



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

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| Bill information: | |
| HB0829 - Establish a Montana workforce housing tax credit (Nikolakakos, George) | |
| Status: | As Introduced |

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> 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 |
| Other - Proprietary | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | (\$1,500,000) |
| Other - Proprietary | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| Net Impact-General Fund Balance: | \$0 | \$0 | \$0 | (\$1,500,000) |

Description of fiscal impact: HB 829 creates a Montana workforce housing tax credit for the creation of affordable housing. The state credit will follow many of the same rules as the federal credit with any differences or additional requirements outlined in administrative rules. The Board of Housing is authorized to allocate up to \$1.5 million in credits per year beginning in TY 2024. The program terminates after TY 2029. Each allocated credit may be claimed for six years following the completion of the project. Credits are expected to begin being claimed in TY 2026 (FY 2027).

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 829 creates a Montana workforce housing tax credit to be allocated by the Board of Housing. The credits are non-refundable, able to be carried forward up to five years and may be claimed against individual or corporate income taxes, as well as premium insurance tax (MCA 33-2-705, 33-2-709 and 50-3-109).
2. The credits would be allocated to qualified projects by the board of housing beginning with TY 2024 and continue for six years through TY 2029. The total credits allocated each year is capped at \$1.5 million unless there are unallocated credits from the prior year that may be carried forward.

3. The projects receiving the credits would be able to claim the credits for six years beginning with the year that the project is completed and are placed in service. This effectively means that for the \$1.5 million allocated each year by the board of housing, the total credits claimed from those allocations will be \$9 million spread over six years(6 x \$1.5 Million). It is assumed that these projects will take two years to complete, so the first batch of credits are expected to be claimed in TY 2026, which would impact tax revenues in FY 2027.
4. The following table provided by the Board of Housing shows the credits allocated and claimed in each year and how much total credit amount would end up being claimed each year.

| | | Allocation Year of Credit | | | | | | Annual Claims | FY Claimed |
|--------------|------|---------------------------|-----------|-----------|-----------|-----------|-----------|---------------|------------|
| | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | | |
| Year Claimed | 2026 | 1,500,000 | | | | | | 1,500,000 | FY 2027 |
| | 2027 | 1,500,000 | 1,500,000 | | | | | 3,000,000 | FY 2028 |
| | 2028 | 1,500,000 | 1,500,000 | 1,500,000 | | | | 4,500,000 | FY 2029 |
| | 2029 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | | | 6,000,000 | FY 2030 |
| | 2030 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | | 7,500,000 | FY 2031 |
| | 2031 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 9,000,000 | FY 2032 |
| | 2032 | | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 7,500,000 | FY 2033 |
| | 2033 | | | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 6,000,000 | FY 2034 |
| | 2034 | | | | 1,500,000 | 1,500,000 | 1,500,000 | 4,500,000 | FY 2035 |
| | 2035 | | | | | 1,500,000 | 1,500,000 | 3,000,000 | FY 2036 |
| | 2036 | | | | | | 1,500,000 | 1,500,000 | FY 2037 |

5. It is assumed that all credits claimed will reduce income tax collections and resulting general fund revenue by an equal amount. This bill is expected to reduce general fund revenue by \$1.5 million in FY 2027 and then grow by \$1.5 million each year up to \$9 million in FY 2032, before dropping back down for another six years with the final \$1.5 million being claimed in FY 2037.
6. The Department of Revenue would not incur any additional costs to administer this credit.

Department of Administration /Board of Housing

7. 2024 State credits will be awarded in 2023 in conjunction with 2024 federal credits.
8. Projects would be under construction in 2025 and 2026, with first credits being claimed in FY2027
9. The Board would charge a 5% administrative fee as allowed under federal rules. Administrative fees are part of project costs so would not be a direct reduction in credits available.

| Basis for Fees HB829 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Credits | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 5% Admin Fee | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |

10. Based on the current affordable housing federal tax credit program currently administered by the Board, it is assumed the Board would require 0.50 FTE, pay band 6, to address the duties and responsibilities mandated in the bill. The personal services costs and operating expenses would be paid from the administrative fee not to exceed \$75,000 each year.

| <u>Fiscal Impact:</u> | <u>FY 2024 Difference</u> | <u>FY 2025 Difference</u> | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| FTE (BoH) | 0.50 | 0.50 | 0.50 | 0.50 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$37,500 | \$37,500 | \$37,500 | \$37,500 |
| Operating Expenses | \$37,500 | \$37,500 | \$37,500 | \$37,500 |
| TOTAL Expenditures | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other (BoH Proprietary) | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| TOTAL Funding of Exp. | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| <u>Revenues:</u> | | | | |
| General Fund (01) (DOR/PIT) | \$0 | \$0 | \$0 | (\$1,500,000) |
| Other (BoH Proprietary) | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| TOTAL Revenues | \$75,000 | \$75,000 | \$75,000 | (\$1,425,000) |

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

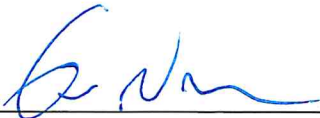



| | | | | |
|-------------------|-----|-----|-----|---------------|
| General Fund (01) | \$0 | \$0 | \$0 | (\$1,500,000) |
| Other | \$0 | \$0 | \$0 | \$0 |

Long-Term Impacts:

- As illustrated in assumption #4, potential credit claims peak at \$9 million in FY 2032. The credit is scheduled to terminate after FY 2037. As remaining credits can be carried-forward for up to five years, credits could be claimed through FY 2042.

Technical Notes:

- The term “credit period” in Section 1 (3) is not defined in the bill and could be removed to make it clearer that a project which is allocated a credit may claim the credit for six consecutive years after the project is placed into service.

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|  _____ Sponsor's Initials |  _____ Date |  _____ Budget Director's Initials |  _____ Date |
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