GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0325 - Revise eligibility for disabled veteran property tax assistance program (Hellegaard, Lyn)	
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
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	($135,000)	($148,000)	($152,000)
State Special Revenue	$0	($8,000)	($9,000)	($10,000)
Net Impact-General Fund Balance:	$0	($135,000)	($148,000)	($152,000)

Description of fiscal impact: HB 325 revises the definition of qualifying income for the Montana Disabled Veteran Program (MDV) to exclude several types of retirement income. It also codifies examples of circumstances that may be considered in adjusting the qualifying income of an applicant. Under HB 325, applicants with retirement income qualify for greater exemption benefits than under current law, causing the decreased general fund and university system revenue as shown above.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. The MDV program works by exempting portions of the market value of the primary residence of a qualified disabled veteran or disabled veteran's spouse. The current breakdown of exemption status for TY 2022 is shown in the table below.

Exemption	Properties	Market Value	Taxable Value
50%	58	$17,422,818	$118,483
70%	79	$20,783,810	$85,226
80%	72	$21,599,857	$58,324
100%	2820	$668,931,948	$0

2. HB 325 specifically excludes individual retirement account distributions, pensions, annuities, and other retirement benefits, as well as social security benefits. These income exclusions apply to income generally considered retirement income.
3. Disabled veterans with retirement income generally move up an exemption tier as a result of HB 325 as their retirement income often constitutes a large proportion of overall income. Additionally, some veterans who applied or were eligible in the past but income in excess of qualifying thresholds would now qualify for a benefit. It is estimated that an additional 257 veterans would qualify who would not have otherwise. The table below shows the distribution under HB 325.

Exemption	HB 325 Properties	HB 325 MV	HB 325 TV
50%	31	$9,312,196	$63,327
70%	48	$12,628,138	$51,783
80%	42	$12,599,917	$34,022
100%	3165	$750,769,367	$0

4. An additional $1.112 million in taxable value reduction occurs as some property moves into the fully exempt tier. This is partially offset by smaller taxable value reductions within the other exemption tiers. Total taxable value reduction due to HB 325 using TY 2022 data shows a drop of approximately $999,000.
5. This taxable value reduction is grown by the class 4 residential property growth rate in HJ 2 to estimate fiscal year effects. Tax collection reductions are shown below. HB 325 is effective for tax years beginning 2024, therefore FY 2025 is the first fiscal year affected.

Fiscal Year	TV Difference	General Fund	MUS
2025	($1,412,000)	($135,000)	($8,000)
2026	($1,550,000)	($148,000)	($9,000)
2027	($1,587,000)	($152,000)	($10,000)

6. HB 325 lists several unusual circumstances of income that the DOR may consider in approving or denying exemptions. The department will need to amend MDV program rules to those circumstances. The fiscal note does not calculate the effect of these provisions as they are unpredictable exceptions to usual applications.
7. The Department of Revenue expects implementation costs to be minimal and will absorb additional application volume with existing staff.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
Expenditures:				
Personal Services	$0	$0	$0	$0
TOTAL Expenditures	$0	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$0	($135,000)	($148,000)	($152,000)
State Special Revenue (02)	$0	($8,000)	($9,000)	($10,000)
TOTAL Revenues	$0	($143,000)	($157,000)	($162,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	($135,000)	($148,000)	($152,000)
State Special Revenue (02)	$0	($8,000)	($9,000)	($10,000)

Effect on County or Other Local Revenues or Expenditures:

1. HB 325 reduces statewide taxable value by about $1.5 million, which is roughly 0.04% of total taxable value. All else equal local mills will be about 0.04% higher than otherwise.

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