



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0021: Establish a Montana workforce housing tax credit

Primary Sponsor: Larry Brewster Status: As Introduced

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$37,500	\$37,500	\$38,063	\$38,633
Revenues				
General Fund (01)	\$0	\$0	\$0	(\$1,500,000)
Other	\$75,000	\$75,000	\$75,000	\$75,000
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,500,000)</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,500,000)</u>

Description of fiscal impact

HB 21 creates a Montana workforce housing tax credit that will follow the Federal tax credit that is used to create affordable housing. The Board of Housing may allocate \$1.5 million in credits per year beginning with TY 2026 and each allocated credit may be claimed for six years following the completion of the project. Credits are expected to begin being claimed in TY 2028 (FY 2029).

FISCAL ANALYSIS

Assumptions

1. HB 21 creates a Montana workforce housing tax credit to be allocated by the Board of Housing. The credits are nonrefundable, but may be carried forward up to five years and claimed against individual or corporate income taxes, as well as insurance taxes provided for in MCA 33-2-705, 33-2-709 and 50-3-109.
2. The credits would be allocated to qualified projects by the Board of Housing beginning with TY 2026 and continue for six years through TY 2031. The total credits allocated each year is capped at \$1.5 million unless there are some unallocated credits from the prior year that may be carried forward.
3. The projects receiving the credits would be able to claim the credits for six years beginning with the year that the project is completed and are placed in service. This effectively means that for the \$1.5 million allocated each year by the Board of Housing, the total credits claimed from those allocations will be \$9 million spread over six years. It is assumed that these projects will take two years to complete, so the first batch of credits are expected to be claimed in TY 2028, which would impact tax revenues in FY 2029.
4. The following table provided by the Board of Housing shows the credits allocated and claimed in each year and how much total credit amount would end up being claimed each year.

		Allocation Year of Credit					Annual Claims	FY Claimed	
		2026	2027	2028	2029	2030			2031
Year Claimed	2028	1,500,000					1,500,000	FY 2027	
	2029	1,500,000	1,500,000				3,000,000	FY 2028	
	2030	1,500,000	1,500,000	1,500,000			4,500,000	FY 2029	
	2031	1,500,000	1,500,000	1,500,000	1,500,000		6,000,000	FY 2030	
	2032	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000	FY 2031	
	2033	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000	FY 2032
	2034		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000	FY 2033
	2035			1,500,000	1,500,000	1,500,000	1,500,000	6,000,000	FY 2034
	2036				1,500,000	1,500,000	1,500,000	4,500,000	FY 2035
	2037					1,500,000	1,500,000	3,000,000	FY 2036
2038						1,500,000	1,500,000	FY 2037	

- It is assumed that all credits claimed will reduce income tax collections and resulting general fund revenue by an equal amount. This bill is expected to reduce general fund revenue by \$1.5 million in FY 2029 and then grow by \$1.5 million each year up to \$9 million in FY 2034, before dropping back down for another six years with the final \$1.5 million being claimed in FY 2039.
- The Department of Revenue would not incur any additional costs to administer this credit.

Department of Commerce

- Credits become available for tax years beginning January 1, 2026.
- The \$1,500,000 annual credit will be awarded for six years.
- Each annual award of credit will be taken for six years. i.e. if \$1,500,000 annual credits available that would be \$9 million over 6 years causing a cumulative effort from year to year.
- 2026 State credits will be awarded in 2025 in conjunction with 2026 Federal credits.
- Projects would be under construction in 2027 and 2028, with first credits being claimed in FY2029 (as presented in the board's table in assumption #4 above).
- The Board would charge a 5% administrative fee approximately 1/2 the Federal Credits (11% annual credit awarded). Based on the current affordable housing federal tax credit program currently administered by the board of housing, it is assumed the board would require 0.5 pay band 6 FTE to address the duties and responsibilities mandated in the bill. The personal services costs and operating expenses would be paid from the administrative fee not to exceed \$75,000 each year.
- Administrative fees are part of project costs so would not be a direct reduction in credits available.
- Credits issued will sunset in 6 years.

Basis for Fees HB21	2026	2027	2028	2029	2030	2031
Credits	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
5% Admin Fee	75,000	75,000	75,000	75,000	75,000	75,000

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	0.50	0.50	0.50	0.50
TOTAL Fiscal Impact	0.50	0.50	0.50	0.50
Expenditures				
Personal Services	\$37,500	\$37,500	\$38,063	\$38,633
TOTAL Expenditures	\$37,500	\$37,500	\$38,063	\$38,633
Funding of Expenditures				
Other	\$37,500	\$37,500	\$38,063	\$38,633
TOTAL Funding of Expenditures	\$37,500	\$37,500	\$38,063	\$38,633
Revenues				
General Fund (01)	\$0	\$0	\$0	(\$1,500,000)
Other	\$75,000	\$75,000	\$75,000	\$75,000
TOTAL Revenues	\$75,000	\$75,000	\$75,000	(\$1,425,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
Other	\$37,500	\$37,500	\$36,937	\$36,367
General Fund (01)	\$0	\$0	\$0	(\$1,500,000)

Significant Long-Term Impacts

- As shown in the table in assumption 4, the total credit amount claimed each year grows by \$1.5 million, peaking at \$9 million in FY 2032 and then declines by \$1.5 million each year through FY 2037.

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1/7/2025

Sponsor's Initials

Date

Budget Director's Initials

Date