



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 Amended in House Committee

- 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	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balanc	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 481 allows governmental entities subject to the mill levy limitation of 15-10-420, MCA, to incorporate the full average rate of inflation over the prior three years instead of the current limit of one-half the average rate of inflation. The bill as amended in the House Taxation Committee adds a termination date of December 31, 2026, which is after FY 2027 budgets are set.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

1. HB 481 revises 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. The amendment in the House Taxation Committee, set a termination date of December 31, 2026. The last budgets that could use the provisions of HB 481 would be those set on the basis of August 2026 certified taxable values (FY 2027 budgets).
3. 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.
4. 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 without a vote (but 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 marginally more than under current law if the higher inflation factor authorized under HB 481 were to be locally authorized over multiple years.

Sponsor's Initials

Date

Budget Director's Initials

Date