GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0820 - Provide property tax exemption for employer-provided housing (Malone, Marty)	
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	$54,904	$86,560	$87,672	$88,802
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	($514,000)	($564,000)	($577,000)
State Special Revenue	$0	($32,000)	($36,000)	($36,000)
Net Impact-General Fund Balance:	($54,904)	($600,560)	($651,672)	($665,802)

Description of fiscal impact: HB 820 creates a 20% market value exemption for properties owned by employers that are rented to employees or provided to employees as part of compensation.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 820 creates a 20% market value exemption for properties owned by employers that are rented to employees or provided to employees as part of compensation, starting tax year (TY) 2024 (FY 2025)
2. The American Community Survey administered by the U.S. Census estimates that there were 137,088 renter-occupied housing units in Montana in 2021.
3. Using an assumption that about 3% of rental units are provided or rented by employers to their employees 4,100 properties might claim the 20% exemption.
4. To account for the likelihood that these properties are in areas with higher-than-average residential property values, the 75th percentile of statewide residential market value is used as the base value for these estimates.

5. In TY 2022, the 75th percentile home in Montana had an appraised value of $345,500. A 20% exemption on this home is equivalent to a $69,100 market value exemption.
6. The taxable value exemption per property would $932.85 ($69,100 X 0.0135).
7. Multiplied by 4,100 properties, the total taxable value exempted by HB 820 would be $3.825 million.
8. The state 95 mills applied to this taxable value reduction is approximately $363,000.
9. The 6 mills levied for the University System applied to this taxable value reduction is roughly $23,000.
10. These estimates are grown by the overall class 4 growth rate contained in HJ 2 to estimate fiscal year effects.
11. The department will require 1.00 FTE on an ongoing basis to process exemptions starting January 2024.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
Departmetn of Revenue				
FTE	0.50	1.00	1.00	1.00
Expenditures:				
Personal Services	$37,346	$75,863	$76,812	$77,774
Operating Expenses	$13,558	$10,697	$10,860	$11,028
TOTAL Expenditures	$50,904	$86,560	$87,672	$88,802
Funding of Expenditures:				
General Fund (01)	$50,904	$86,560	$87,672	$88,802
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$50,904	$86,560	$87,672	$88,802
Revenues:				
General Fund (01)	$0	($514,000)	($564,000)	($577,000)
State Special Revenue (02)	$0	($32,000)	($36,000)	($36,000)
TOTAL Revenues	$0	($546,000)	($600,000)	($613,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($50,904)	($600,560)	($651,672)	($665,802)
State Special Revenue (02)	$0	($32,000)	($36,000)	($36,000)

Effect on County or Other Local Revenues or Expenditures:

1. Local jurisdictions can offset reductions in their tax base by increasing mills. Overall taxable value in the state would decrease by about 0.11% under HB 820. Local mills could rise by about 0.11% to offset the reduction.
2. To the extent this exemption is more likely to be used in resort areas with more seasonal workers and a greater use of seasonal employee housing, those areas will likely see a greater tax shift than the statewide average.

Technical Notes:

1. There is ambiguity in the bill as currently drafted regarding multiple-unit dwellings. For instance, if an employer owned and lived in a duplex and rented one of the units to an employee it is not clear that the exemption would only apply to the portion attributable to the employee.

MCM

Sponsor's Initials *Date*

Budget Director's Initials 3-13-23 *Date*