



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

<b>Bill #</b>	<b>SB0099</b>	<b>Title:</b>	<b>Revise unrelated business taxable income to include certain rental and accommodations income</b>
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<b>Primary Sponsor:</b>	<b>Becky Beard</b>	<b>Status:</b>	<b>As Introduced</b>
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 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>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	unknown	unknown	unknown
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>unknown</u>	<u>unknown</u>	<u>unknown</u>

**Description of fiscal impact:** SB 99 classifies rental income from agricultural property and short-term accommodations as unrelated business income for tax-exempt organizations. This rental income will become taxable for tax-exempt organizations with these types of rental activities and is expected to create an income tax liability. It is unknown how many of these organizations will be required to file and have a tax liability under this bill, so the total general fund revenue impact is unknown.

### FISCAL ANALYSIS

#### Assumptions:

1. SB 99 adds two types of rental income to the types of unrelated business income that is not exempt from tax for tax-exempt organizations. These two types of income are:
  - a. rental income from the leasing of class three agricultural property classified under 15-6-133(1)(a) or (1)(c), MCA
  - b. Income derived from providing short-term accommodations subject to the lodging facilities use tax (15-65-111 or 15-68-102, MCA)
2. This bill is expected to impact non-profit, tax-exempt organizations in Montana who generate rental income from short-term accommodations and/or the leasing of class three agricultural property.

**Fiscal Note Request – As Introduced**

*(continued)*

3. It is unclear how many tax-exempt organizations or individuals with income from one or both of these sources may be subject to a tax liability under this bill because they currently do not have to file a return. Without tax return data to reference to formulate an estimate, the total tax liability and general fund impact of SB 99 is unknown.
4. This bill is effective beginning with tax year 2026, so collections would likely begin in FY 2027.
5. The Department of Revenue will likely have to implement new rules and form changes to indicate the taxable revenue on K1's provided from pass-through entities to tax exempt owners. The department will also likely have additional compliance and audit work related to this bill but expects to be able to absorb this work without additional FTE.

	<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>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<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>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	unknown	unknown	unknown
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	unknown	unknown	unknown
State Special Revenue (02)	\$0	\$0	\$0	\$0

**NO SPONSOR SIGNATURE**

1/15/25  
~~90~~

Sponsor's Initials

Date

Budget Director's Initials

Date