



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0258 - Providing a one-time refund for occupying a Montana residence (Karlen, Jonathan)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$109,014,457	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$109,014,457)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 258 creates a property tax rebate program for a homeowner's qualifying principal residence and rent equivalent for renters, available to qualifying applicants who earned less than 130% of their county's median family income. Median county family income is as determined annually by the U.S. Department of Housing and Urban Development (HUD). Under this criterion, 283,770 households could qualify for a rebate at a cost \$107.999 million. Department of Revenue estimates that it would require roughly \$1 million, in FY 2024, to administer the rebate program.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- HB 253 creates a new one-time property tax and renter equivalent property tax rebate, payable in FY 2024 based on tax year (TY) 2022 property tax paid or renter property tax equivalent for their principal residence. A rebate of up to \$650 is available to qualifying residents who earned less than 120% of their county's family median income as determined by the HUD, and a rebate of up to 75% of \$650 (\$487.50) is available to residents who earned between 120% and 130% of their county's median family income.
- TY 2021 income tax data was analyzed to determine how many taxpayers could qualify for the rebate in full or at the 75% level. Income tax records were summed at the address level. Additionally, any income tax record

- with an out-of-state mailing address or without a listed county was disregarded. The sample is based on 342,199 households for estimating the distribution of households that could qualify for the rebate.
3. County level median income estimates from the HUD were compared against income thresholds set in HB 258. Full \$650 rebates are expected to be made to 59.11% of households, \$487.50 rebates for 4.09% of households, and no rebates are expected for 36.79% of households.
 4. The U.S. Census Bureau’s *American Community Survey* estimates there were 311,861 owner-occupied and 137,088 rental housing units in Montana in 2021. A total of 448,949 housing units.
 5. It is assumed incomes do not vary with homeownership versus renting so the distribution applies to the sum of homeowners and renters. This yields an estimate of 283,770 households qualifying for rebates.
 6. It is assumed that property taxes are an approximation of rent equivalent property taxes paid. Estimates of property taxes paid are necessary to determine what percentage of rebates would be for the full rebate.
 7. There are 399,265 properties with unique physical addresses and improvements worth at least \$10,000. This is the data sample to determine taxes paid on residential property. Of those properties, 348,241 properties pay at least \$650 in taxes (87.22%), 13,446 properties paid between \$487.50 and \$650 in taxes (3.37%), leaving 9.41% of properties that paid less than \$487.50 in taxes.
 8. It is assumed that the property taxes paid are distributed uniformly across the income spectrum. That means, the percentage of properties qualifying for the rebate can be multiplied by the percentage of properties that paid certain levels of taxes to yield a percentage of eligible households in that combination. The table below details the relative percentages for these combinations.

Percentage in each combination				
Taxes Paid	\$650 Rebate	\$487.50 Rebate	No Rebate	Total
Greater than \$650	51.56%	3.57%	32.09%	87.22%
\$487.5 - \$650	1.99%	0.14%	1.24%	3.37%
Less than \$487.5	5.56%	0.39%	3.46%	9.41%
Total	59.11%	4.09%	36.79%	100.00%

9. The sum of properties qualifying for the rebates (283,770) are multiplied by the percentages in each combination as shown in the matrix below.

Properties per Combination			
Taxes Paid	\$650 Rebate	\$487.50 Rebate	No Rebate
Greater than \$650	146,310	10,132	91,063
\$487.5 - \$650	5,649	391	3,516
Less than \$487.5	15,788	1,093	9,826

10. The rebate dollars per combination for each cell in the above matrix is shown in the matrix below. Average taxes paid per group were calculated for properties that would not receive the full rebate amount they qualified for based on income because they paid less taxes.

Individual Rebate Dollars per Combination			
Taxes Paid	\$650 Rebate	\$487.50 Rebate	No Rebate
Greater than \$650	\$650.00	\$487.50	\$0.00
\$487.5 - \$650	\$568.62	\$487.50	\$0.00
Less than \$487.5	\$269.77	\$269.77	\$0.00

11. Finally, the property by combination is multiplied by the estimated rebate levels per combination to yield total expected rebates. Dollar amounts are rounded the thousands place to reflect the uncertainty of the estimation.

Total Rebate Dollars per Combination			
Taxes Paid	\$650 Rebate	\$487.50 Rebate	No Rebate
Greater than \$650	\$95,102,000	\$4,940,000	\$0
\$487.5 - \$650	\$3,212,000	\$191,000	\$0
Less than \$487.5	\$4,259,000	\$295,000	\$0

12. Total rebate dollars are the sum of all cells in the table above, and total \$107.999 million.

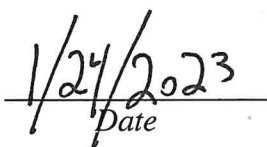
DOR Administrative Costs

- 13. The department will require 5.00 FTE in FY 2024 to administer, process and audit rebate applications.
- 14. The DOR will require 1.00 FTE in FY 2024 in the call center to handle inquiries regarding this rebate.
- 15. \$75,000 will be dedicated to a rebate information outreach campaign rebate through various media.
- 16. The DOR is tasked with sending each owner of residential property information about the property tax refund and a claim form. With 344,359 unique mailing addresses the expected cost of this mailing is \$234,164.
- 17. The property tax rebates will be mailed by check, assuming that the proportion of property tax rebates is equal to the share of overall housing units that is owner-occupied housing, 197,120 checks will be issued. The cost of this is estimated at \$236,624.
- 18. The rental rebates are issued as a tax credit, and it is assumed they will all be deposited by electronic fund transfer or via a tax refund that the taxpayer would have received otherwise, so there is no administrative cost to the incremental value for these rebates. Total FY 2024 administrative expenses are \$545,788.

Fiscal Impact:	FY 2024	FY 2025	FY 2026	FY 2027
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	6.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$400,321	\$0	\$0	\$0
Operating Expenses	\$615,136	\$0	\$0	\$0
Transfers	\$107,999,000	\$0	\$0	\$0
TOTAL Expenditures	\$109,014,457	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$109,014,457	\$0	\$0	\$0
TOTAL Funding of Exp.	\$109,014,457	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$109,014,457)	\$0	\$0	\$0



 Sponsor's Initials



 Date



 Budget Director's Initials



 Date