



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0090.02 (002): Redistribute certain state tax revenue to primary residence property tax relief**

Primary Sponsor: Carl Glimm Status: As Amended in Senate Committee

- 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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
Revenues				
General Fund (01)	(\$56,114,959)	(\$58,128,858)	(\$60,323,039)	(\$62,363,024)
State Special Revenue (02)	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
Net Impact	<u>(\$56,114,959)</u>	<u>(\$58,128,858)</u>	<u>(\$60,323,039)</u>	<u>(\$62,363,024)</u>
General Fund Balance				

Description of fiscal impact

SB 90, as amended, would create a state property tax assistance account funded by 75% of both the lodging sales and rental vehicle taxes, which are currently distributed to the general fund. Each year, the Department of Revenue (DOR) would retain 2% of the fund to administer a certification process for primary residences. The remainder of the account would be divided by the number of primary residences to calculate the property tax assistance each residence receives. The amendment adds that single-family primary residences with an improvement valued at \$1.5 million or greater would be ineligible for the assistance. DOR would distribute the property tax assistance to each county according to the number of primary residences in the county. Counties would list the property tax assistance amount as a credit on the primary residence owner's property tax bill. There would be no impact to state or local mill levies or collections, but counties would be permitted to retain any amount that exceeds a primary residence's tax liability. As amended, SB 90 will cost the state general fund \$56.1 million in FY 2026 and \$58.1 million in FY 2027.

FISCAL ANALYSIS

Assumptions

Department of Revenue

- SB 90 as amended, directs the lodging sales tax and rental vehicle tax revenue in 15-68-820, MCA, from the general fund to the new state property tax assistance program.
- Currently 75% of collections from both the lodging sales tax and the rental vehicle tax are distributed to the general fund.
- Rental vehicle tax revenue is currently distributed to the general fund (75%) and a special revenue account

funding transportation services for senior citizens and persons with disabilities (25%). SB 90, as amended, would redirect the 75% from the general fund to the property tax assistance account created in this bill.

- The 75% of lodging sales tax currently directed to the general fund is forecast to be \$48.1 million in FY 2026. The table below shows the general fund revenue diverted to the state property tax assistance program.

	FY 2026	FY 2027	FY 2028	FY 2029
Lodging Tax	\$48,107,753	\$50,080,230	\$52,202,549	\$54,048,811
Vehicle Tax	\$8,007,206	\$8,048,628	\$8,120,490	\$8,314,213
TOTAL	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024

- Approximately 230,000 primary residences will be eligible in FY 2026 and that is expected to grow by 2,000 each year. The following table shows the approximate amount of funding that would be directed to the property tax assistance account and the estimated assistance per residence.

	Property Tax Assistance Account	DOR administrative allowance (2%)	Primary Residences	Ineligible Primary Residences	Assistance per Residence
FY 2026	\$56,000,000	\$1,120,000	230,000	1,000	\$239.65
FY 2027	\$58,000,000	\$1,160,000	232,000	1,000	\$246.06
FY 2028	\$60,000,000	\$1,200,000	234,000	1,000	\$252.36
FY 2029	\$62,000,000	\$1,240,000	236,000	1,000	\$258.55

- It is estimated that the Property Assessment Division would need 13.00 FTE in FY 2026 to process about 230,000 initial applications for primary residences and 2.00 FTE in subsequent years for ongoing applications from home sales and new construction. Personal services expenses are held constant in FY 2026 and FY 2027 and grow by 1.5% per year.
- Additional costs will be required for the department to develop an application process, equipment, and mail decision letter to applicants at a cost of \$546,343 in FY 2026 and ongoing costs of \$47,506 in FY 2027 and beyond.
- As amended, SB 90 does not have any fiscal impact on the Department of Commerce, the Long Range Building Program, or the Montana University System.

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Fiscal Impact				
FTE	13.00	2.00	2.00	2.00
TOTAL Fiscal Impact	13.00	2.00	2.00	2.00
Expenditures				
Personal Services	\$773,889	\$120,466	\$121,894	\$123,342
Operating Expenses	\$447,889	\$47,506	\$47,858	\$48,220
Equipment	\$98,454	\$0	\$0	\$0
Local Assistance	\$0	\$0	\$0	\$0
Property Tax Assistance	\$54,794,727	\$57,960,886	\$60,153,287	\$62,191,462
TOTAL Expenditures	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
Funding of Expenditures				
State Special Revenue (02)	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
TOTAL Funding of Expenditures	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
Revenues				
General Fund (01)	(\$56,114,959)	(\$58,128,858)	(\$60,323,039)	(\$62,363,024)
State Special Revenue (02)	\$56,114,959	\$58,128,858	\$60,323,039	\$62,363,024
TOTAL Revenues	\$0	\$0	\$0	\$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
State Special Revenue (02)	\$0	\$0	\$0	\$0
General Fund (01)	(\$56,114,959)	(\$58,128,858)	(\$60,323,039)	(\$62,363,024)

Effect on County or Other Local Revenues or Expenditures

1. SB 90 specifies that funds distributed to counties from the property tax assistance account may not be included in the maximum mill levy calculation in 15-10-420, MCA. Local mill levies will not be affected by SB 90.
2. However, counties are permitted to retain any amount of the property tax assistance distribution that exceeds the property tax billed to a primary residence. For example, if a primary residence’s property tax liability is \$200 and the per-residence distribution from the property tax assistance account is \$250, the county may retain the \$50 extra for that residence. Counties with low residential property values and/or a low share of primary residences as a percent of the tax base will be able to retain more revenue as more of their primary residences’ tax liabilities will be under the per-residence distribution amount.

Technical Concerns

1. The Department would need an appropriation to spend the 2% allowed to cover administrative costs.



2-7-25



2/6/2025

Sponsor's Initials

Date

Budget Director's Initials

Date