



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0870 - Revise tax rate for agricultural property owned by certain nonprofits (Ler, Brandon)

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	\$5,500	\$13,000	\$21,000
State Special Revenue	\$0	\$350	\$840	\$1,350
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$5,500</u>	<u>\$13,000</u>	<u>\$21,000</u>

Description of fiscal impact: HB 870 sets a multiplier of 10 on the taxable value of agricultural property transferred to certain nonprofits. Based on historic transfers, the taxable value of agricultural land would be expected to increase by \$82,000 per year above current law.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- Based on ownership records of nonprofits subject to increased taxable value under HB 870, an average of 6,580 acres would be subject to the HB 870 multiplier. The average taxable value per acre for this land in TY 2022 was \$1.38.
- The 6,580 acres of land transferred yearly will have a taxable value of \$9,080 before transferring to nonprofit ownership, and a value of \$90,804 afterwards. This is an increase of \$81,724 per year.
- Assuming that land transfers are constant throughout the year and passage and approval would occur 30% of the way through 2023, the acreage subject to the increased tax rate for TY 2024 would be 4,600 acres.
- HB 870 taxable value growth is \$57,400 in TY 2024, \$139,400 in TY 2025, and \$221,400 in TY 2026.

- This taxable value generates general fund dollars from the 95 mills levied for school equalization and state special revenue dollars from the 6 mills levied for the Montana University System.
- The department would absorb the costs associated with HB 870 as part of the annual processes.

Fiscal Impact:	FY 2024	FY 2025	FY 2026	FY 2027
Department of Revenue	<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	\$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	\$5,500	\$13,000	\$21,000
State Special Revenue (02)	\$0	\$350	\$840	\$1,350
TOTAL Revenues	\$0	\$5,850	\$13,840	\$22,350

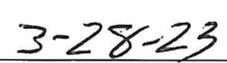
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$5,500	\$13,000	\$21,000
State Special Revenue (02)	\$0	\$350	\$840	\$1,350

Effect on County or Other Local Revenues or Expenditures:

- Assuming taxing jurisdiction budgets are equal with and without HB 870, the taxable value increases will cause a small decrease in local mills in jurisdictions where agricultural land is transferred to certain nonprofits.

Technical Notes:

- The Property Assessment Division of the Department of Revenue (DOR) does not track the nonprofit status of corporations except those that apply for an exemption on a property. There would need to be changes made to the Realty Transfer Certificate (RTC) that buyers and sellers of property are required to complete and file with the clerk and recorder indicating whether the buyer is a nonprofit corporation and what type of nonprofit corporation they are to determine whether they are an excluded entity or not.
- The effective date of passage and approval does not give the DOR time to revise the RTC form to address the issues raised in Technical Note #1. It is recommended to change the effective date to allow the department adequate time to implement HB 870.

 _____ Sponsor's Initials	 _____ Date	 _____ Budget Director's Initials	 _____ Date
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