



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

<b>Bill information:</b>	
SB0507 - Generally revise tax laws (Zolnikov, Daniel )	
<b>Status:</b>	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

	<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	\$56,277	\$53,953	\$54,589	\$55,239
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$56,277)</u>	<u>(\$53,953)</u>	<u>(\$54,589)</u>	<u>(\$55,239)</u>

**Description of fiscal impact:** SB 507 makes several revisions pertaining to state and county tax appeal boards. The bill also makes changes to certain exempt properties. The Department of Revenue would require 0.50 FTE (ongoing) to implement and manage the provisions of this bill.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

#### *Changes to CTAB and MTAB procedures*

- SB 507 clarifies that a taxpayer may hire a representative of the taxpayer's choice to represent them at a county tax appeal board (CTAB) or Montana tax appeal board (MTAB) hearing and that this representative is not considered to be practicing law and not required to be an attorney or CPA.
- This bill would no longer require a CTAB to get approval from MTAB to extend their appeal hearings past December of each year. Holding hearings past December would be left to the discretion of the CTAB chair.

3. This bill also provides that a decision of MTAB is a final decision and is not subject to a rehearing unless dictated as a result of judicial review. A rehearing may not be requested by either party.
4. This bill clarifies that CTAB or MTAB may consider negative property features that differentiate the subject property from the Department of Revenue’s comparable sales; this is something the boards already consider.
5. This bill requires the Department of Revenue (DOR) to allow MTAB board members to attend any training provided to DOR appraisal staff, without regard as to whether the board member has obtained a certificate or completed prerequisite courses. The members may not be required to take an examination and the DOR would be required to pay for the tuition costs.
6. The DOR estimates the tuition costs for board members attending courses to be about \$1,000 each year.
7. This bill would prohibit any former DOR employee from serving on a CTAB board within 36 months of being employed by the DOR.

*Changes to certain property eligible for exemption*

8. SB 507 would make changes to certain properties seeking exemption status. Property owned by non-profit health care facilities, a purely public charity, public museums, art galleries, zoos, or observatories would not be exempt if the property is used to produce unrelated business taxable income.
9. An organization claiming an exemption is required to provide the department their federal tax return reporting any unrelated business taxable income received along with a statement indicating if the exempt property was used to generate the income.
10. The impact on taxable values and state revenue for these properties is unknown, see technical note #2.
11. This bill would be effective January 1, 2024.


*DOR Administrative Costs*

12. DOR would require 0.50 FTE (ongoing) to process annual tax returns and statements used to indicate whether a property was used to generate unrelated business income.

<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>Department of Revenue</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>FTE</b>	0.50	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Personal Services	\$43,669	\$44,256	\$44,729	\$45,211
Operating Expenses	\$12,558	\$9,697	\$9,860	\$10,028
<b>TOTAL Expenditures</b>	<b><u>\$56,227</u></b>	<b><u>\$53,953</u></b>	<b><u>\$54,589</u></b>	<b><u>\$55,239</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$56,227	\$53,953	\$54,589	\$55,239
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b><u>\$56,227</u></b>	<b><u>\$53,953</u></b>	<b><u>\$54,589</u></b>	<b><u>\$55,239</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$56,227)	(\$53,953)	(\$54,589)	(\$55,239)
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. Some classes offered by external sources (other than the state) may have requirements for completion of prerequisite courses; whether a board member may attend the course when having not met the prerequisite requirements may be outside the control of the Department of Revenue.
2. The Property Assessment Division currently grants a partial exemption to properties where a portion of the building is leased or used for purposes not related to the charitable endeavor; that portion of the property is taxed, and the remaining portion is granted the exemption. With the bill's current language, it is unclear as to whether just the portion of the building producing the unrelated business income would not be exempt, or if the entire property would not be able to receive an exemption. If the entire property is disqualified from receiving an exemption, there would be an increase in taxable value. If just the portion of the property producing the income is taxed, there would be minimal fiscal impact.

NO SPONSOR SIGNATURE      3/20/23            3-20-23  
*Sponsor's Initials*                      *Date*                      *Budget Director's Initials*                      *Date*