



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0510 - Provide property tax incentives for alternative fuel production (Fitzpatrick, Steve)

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	(\$750,000)	(\$834,000)	(\$928,000)
State Special Revenue	\$0	(\$47,000)	(\$52,000)	(\$58,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$750,000)</u>	<u>(\$834,000)</u>	<u>(\$928,000)</u>

Description of fiscal impact: SB 510 adds renewable diesel production facilities and sustainable aviation fuel production facilities to the list of facilities that are eligible for the energy production or development property tax abatement. These facilities apply for the abatement through the Department of Environmental Quality (DEQ) and, if approved, are assessed at 50% of their taxable value. Currently, one additional refinery, located in Great Falls, would qualify for the abatement under the new rules, resulting in a state revenue decrease and local tax shift.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- The addition of renewable diesel and sustainable aviation production facilities to the energy production or development property tax abatement would qualify one more existing production facility to receive the 50% taxable value assessment.
- The estimated market value of this facility is \$544 million in TY 2023. About \$75 million of that total consists of exempt pollution control equipment, leaving \$466 million of market value that would be classified as Class 14 renewable energy production property eligible for the abatement under SB 510. At the Class 14 tax rate of 3%, the TY 2023 taxable value of this property is estimated to be \$16.5 million.

3. In TY 2022, Cascade County and the city of Great Falls approved the facility’s application to be considered new and expanding industry so is assessed at 50% of its taxable value at the local level. This taxable value reduction does not apply to state mills. See the Local Revenue Effect section of this fiscal note for more information.
4. Taxable value of Class 14 property is forecast by HJ 2 to increase by 11.2% per year. The state’s 95 general fund mills and six university mills were applied to the taxable value to estimate the state revenue impact of offering the 50% taxable value abatement to this facility. Because the facility is in Great Falls, the 1.5 vo-tech mills also apply.
5. The bill applies to tax years beginning after December 31, 2023, so there is no impact to TY 2023/FY 2024.
6. The following table displays the taxable values under present law and SB 510 and the expected differences in general fund and university revenue.

Tax Year	Present Law State Taxable Value	SB 510 State Taxable Value	General Fund Difference	University Difference
2024	\$15,545,760	\$7,772,880	(\$750,083)	(\$46,637)
2025	\$17,286,885	\$8,643,443	(\$834,092)	(\$51,861)
2026	\$19,223,016	\$9,611,508	(\$927,511)	(\$57,669)

7. Administrative costs are expected to be minimal and will be absorbed by the Department of Revenue.

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	(\$750,000)	(\$834,000)	(\$928,000)
State Special Revenue (02)	\$0	(\$47,000)	(\$52,000)	(\$58,000)
TOTAL Revenues	\$0	(\$797,000)	(\$886,000)	(\$986,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$750,000)	(\$834,000)	(\$928,000)
State Special Revenue (02)	\$0	(\$47,000)	(\$52,000)	(\$58,000)

Effect on County or Other Local Revenues or Expenditures:

1. The existing facility that would receive the energy production or development tax abatement under SB 510 is in Great Falls. Currently, the facility is in the second year of its new and expanding industry tax incentive, which reduces its local taxable value by 50% for the first five years. The energy production or development

tax abatement would reduce that taxable value by another 50%. If this bill is passed and DEQ approves the tax abatement, this facility’s local taxable value would be 25% of its assessed taxable value until TY 2027, when the new and expanding industry incentive phases out at 10% per year. The following table displays the taxable value at which local mills will be assessed on this facility for TY 2024 – TY 2026.

<u>Tax Year</u>	<u>Present Law Local Taxable Value</u>	<u>SB 510 Local Taxable Value</u>
2024	\$7,772,880	\$3,886,440
2025	\$8,643,443	\$4,321,721
2026	\$9,611,508	\$4,805,754

2. A shift to other property taxpayers will occur in local tax jurisdictions in which the facility is located by the additional loss of taxable value.
3. Other areas in which future renewable diesel and sustainable aviation fuel production facilities are built would similarly forgo property tax revenue from these facilities.

NO SPONSOR SIGNATURE

Sponsor’s Initials

3/20/23

Date

Budget Director’s Initials

3-17-23

Date