



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0513 - Revoke non-profit hospital property tax exemption (Trebas, Jeremy)

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$4,342,000	\$4,663,000	\$4,663,000
State Special Revenue	\$0	\$272,000	\$292,000	\$292,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$4,342,000</u>	<u>\$4,663,000</u>	<u>\$4,663,000</u>

Description of fiscal impact: SB 513 repeals the property tax exemption for non-profit healthcare facilities. These facilities are generally hospitals, nursing or retirement homes, and mental health centers. By making these properties taxable, SB 513 increases state revenue generated by the state equalization mills and university system mills. The Department of Revenue (DOR) does not expect costs for implementation.

FISCAL ANALYSIS

Assumptions:

1. Non-profit businesses licensed by the Department of Public Health and Human Services currently receive a full exemption of taxable value for property used exclusively for nonprofit health care facilities.
2. There are 483 properties granted this exemption for TY 2022, with a total market value of \$1.787 billion.
3. If these properties were considered taxable, they would have a taxable value of \$33.719 million.
4. Some properties with the non-profit health care exemption are also owned by a government entity. Therefore, if the non-profit health care exemption was not allowable, they would still be exempt as a government entity.
5. Properties with this classification comprise \$18.103 million of market value and \$342,000 taxable value.

6. Total extra statewide property value that would be considered taxable if SB 513 went into effect is \$1.768 billion in market value and \$33.376 million in taxable value.
7. Applying the 95 state equalization mills against this taxable value, as well as the 1.5 vo-tech mills in the relevant counties results in a general fund increase of \$3.198 million in TY 2022.
8. The 6 mills levied for the Montana University System would see an additional \$200,000 from this property.
9. These values are grown by the reappraisal estimates for class 4 property contained in HJ 2
10. SB 513 will apply to tax years beginning January 1, 2024. Therefore FY 2025 is the first fiscal year that will see a difference in collections.
11. Costs associated with implementation are *de minimis* and will be absorbed by DOR.

<u>Fiscal Impact:</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0


<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0

<u>Revenues:</u>				
General Fund (01)	\$0	\$4,342,000	\$4,663,000	\$4,663,000
State Special Revenue (02)	\$0	\$272,000	\$292,000	\$292,000
TOTAL Revenues	\$0	\$4,614,000	\$4,955,000	\$4,955,000

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$4,342,000	\$4,663,000	\$4,663,000
State Special Revenue (02)	\$0	\$272,000	\$292,000	\$292,000

Effect on County or Other Local Revenues or Expenditures:

1. Total taxable value in the state is expected to increase by roughly 0.92% as a result of SB 513. Assuming local governments will have equivalent budgets with or without the passage of SB 513, local mills will decrease by 0.92%. These tax savings are most concentrated in taxing jurisdictions with large hospitals.

	<u>3-22-23</u>		<u>3-23-23</u>
Sponsor's Initials	Date	Budget Director's Initials	Date