



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0560.01: Provide for a hospital community benefit fee

Primary Sponsor: Matt Regier 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 <u>Difference</u>	FY 2027 <u>Difference</u>	FY 2028 <u>Difference</u>	FY 2029 <u>Difference</u>
Expenditures				
Revenues				
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

SB 560 creates a hospital community benefit fee. Nonprofit hospitals must annually report their net community benefits to the Department of Health and Human Services (DPHHS) and establishes a funding program for critical access hospitals. If the community benefit is less than the property taxes that would be assessed against the hospital, the difference must be paid in a fee to DPHHS. Assuming all hospitals have community benefit (although unknown) greater than the taxes they would pay if they were not exempt, there is no fiscal impact from SB 560.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (DPHHS)

1. This bill applies only to the nine nonprofit hospitals in Montana.
2. Any nonprofit hospital that fails to provide community benefit equal to or greater than their property tax liability would be required to pay the department's Office of the Inspector General (OIG) the difference between their tax liability and community benefit.
3. Section 3 requires the assessment fee to be deposited into the critical access health care state special revenue account and be used to provide funding for Montana's Critical Access Hospitals not affiliated with another hospital.
4. DPHHS will incur some costs associated with implementing the provisions of SB 560, but those costs are indeterminable at this time.

Department of Revenue (DOR)

5. SB 560 creates a new fee levied against hospitals that incur fewer expenses related to community benefit than the benefit of their tax-exempt status for property taxes.
6. Hospitals must annually report the community benefit from the net community benefit expenses, net community building expenses, and total bad debt and Medicare shortfall amounts listed by the nonprofit hospital on schedule H submitted to the IRS.

Fiscal Note Request - As Introduced*(continued)*

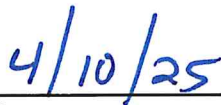
7. The Department of Revenue will annually supply DPHHS the amount of property taxes a nonprofit hospital would have owed if it were not exempt under 15-6-201.
8. If the community benefit does not exceed the foregone property taxes calculated by the DOR, the hospital must pay the difference between the two calculations. This revenue is deposited to a new special revenue account for the support of critical access health care funding.
9. In Tax Year 2024, the total taxes that nonprofit hospitals would have paid if they were subject to taxation was approximately \$29.7 million, not adjusted for community benefits,
10. Costs associated with implementation will be absorbed by the Department of Revenue.

Fiscal Analysis Table

	<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>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>



Sponsor's Initials



Date



Budget Director's Initials

4/9/2025

Date



Dedication of Revenue 2027 Biennium

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17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes

All non-profit hospitals are subject to the non-profit hospital property tax fee, with the benefit going to critical access hospitals.

2. What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

No

3. Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

Yes

This is a new source and would act as supplemental support for critical access hospitals.

4. Does the need for this state special revenue provision still exist?

No

5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No

The legislature will be able to track any expenditures through dedicated accounting identifiers.

6. Does the dedicated revenue fulfill a continuing, legislatively recognized need?

No

7. How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?

No

There are no efficiencies as this is a new funding source for critical access hospitals.