HB 357 would be -0.078%. For TY 2020 all local mills were expected to generate \$1,582 million in local revenue. On a statewide average basis, local mills would rise 0.078% to offset the loss of taxable value. The shifts in each local jurisdiction would be dependent on the proportion of the PTAP and MDV taxable value reduced in each particular jurisdiction.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

Date