GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
SB0110 - Provide property tax assistance to elderly homeowners by fixing appraised value (Regier, Keith)	
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	$488,536	$170,086	$146,888	$148,565
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	($4,445,000)	($4,938,000)	($4,812,000)
State Special Revenue	$0	($302,000)	($333,000)	($300,000)
Net Impact-General Fund Balance:	($488,536)	($4,615,086)	($5,084,888)	($4,960,565)

Description of fiscal impact: SB 110 creates a new property tax program that freezes the market value of the primary residence of a property owner who is older than 80. The base year would be reset for significant improvements or outbuildings constructed on the property. There is an option to reset the base year for applicants currently older than 80 to the year in which they turned 80. Yearly general fund revenue reductions approach $5 million. There are some savings in reduced credits disbursed through the Elderly Homeowner and Renter Credit Program. The department will require 6.00 FTE to stand up the program and 1.50 FTE ongoing.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 110 would create a new property tax assistance program for Montana resident homeowners aged 80 and over. The program that would freeze the assessed value of principal homes, for qualifying individual Montana resident homeowners age 80 and over, at the assessed value in the calendar year they turned 80. Under SB 110, homeowners are eligible to apply in the year they are 80 years old on January 1st, and the base year for valuation purposes are those from the prior tax year. The "base year" refers to the appraised value of the home at age 80 at which the is frozen at that level subject to certain conditions .

2. There is transition language to retroactively calculate the base year for taxpayers who are currently older than 80 such that their base year is the year they turned 80. These retroactive base changes for homeowners over age 80 must be applied for in TY 2024 and TY 2025.
3. Data from The American Community Survey (ACS) published by the U.S. Census Bureau has estimates of the number of homeowners by age group. The 2021 edition of the ACS estimates 521,916 homes, 448,949 of those are estimated to be occupied (an occupancy rate of 86.02%). Of that 448,949 housing units, 311,861 are estimated to be owner-occupied (69.46%). These are the households that are potentially eligible for this new program.
4. The ACS reports 32,728 households have the primary householder aged 75 to 84. It is assumed that half of these households are 80-84 (16,364). An additional 9,513 households are estimated at 85 years and older. Therefore, total expected applicants are estimated to be 16,364 + 9,513 = 25,877. This represents approximately 8.3% of owner-occupied housing units (25,877/311,861) and 4.96% of all homes (25,877/521,916).
5. There is an assumed constant attrition rate of head of households over time to simulate deaths and that there are no head of households over the age of 99.
6. These household numbers are adjusted forward through time by the growth in population over 65 years old contained in HJ 2.
7. SB 110 has an effective date of January 1, 2024. Therefore, TY 2024 is the first year where property values will be lower than they would otherwise. TY 2024 corresponds to FY 2025 revenue.
8. Total market value of class 4 residential property was calculated for each year. The ratio between the total market value of two tax years is assumed to reflect the ratio of a homeowner's market value in those two tax years. Multipliers were calculated for each age and tax year by calculating the ratio between the expected value of the home and the value of the home in the year the taxpayer turned 80.
9. As an example, in TY 2024 a taxpayer who is 90 would expect to see their assessed (market) value decreased to the value of their home in TY 2013. On average that value ratio is 43.26%. In other words, under SB 110, a 90-year-old taxpayer could expect a new assessed value 56.74% lower on their property in TY 2023.
10. In tax year 2025 that taxpayer, now 91, would still pay taxes on the value of their home in Tax Year 2013, this time the value ratio would be 39.40%. They would pay 60.60% less taxes on their property in TY 2025.
11. These ratios are multiplied by the expected total taxable value of class 4 residential property in the tax years at question, and then multiplied by the percentage of homes each age encompasses.
12. For example, there are an estimated 775 head of households that are 90 years old in TY 2024. That is 0.149% of houses in the state. (775 / 521,916).
13. The expected taxable value for these households aged 90 years old for TY 2024 is $3,887,166. Applying the value ratio multiplier of 43.26%, these households would see their collective taxable value drop to $1,681,683. a difference of $2,205,484.
14. This calculation is performed for all ages 80-99 and the taxable value difference is summed by tax year.
15. Total taxable value changes by year are $50.31 million in TY 2024, $55.46 million in TY 2025, and $49.96 million in TY 2026.
16. State general fund revenue reduction are the 95 mills levied against this taxable value difference, as well as an extra half mill to account for the 1.5 vo-tech mills which are only levied in Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark counties. The general fund reduction is estimated at $4.804 million in TY 2024, $5.297 million in TY 2025, and $4.771 million in TY 2026.
17. State special revenue reductions from the university 6 mill levy are: $302,000 in TY 2024, $333,000 in TY 2025, and $300,000 in TY 2026.
18. The market value reduction for homeowners older than 80 will reduce total credit claims in the Elderly Homeowner and Renter Credit program (EHRC). The EHRC is available to taxpayers earning less than $45,000 and who are at least 62 years old.
19. The EHRC is available to both homeowners and renters. Homeowner credits accounted for roughly 75% of EHRC credits. The ratio of homeowners older than 80 to homeowners older than 62 is 19.5%.Total

homeowner EHRC credits were $5.453 million in TY 2021. It is estimated that 19.5% of these credit claims were for homeowners 80 years or older.

20. The average amount of taxes that a homeowner older than 80 will save under SB 110 is 33.8%.
21. Total EHRC credit reduction is ($5.453 million x 19.5% x 33.8) = $359,000.
22. The EHRC credit amount is held constant at TY 21 levels in the HJ 2 forecast, so this $359,000 estimate applies to all fiscal years in question.

Administrative Costs

23. It is assumed 75% of the 25,877 expected applicants will apply in FY 2024. The department will require 6.00 FTE to process the expected 19,408 applications. The remaining 25% will apply in FY 2025. The department will require 2.00 FTE for this application pool.
24. The department will require 1.50 FTE ongoing for FY 2026 onward due to annual new applicants (approximately 5,500) and ongoing maintenance and auditing of program participants.
25. The department would mail decision letters to all applicants. At $0.56 per letter, results in a cost of $10,868 in FY 2024 and $14,491 for all following fiscal years.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
Department of Revenue				
FTE	6.00	2.00	1.50	1.50
Expenditures:				
Personal Services	$408,320	$138,201	$114,677	$116,018
Operating Expenses	$80,216	$31,885	$32,211	$32,547
TOTAL Expenditures	$488,536	$170,086	$146,888	$148,565
Funding of Expenditures:				
General Fund (01)	$488,536	$170,086	$146,888	$148,565
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$488,536	$170,086	$146,888	$148,565
Revenues:				
General Fund (01)	$0	($4,445,000)	($4,938,000)	($4,412,000)
State Special Revenue (02)	$0	($302,000)	($333,000)	($300,000)
TOTAL Revenues	$0	($4,747,000)	($5,271,000)	($4,712,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($488,536)	($4,615,086)	($5,084,888)	($4,560,565)
State Special Revenue (02)	$0	($302,000)	($333,000)	($300,000)

Effect on County or Other Local Revenues or Expenditures:

1. Average yearly taxable value lost to the tax base of local governments is $51.910 million. The average taxable value for local jurisdictions over the time period of the fiscal note is $4.905 billion. This would represent a a 1.08% reduction in statewide tax base for local jurisdictions governments. This reduction will generally be shifted to other taxpayers.
2. Some taxing jurisdictions will see a higher or lower impact based on the share of elderly homeowners in their jurisdiction.

Long-Term Impacts:

Office of Budget and Program Planning

1. These reductions would vary with the change in the share of the resident population age 80 and over (generally increasing). The Census and Economic Information Center (CEIC), Montana eREMI population projections by single year of age shows that 4.4% of Montana's population was 80 or over, in CY 2022. The share nearly doubles to 8.6% around CY 2045 and then stabilizing around 8%, thereafter. This would increase the program's relative cost in time.
2. Holding an increasing share of statewide housing stock at a long-lagged assessed value (generally lower than full market value) while all other property appreciates, further increases the relative present law cost and tax shifts.

Technical Notes:

Department of Revenue

1. The department can only reliably pull property information back to 2008, when the current database system was adopted. The department may need to adopt rules to calculate reappraisal values for years before 2008.

NO SPONSOR SIGNATURE

	1/12/23		1-12-13
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*