



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 Amended in Senate Committee

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|------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| <input checked="" 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</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$220,000)	\$0	\$0	\$0
State Special Revenue	(\$14,000)	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$220,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 357 as amended in the Senate Finance and Claims Committee limits income threshold inflation adjustments for the Property Tax Assistance Program (PTAP), and the Montana Disabled Veterans (MDV) programs such that the adjusted income thresholds cannot be lower than the prior year. HB 357, as amended, also changes the PCE price index reference point from the April value to the first quarter of the calendar year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- The income brackets were last adjusted in statute during the 2015 legislative session and are adjusted annually by taking the personal consumption expenditure (PCE) index from April of the year prior to the tax year being calculated divided by the PCE from April of 2015. This generally results in a slight increase in the income brackets each year to adjust for inflation. However, in tax year (TY) 2021 the income thresholds would have decreased under current law, making it more difficult to qualify. HB 357, as amended, eliminates this decrease.

2. The department examined properties that received reductions in taxable value as a result of PTAP or MDV programs in TY 2020 and had their income verified.
3. According to this analysis, 1,310 more properties would have qualified for PTAP under the provisions of HB 375 relative to current law. These estimates are provided in the following table:

PTAP	
Reduction Amount	Additional Taxpayers
80% reduction	912
50% reduction	535
30% reduction	-117
Total	1,310

4. Similarly, there are an estimated 98 properties that would qualify under the provisions of HB 357 that would not have qualified under current law. These estimates are provided in the following table:

MDV	
Reduction Amount	Additional Taxpayers
100% Reduction	115
80% Reduction	-11
50% Reduction	1
30% Reduction	-7
Total	98

5. Based on this analysis it is estimated that HB 357 would reduce taxable value by \$1.964 million as a result of more people qualifying for PTAP and \$352,000 as a result of more people qualifying for the MDV program.
6. These estimated taxable values are multiplied by the 95 mills and the six mills to estimate the loss in taxable value from HB 357. These estimates are presented in the following table:

	HB357 Impact
General Fund	\$220,000
MUS 6-Mill	\$14,000

7. After TY 2021, inflation adjustments are expected to be positive and increase the qualifying income levels as in prior years. As a result of these increases and of the amendments to HB 357, qualifying income levels for TY 2022 and beyond are anticipated to be equal to what they would have been under current law. Therefore, there is not anticipated to be a fiscal impact past TY 2021 or FY 2022.
8. The department does not anticipate any substantial costs 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	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$220,000)	\$0	\$0	\$0
State Special Revenue (02)	(\$14,000)	\$0	\$0	\$0
TOTAL Revenues	(\$234,000)	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$220,000)	\$0	\$0	\$0
State Special Revenue (02)	(\$14,000)	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:**Department of Revenue**

- Local mills would adjust to offset the reduction in taxable value. Statewide, the taxable value reduction due to HB 357 would be approximately -0.078%. For TY 2020 all local mills are expected to generate \$1,582 million in local revenue. On a statewide average basis, local mills would rise less than 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