



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0524 - Revise unrelated business taxable income to include certain legal fees (Hertz, Greg)

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
Revenue:				
General Fund	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance:	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

Description of fiscal impact: SB 524 changes the taxability of non-profit corporation's income if the income is associated with certain fees and costs. At this time, the Department of Revenue cannot determine how much income would be impacted by the proposed change.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- SB 524 would change the classification of certain legal fees and costs for non-profit corporations so that any income used to support the re-classified expenditures is considered taxable income and is subject to the state's corporate income tax. The associated income is considered taxable if the income is used to cover the legal fees and costs for the non-profit corporation of challenging or supporting a "government action."
- The bill defines "government action" as the implementation or application of the federal Clean Air Act, the federal Clean Water Act, the federal Endangered Species Act, the federal Surface Mining Control and Reclamation Act, the National Environmental Policy Act, or federal oil and coal leasing laws.
- The changes made by SB 524 are effective upon passage and approval of the bill.
- Overall, the proposed changes could increase taxable unrelated business income for at least some Montana non-profits. The net effect of this change is likely some increase in corporate taxable incomes and corporate tax liabilities.

5. The Department of Revenue does not have information on the amount of spending by non-profits that would meet the definition of SB 524 income or the non-profit’s associated income at this time. Because of this, the Department of Revenue cannot reasonably estimate the size of the revenue increase associated with the proposed change.
6. The DOR will need to review the information provided by the non-profits impacted by the proposed change. The number of non-profit entities that would need to report, and file, based on this SB 524 income and the level of the associated taxable income are unknown. The Department assumes that these costs would be absorbable within the department’s budget and staff, but these costs are also currently unknown.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	Unknown	Unknown	Unknown	Unknown
TOTAL Revenues	Unknown	Unknown	Unknown	Unknown
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	Unknown	Unknown	Unknown	Unknown

NO SPONSOR SIGNATURE

Sponsor's Initials	3/27/23 Date	 Budget Director's Initials	3-27-23 Date
--------------------	-----------------	--	-----------------