



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0222 - Provide rebates of property taxes paid on a principal residence (Welch, Tom )

**Status:** As Introduced

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| <input type="checkbox"/> Significant Local Gov Impact                | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns              |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input 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>
<b>Expenditures:</b>				
General Fund	\$265,390,299	\$268,799,616	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$265,390,299)</u>	<u>(\$268,799,616)</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 222 provides a rebate of up to \$1,000 for Montana property taxes paid in TY 2022 and again for taxes paid in TY 2023. The Department of Revenue (DOR) would contact potential rebate qualifying applicants each year directly with a mailing. DOR estimates that there would be 292,200 households eligible each year. It is anticipated that rebates for TY 2023 taxes paid would be slightly higher as a few more taxpayers would receive the full \$1,000 rebate.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**



- The U.S. Census Bureau's *American Community Survey* (ACS) reports there were 521,916 housing units in Montana in CY 2021. The ACS also reports that 448,949 of those housing units were occupied and that 311,861 housing units are owner-occupied (69.46% of all housing units). These 311,861 are the households that are potentially eligible for a rebate under HB 222.
- However, to be eligible for the tax rebate homeowners need to have property tax liability for the residence. In TY 2022, DOR fully exempted 16,997 mobile homes with less than \$10,000 in assessed value, and 2,664 households were enrolled in the Montana Disabled Veteran program and received a full exception. The estimated number of potential rebate claimants is therefore: 292,200 (311,861 – 16,997 – 2,664).

3. FY 2024, rebates are distributed based on taxes paid in TY 2022. In TY 2022, 81.4% of households are estimated to have paid at least \$1,000 in taxes on their residence resulting in 237,919 households receiving the full \$1,000 rebate. The remaining 54,281 households are expected to claim less than \$1,000. The estimate of average taxes paid by this group is \$494.75.
4. In FY 2024, \$264.720 million ( $237,919 \times \$1,000 + 54,281 \times \$494.75$ ) in rebates are expected to be claimed.
5. In TY 2023 cyclical class 4 residential reappraisal is anticipated to raise valuations. TY 2022 assessed values were increased by the estimated county reappraisal growth presented to the Revenue Interim Committee meeting in November 2022.
6. Local jurisdiction taxes are held mostly constant as mills adjust to maintain revenue consistent with 15-10-420, MCA. These mills are then applied to the TY 2023 assessed values to arrive at expected taxes in TY 2023. That increases percentage of households paying at least \$1,000 to 84.0% resulting in 245,435 households eligible to receive the full \$1,000 rebate. The remaining 46,765 households are expected to claim less than \$1,000. The estimated average tax paid by this group is \$487.
7. That results in \$268.210 million ( $245,435 \times \$1,000 + 46,765 \times \$487.00$ ) FY 2025 property tax rebates.

*DOR Administrative Costs*

8. In each of the two fiscal years, DOR is tasked with mailing notices to potential claimants. DOR will send a notice to all unique mailing addresses with improvements (residences). There were 344,359 properties fitting that criteria in TY 2022. It is assumed the same number of notices will be sent out for TY 2023 rebates.
9. Notice mailing costs are estimated at \$0.66 each, for a total of \$227,277 in both FY 2024 and FY 2025.
10. DOR assumes 20,000 claimants will not be eligible and require a denial letter from the department. At \$0.66 per letter, these letters result in FY 2024 costs. In the subsequent year (FY 2025) it is assumed DOR will have to issues half as many denials. FY 2025 costs for 10,000 letters at \$0.66 per letter is \$6,600.
11. It is assumed that all 292,200 rebates will a mailed check. The cost of printing and mailing checks is \$0.83386 per check, for a total of \$243,654 in FY 2024 and \$243,654 again in FY 2025.
12. DOR will require 1.00 FTE for a customer service representative in the call center in FY 2024 and FY 2025.
13. DOR will spend \$75,000 on an information campaign raising awareness of the rebate in FY 2024.
14. Total administrative costs are \$670,299 in FY 2024 and \$589,616 in FY 2025.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Department of Revenue</b>				
<b>FTE</b>	1.00	1.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$61,168	\$62,085	\$0	\$0
Operating Expenses	\$609,131	\$527,531	\$0	\$0
Transfers	\$264,720,000	\$268,210,000	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$265,390,299</b>	<b>\$268,799,616</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$265,390,299	\$268,799,616	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$265,390,299</b>	<b>\$268,799,616</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$265,390,299)	(\$268,799,616)	\$0	\$0

 _____ Sponsor's Initials	1-17-23 _____ Date	 _____ Budget Director's Initials	1-16-23 _____ Date
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