



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0004: Revise taxation of homesite on certain agricultural property

Primary Sponsor: Becky Beard 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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<b>Expenditures</b>				
General Fund (01)	\$0	\$0	(\$981,000)	(\$988,000)
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$9,000	\$9,000
SEPTR	\$0	\$0	\$981,000	\$988,000
University	\$0	\$0	\$62,000	\$62,000
SEPTR	\$0	\$0	\$0	\$0
University	\$0	\$0	\$0	\$0
<b>Net Impact</b>	\$0	\$0	\$990,000	\$997,000
<b>General Fund Balance</b>				

#### Description of fiscal impact

##### Department of Revenue

SB 4 moves 1-acre homesites on qualified agricultural land from Class 3 agricultural property to Class 4 residential property. These agricultural homesites would be valued at market value and taxed at 1.35% after an exemption equal to the statewide average value of an agricultural homesite. Market values of agricultural homesites will increase substantially due to the switch from productive value to market value, but taxable value will see a more modest increase due to the exemption and the lower Class 4 tax rate. The change will apply to agricultural homesites beginning TY 2027 (FY 2028). Statewide taxable value would increase by an estimated \$10.3 million in TY 2027.

### FISCAL ANALYSIS

#### Assumptions

##### Department of Revenue

1. For FY 2025, the current productive market value of agricultural homesites is \$2,003 for one acre. Multiplied by the agricultural tax rate of 2.16%, the taxable value is \$43.26. This taxable value was grown by the HJ 2 growth rate for Class 3 property.
2. The market value of current agricultural homesites in FY 2025 was estimated based on models from the Property Assessment Division and grown according to HJ 2 estimates for Class 4 property.

3. The provisions of SB 4 apply to property beginning in tax year 2027, or FY 2028. The statewide average estimated market value of agricultural homesites was calculated for FY 2028 at \$74,760 and FY 2029 at \$75,303
4. The average agricultural homesite values were subtracted from the estimated market value of each homesite for each fiscal year to determine taxable market values after the exemption. Half of agricultural homesites would have a taxable market value of \$0 as their market value is less than the statewide average being exempted.
5. For the half of homesites with some amount of taxable market value, the market value over the exemption was multiplied by the residential tax rate of 1.35% to estimate the post-exemption taxable value.
6. The difference in the current Class 3 taxable value and the estimated Class 4 taxable value was calculated for each agricultural homesite.
7. The taxable value difference was summed statewide. The estimated statewide taxable value increase is \$10,329,000 in FY 2028 and \$10,400,000 in FY 2029.
8. The following table contains the resulting fiscal impact to state special revenue accounts from the 95 school equalization mills, 6 university mills, and 1.5 vo-tech mills (in certain counties).

Fund	FY2028	FY2029
School Equalization	\$981,000	\$988,000
University	\$62,000	\$62,000
Vo-tech	\$9,000	\$9,000
<b>Total State Impact</b>	<b>\$1,052,000</b>	<b>\$1,059,000</b>

**Fiscal Analysis Table**

<b>Department of Revenue</b>				
	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>	<b>FY 2028 Difference</b>	<b>FY 2029 Difference</b>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Local Assistance	\$0	\$0	(\$981,000)	(\$988,000)
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$981,000)</b>	<b>(\$988,000)</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$0	\$0	(\$981,000)	(\$988,000)
<b>TOTAL Funding of Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$981,000)</b>	<b>(\$988,000)</b>
<b><u>Revenues</u></b>				
General Fund (01)	\$0	\$0	\$9,000	\$9,000
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	\$0	\$0	\$981,000	\$988,000
University	\$0	\$0	\$62,000	\$62,000
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,052,000</b>	<b>\$1,059,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	\$0	\$0	\$990,000	\$997,000
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	\$0	\$0	\$981,000	\$988,000
University	\$0	\$0	\$62,000	\$62,000

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

**Department of Revenue**

1. Statewide taxable value is estimated to increase \$10.3 million in FY 2028( Statewide Taxable Value in FY 2025 was \$4.725,billion) but the impact varies by county. Rural counties with agricultural homesite market values below the statewide average will lose taxable value as those homesites' taxable value will be reduced to zero. Urban counties with high-value agricultural homesites above the statewide average will see an increase in taxable value. In FY 2028, Gallatin County would see an estimated \$5.1 million increase in taxable value, making up half of the statewide net taxable value increase. The counties with the next largest nominal increases in taxable value are Park (\$1.7 million), Ravalli (\$1.4 million), Flathead (\$1.0 million), and Missoula (\$0.5 million). Meanwhile, most counties in Eastern Montana would see a decrease in taxable value because the market values of their agricultural homesites are below the statewide average, with Cascade County losing the most at about \$48,000. The taxable value losses per homesite are limited by the difference between the current productive taxable value and zero, while the taxable value increases are not capped in a similar way.

*BB*

Sponsor's Initials

*1-9-25*

Date



Budget Director's Initials

*1/8/2025*

Date