



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Local Government Fiscal Impact 2025 Biennium

**Bill information:**

HB0861 - Provide business property tax exemption during state of emergency or disaster (Phalen, Bob )

**Status:** As Introduced

Check the box if "Yes".

This act has a significant impact on local government revenues or expenditures for which no specific means of financing has been provided in the bill.

### FISCAL SUMMARY

|                                       | <u>FY 2024</u><br><u>Difference</u> | <u>FY 2025</u><br><u>Difference</u> | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expenditures:</b>                  |                                     |                                     |                                     |                                     |
| General Fund                          | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b>Revenue:</b>                       |                                     |                                     |                                     |                                     |
| General Fund                          | <u>\$0</u>                          | <u>\$0</u>                          | <u>\$0</u>                          | <u>\$0</u>                          |
| <b>Net Impact-General Fund Balanc</b> | <u><u>\$0</u></u>                   | <u><u>\$0</u></u>                   | <u><u>\$0</u></u>                   | <u><u>\$0</u></u>                   |

**Description of fiscal impact:** HB 861 creates a property tax exemption for class 4 and class 8 property owned by a business that has been impacted by a government mandated curfew or capacity reduction that lasts for longer than 14 days. The exemption is applied against the taxes owed to the government entity that imposed the restriction. There are not any anticipated government mandated shutdowns expected in the forecast period, therefore there is no fiscal impact. If there were a shutdown at either the local or state level, the Department of Revenue (DOR) is likely to incur significant additional costs associated with reviewing exemption applications and assisting counties in administration of HB 861.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**

1. HB 861 creates an "initial exemption credit" of 25% of property taxes owed to the government entity that imposed the curfew or capacity reduction for the tax year.
2. There is an "extended exemption credit" equal to the number of days of impacted business operations divided by 365 multiplied by the tax bill.
3. A business is eligible for the initial exemption if the government restriction is in place at least 14 days before the property tax payment deadline.

4. The taxpayer must pay the full amount of taxes owed at that payment deadline, and then is eligible for the initial property tax exemption and calculated extended property tax exemption against the amount of taxes owed on the next property tax bill.
5. The DOR would calculate the exemption amount and certify that number to the county treasurer after receipt of an exemption application from an eligible business.
6. If the payment deadline corresponds to the November 30 deadline as the first half of property tax payments, the county treasurer is required to issue a revised tax bill for the second half of the property tax year payment that incorporates the exemption amount calculated by the DOR. Otherwise the next applicable tax bill would be the tax bill of the following tax year.

**Long-Term Impacts to Local Governments:**

1. Neither the DOR nor the tracking systems of counties are set up to handle a percentage reduction to a tax bill for only a portion of mills. The necessary changes are likely to have a significant cost to local governments to track and administer the reduction in taxes. These changes and costs would be necessary even if the governor were to be the authority imposing the business restriction.

**Technical Notes:**

1. It is not clear if a business “inherits” the property tax exemption if the business is sold between the exemption application and the next tax bill to which the exemption applies.
2. There could be challenges determining the governmental entity responsible for the business limitation that would trigger the HB 861 exemptions. Under 50-1-101(8), MCA, the local health office could be a governing body with a combination of elected officials representing multiple jurisdictions. The bill open to multiple interpretations of which jurisdiction’s property tax credit would apply.
3. Sections 1 and 3 of HB 861 limit the use of the emergency levy provisions of 10-3-405, MCA. These emergency levy provisions provide required local match funds for state and local disaster assistance. Depending on how the HB 861 limitation might apply to the emergency levies, or to the use of the HB 861 credits could reduce emergency levy collections and could further reduce available disaster funding.

Sponsor’s Initials

Date

Budget Director’s Initials

Date