



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

### Bill information:

HB0223 - Expanding the disabled veteran property tax assistance program (Kerns, Scot )

**Status:** As Amended in House Committee

- |  |  |  |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" 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 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b>Expenditures:</b>				
General Fund	\$150,652	\$57,657	\$58,293	\$58,943
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$1,673,000)	(\$1,837,000)	(\$1,880,000)
State Special Revenue	\$0	(\$105,000)	(\$115,000)	(\$118,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$150,652)</u>	<u>(\$1,730,657)</u>	<u>(\$1,895,293)</u>	<u>(\$1,938,943)</u>

**Description of fiscal impact:** HB 223 expands eligibility for the Disabled Veteran Property Tax Assistance Program in two ways. First, it lowers the eligibility standard for veterans to a disability rating to 60%, from 100%. Second, with the House Taxation Committee amendments, it revises the maximum income cap thus making the program available to veterans with qualifying disability ratings eligible with a maximum income of \$150,000. The program retains its graduated phase-down. The exemption expansion would be effective beginning in TY 2024. The Department of Revenue (DOR) would require an additional 2.00 FTE in the first year to address anticipated increase in applicants and 0.50 FTE for each following year.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

- Under current law, veterans with disability ratings of 100% and have an income below \$56,892 for a single person, below \$65,645 for a married couple or head of household, or \$49,599 for a surviving spouse of a disabled veteran, are eligible for the Disabled Veteran Property Tax Assistance Program. Depending on the applicant's income level, the percentage a veteran's taxable value is reduced falls as income rises (from 100% taxable value reduction to 50%).

2. HB 223 would make veterans with 60% or higher disability ratings eligible for this program. As an applicant income rises in this group, the percent reduction in taxable value would range 50% to 30%. This bill would also increase the income limits required to qualify for an exemption to \$150,000 for a single person, married couple, head of household, or surviving spouse of a disabled veteran.
3. The table below shows the current number of properties with this exemption by percent reduction of taxable value for TY 2022:

Reduction (100% Rating)	Properties
50%	58
70%	79
80%	72
100%	2,820
Total	3,029

4. The median household income for all veterans in Montana is approximately \$52,800, which is fairly similar to the current income limits for this exemption. It is assumed that the median income for veterans rated 60% disabled or higher would be lower than the median of all veterans; therefore, the number of additional properties that would qualify for the exemption would likely not double (the increment will be less than the current total of 3,029 properties).
5. There are about 500 properties owned by 100% disabled veterans with income information available in the DOR's database that have qualified in the past, but currently do not qualify for the exemption as their income exceed the current income threshold.
6. About 400 of the 500 properties in assumption #7 have reported income less than the \$150,000 income limit.
7. It is estimated that all 400 of these formerly eligible households and an additional 400 properties owned by 100% disabled veterans would qualify to receive the 50% exemption once the income limitation is increased with HB 223. This increment is estimated to decrease TY 2024 taxable value by about \$2.190 million with as 800 additional properties receiving the 50% reduction.

Reduction	Properties	Est. TV Difference
50%	800	-\$1,836,000

8. Veteran disability ratings range from 0% to 100% and increase in 10% increments.
9. According to Veterans Benefits Administration, about 18.5% of disabled veterans are rated 100% disabled. About 36.3% of disabled veterans are rated 60-90% disabled.
10. Assuming that the income distribution for veterans with 60% to 90% disability ratings is similar to the distribution of veterans with disability ratings of 100%, and that similar proportion of disabled veterans rated 60% to 90% disabled, would apply for this program's exemption, about 7,607 additional properties would likely receive this exemption.
11. The table below shows the estimated number of properties owned by 60-90% disabled veterans that would now qualify for this exemption and the estimated difference in taxable value by percent reduction of taxable value for TY 2024:

Reduction	Number of Properties	Est. TV Difference
30%	1,730	-\$2,361,000
35%	158	-\$264,000
40%	144	-\$283,000
50%	5,575	-\$12,687,000
Total	7,607	-\$15,595,000

12. Combining two estimates (assumptions #7 & #10) the increase of the income cap and allowing veterans with 60% to 90% disability ratings qualify for the DAV exemptions, the estimated total statewide reduction in taxable value for TY 2023 would be about \$17.5 million.

13. Using estimated growth rates from HJ 2, the following table shows the estimated impact on taxable values and state revenue for FY 2025 through FY 2027:

FY	Taxable Value	General Fund	MUS
		(\$ millions)	
2025	-\$17.5	-\$1.673	-\$0.105
2026	-\$19.2	-\$1.837	-\$0.115
2027	-\$19.7	-\$1.880	-\$0.118

#### DOR Administrative Expense

14. The department's Property Assessment Division (PAD) estimates that 2.00 FTE would be required to process new applications in FY 2024 and 0.50 FTE for each year thereafter. These positions would incur standard support operating expenses.
15. PAD would have an increase mailing of \$4,704 each year for decision letters to new applicants.
16. HB 223 is effective for property tax years beginning after December 31, 2023 (TY 2024), first affecting FY 2025 revenue.

	FY 2024 <u>Difference</u>	FY 2025 <u>Difference</u>	FY 2026 <u>Difference</u>	FY 2027 <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Personal Services	\$122,832	\$44,256	\$44,729	\$45,211
Operating Expenses	\$27,820	\$13,401	\$13,564	\$13,732
<b>TOTAL Expenditures</b>	<u>\$150,652</u>	<u>\$57,657</u>	<u>\$58,293</u>	<u>\$58,943</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$150,652	\$57,657	\$58,293	\$58,973
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$150,652</u>	<u>\$57,657</u>	<u>\$58,293</u>	<u>\$58,973</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$1,673,000)	(\$1,837,000)	(\$1,880,000)
State Special Revenue (02)	\$0	(\$105,000)	(\$115,000)	(\$118,000)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>(\$1,778,000)</u>	<u>(\$1,952,000)</u>	<u>(\$1,998,000)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$150,652)	(\$1,730,657)	(\$1,895,293)	(\$1,938,973)
State Special Revenue (02)	\$0	(\$105,000)	(\$115,000)	(\$118,000)

#### Effect on County or Other Local Revenues or Expenditures:

##### Department of Revenue

1. HB 223 would reduce statewide taxable value base by \$12.4 million or a reduction of about 0.34%. In local taxing jurisdictions the reduction in taxable value would be offset as jurisdictions would levy to maintain authorized levels of revenue. This shift would be proportional to that share of taxable value affected by HB 223. In levy in districts with greater than average DAV property tax exemptions, the shift would be somewhat larger than average. In levy districts with below average DAV program property exemptions, the shift would be somewhat smaller.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date