GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0970 - Provide a property tax exemption for certain owner-occupied residential property (Oblander, Greg)	
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	$532,788	$137,038	$139,893	$142,825
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	($3,496,000)	($3,399,000)
State Special Revenue	$0	$0	($220,000)	($214,000)
Net Impact-General Fund Balance:	($532,788)	($137,038)	($3,635,893)	($3,541,825)

Description of fiscal impact: HB 970 creates a property tax exemption for residential property owned and occupied by a resident 55 years or older if the property has been their primary residence for at least 10 years. Any appreciation in market value over the base year market value would be exempt from property taxation. The exemption would be disallowed if the property is sold to someone other than an immediate family member or there is new construction, remodeling, or reclassification of the property.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 970 provides for an exemption on certain residential property used as a primary residence.
2. To receive the exemption, the property must be owned by a taxpayer who is 55 years or older and has been in their ownership for at least 10 years.
3. The exemption would establish a base year value which would be the value of the property for the year in which the property was granted the exemption.

4. The market value of the property would be frozen at the base year value and any value increase above the base value thereafter would be exempted.
5. The base year is the year in which the Department of Revenue receives the application for the exemption.
6. The exemption is disallowed if the property is sold to someone other than an immediate family member or if there is new construction, remodeling, or reclassification of the property.
7. The exemption would be effective beginning in TY 2024.
8. According to the U.S. Census Bureau's American Community Survey (ACS), there are approximately 180,000 owner-occupied units where the primary homeowner is 55 years of age or older; and approximately 50% of owner-occupied units have occupied for at least 10 years. Therefore, it is estimated that 90,000 residences would qualify for this exemption.
9. It is estimated that the average market value of these residences would be $407,170 in TY 2024, an estimated average market value of $407,173 and average taxable value of $5,497 for the qualifying residences. The estimated taxable value for these qualifying properties in TY 2024 is estimated to be $494.716 million.
10. Assuming TY 2024 is the base year for these 90,000 properties, the amount of value appreciation due to reappraisal in TY 2025 that would be exempt under this bill is $36.609 million.
11. ACS estimates there are approximately 50,000 homeowners in the 45-54 age range. Assuming the population is evenly distributed in this age group, it is estimated that 5,000 people would turn 55 each year; assuming 50% of the population has occupied their residence for 10 years, it is estimated 2,500 more residences would become eligible for this exemption each year.
12. For fiscal note purposes, it is assumed that 2,500 of the residences would also lose the exemption each year to account for deaths, sale of property, remodeling, new construction, or reclassification that would disqualify the property for the exemption.
13. The amount of exempt taxable value in TY 2026 for the remaining 87,500 residences with a base year of TY 2024 would be $35.592 million.
14. Properties that are granted the exemption with a base year of TY 2025 would not see a reduction in their taxable value compared to current law until TY 2027 (FY 2028) due to the two-year reappraisal of residential property.
15. The table below shows the estimated difference taxable value and state revenue between current law and under the provisions of HB 970.

Difference in Taxable Value and Revenue Under HB 970		
	TY 2025 FY 2026	TY 2026 FY 2027
Taxable Value Difference	-$36,609,000	-$35,592,000
General Fund (95 and 1.5 mills)	-$3,496,000	-$3,399,000
Montana University System (6 mills)	-$220,000	-$214,000

DOR Administrative Costs

16. The Department of Revenue would require 5.00 FTE in FY 2024 and 1.00 ongoing each year thereafter to process applications and maintain records. There would also be development costs to update and maintain the systems required to implement this bill as well as mailing costs for sending decision letters.

Fiscal Impact:	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Department of Revenue				
FTE	5.00	1.00	1.00	1.00
Expenditures:				
Personal Services	$317,598	$64,481	$65,258	$66,048
Operating Expenses	$215,190	$72,557	$74,635	$76,777
TOTAL Expenditures	$532,788	$137,038	$139,893	$142,825
Funding of Expenditures:				
General Fund (01)	$532,788	$137,038	$139,893	$142,825
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$532,788	$137,038	$139,893	$142,825
Revenues:				
General Fund (01)	$0	$0	($3,496,000)	($3,399,000)
State Special Revenue (02)	$0	$0	($220,000)	($214,000)
TOTAL Revenues	$0	$0	($3,716,000)	($3,613,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($532,788)	($137,038)	($3,635,893)	($3,541,825)
State Special Revenue (02)	$0	$0	($220,000)	($214,000)

Effect on County or Other Local Revenues or Expenditures:

1. The difference in taxable value under HB 970 is 0.7% of statewide taxable value. It is assumed that local governments would raise their mills to account for the reduction in their tax base.

Long-Term Impacts:

1. The difference in taxable value compared to current law will continue to grow in reappraisal years if the state continues to see residential property value appreciation.

Technical Notes:

1. It is assumed with the current bill language that a property which undergoes any new construction, remodeling, or reclassification would lose the exemption permanently; it is unclear if they would lose the exemption and be excluded from reapplying for the exemption again or if they could reapply for the exemption and have a new base value established with the new construction that occurred plus any appreciation. If a property with new construction is no longer allowed to receive the exemption, it could create an equity issue.

		DO	3-30-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*