



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

<b>Bill information:</b>	
SB0513 - Revoke non-profit hospital property tax exemption (Treas, Jeremy )	
<b>Status:</b>	
	As Amended in Senate Committee

- |  |  |  |
|--|--|--|
| <input checked="" 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 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$3,961,000	\$4,254,000	\$4,254,000
State Special Revenue	\$0	\$248,000	\$266,000	\$266,000
<b>Net Impact-General Fund Balance:</b>	\$0	\$3,961,000	\$4,254,000	\$4,254,000

**Description of fiscal impact:** SB 513 as amended in the Senate Taxation Committee repeals the property tax exemption for certain non-profit healthcare facilities. The facilities no longer considered tax exempt are several types of hospitals. By making these properties taxable, SB 513 increases revenue generated by the state equalization mills and university system mills.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. Non-profit hospitals 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. The amendments in the Senate Taxation Committee further clarified the property subject to the provisions of SB 513.
3. The total amount of market value exempted for hospitals in TY 22 is \$1.612 billion.

4. These properties are considered class 4 commercial property, which has a tax rate of 1.89%. If these properties were considered taxable, they would have a taxable value of \$30.452 million.
5. 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 \$2.918 million in TY 2022.
6. The 6 mills levied for the Montana University System would see an additional \$183,000 from this property.
7. These values are grown by the taxable values estimates for class 4 property contained in HJ 2.
8. 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.
9. Costs associated with implementation are *de minimis* and will be absorbed by DOR.

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

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

<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$3,961,000	\$4,254,000	\$4,254,000
State Special Revenue (02)	\$0	\$248,000	\$266,000	\$266,000
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$4,209,000</b>	<b>\$4,520,000</b>	<b>\$4,520,000</b>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$3,961,000	\$4,254,000	\$4,254,000
State Special Revenue (02)	\$0	\$248,000	\$266,000	\$266,000

**Effect on County or Other Local Revenues or Expenditures:**

1. Property moving from tax exempt to taxable is considered new property for the purposes of 15-10-420, MCA. Local governments do not consider newly taxable property in their maximum mill calculation and then apply the calculated mill to that newly taxable property. Therefore, the taxable value increase does not automatically offset local mills. Overall taxable value statewide would be approximately 0.84% higher under SB 513.

NO SPONSOR SIGNATURE

4.4.23



4-5-23

Sponsor's Initials

Date

Budget Director's Initials

Date