



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0963 - Generally revise state financing laws and create tax rebate fund (Regier, Matt)

Status: As Introduced

- 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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 963 creates a state special revenue tax rebate account which is to be funded from FY 2023 adjusted revenues over the HJ 2 revenue estimate. These funds are to be rebated to qualifying TY 2022 Montana resident individual income tax filers. The value of the maximum rebate is determined by the level over the general fund HJ 2 estimate FY 2023 after adjusting for statutory reserve transfers. Qualifying taxpayers receive a rebate of their TY 2022 tax liability up to the calculated maximum rebate, if revenue thresholds are met.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- HB 963 creates a state special revenue fund to be known as the "tax rebate fund." By August 1, 2024, the state treasurer is required to calculate the difference in actual revenue collections and the revenue estimates for FY 2024. After making adjustments for legislation and other funds, the difference between actual collections and revenue forecasts are to be deposited into the tax rebate fund.

2. If the balance of the tax rebate fund exceeds \$100 million, the Department of Revenue is required to provide an income tax rebate to full-year resident taxpayers who filed a return in TY 2022. The rebate amount is dependent on the balance in the rebate fund and the taxpayer’s liability. The Department of Revenue is required to send out the rebates by October 1, 2024.
3. It is assumed that the revenue forecasts adopted by the Revenue Interim Committee are correct after adjusting the estimates for legislation passed by the 2023 Legislature.
4. With revenue forecasts assumed to be accurate, the transfer of funds into the tax rebate fund is assumed to be zero and no income tax rebates will be issued.
5. The Department of Revenue does not expect to incur significant costs as a result of the proposed bill.

Long-Term Impacts:

1. If the Department of Revenue is required to issue rebates, the department estimates it would incur \$208,352 in additional costs to mail taxpayers their income tax rebates.
2. From 2003 through 2021, actual Biennial General Fund revenues have ranged between \$356 million below revenue forecasts (2017 Biennial) and \$657 million above revenue forecasts (2007 Biennial). Of the 10 biennial periods between 2003 and 2021, a total of four had actual revenues exceed HJ 2 revenue forecasts by at least \$100 million and may have triggered a rebate under similar conditions as those proposed in HB 963.

Technical Notes:

1. The limited time frame between the transfer of funds to the state special revenue account (August 15) and issuing the rebates (October 1) may not be sufficient for the Department of Revenue to issue refunds if the department is required to verify debt offsets. The Department of Revenue expects the rebate process to require until the end of October to complete.
2. The bill makes several references to the “tax reduction fund.” This appears to be a reference to the “tax rebate fund” created in section 1 of the bill. The references to the fund should be changed to remain consistent with the name of the fund in section 1.

MJR

Sponsor’s Initials

Date

RO

Budget Director’s Initials

3-30-23

Date