GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0481 - Increase rate of inflation limit for calculating property tax levies (Fitzgerald, Ross H)	
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

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balanc	$0	$0	$0	$0

Description of fiscal impact: HB 481 would allow governmental entities subject to the mill levy limitation of 15-10-420, MCA, to incorporated the full average rate of inflation over the prior three years instead of the current limit of one-half the average rate of inflation.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 481 would revise 15-10-420, MCA, to allow governmental entities to increase their mill levy revenue equal to the average rate of inflation over the prior three years instead of the current limit of one-half the average rate of inflation.
2. If a governmental entity chooses to increase their mills over the one-half rate of inflation, they must include the estimated amount to be raised by the increase in their preliminary budget and must adopt a resolution authorizing the inflationary factor for that budget year.
3. Since the state is a governmental entity, and counties levy certain education mills on the state's behalf (as listed in 15-10-420 (8), MCA) it is assumed that the HB 481 also apply to these mills.

Effect on County or Other Local Revenues or Expenditures:

1. A local government that chooses to authorize an increase in their mill rates by more than those allowed under present law (newly taxable property and one-half the rate of inflation) , the amount of revenue the entity would be able to generate from property taxes would increase by more than present law by the differential between three-year average of inflation and one-half the three-year average of inflation. Entities already at their current law maximum millage

would see the possibility of increasing their mill rates with out a vote (but that would require a resolution to pass in the jurisdiction's governing body).

2. Because each year's mill levy limits are based on the amount of property taxes collected in the prior year, plus inflation, the amount of property tax revenue generated by a local government could increase at more rapidly than under current law if the higher inflation factor authorized under HB 481 were to be locally authorized over multiple years.

Long-Term Impacts:

1. Assuming current trends continue, the state mills are anticipated to float down due to the provisions of 15-10-420, MCA. However, under current law, this is not expected to occur until after FY 2027. HB 481would likely defer the date further.

	2-17-23		2-16-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*