



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0090: Redistribute certain state tax revenue to primary residence property tax relief**

Primary Sponsor: Carl Glimm Status: As Introduced

- Included in the Executive Budget     
 Needs to be included in HB 2     
 Significant Local Gov Impact  
 Significant Long-Term Impacts     
 Technical Concerns     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$1,320,232	\$167,972	\$169,752	\$171,562
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce	(\$37,932,934)	(\$39,516,176)	(\$41,580,890)	(\$43,062,823)
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
Property Tax Assistance	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
<b>Revenues</b>				
General Fund (01)	(\$48,107,753)	(\$50,080,230)	(\$52,202,549)	(\$54,048,811)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce	(\$37,932,934)	(\$39,516,176)	(\$41,580,890)	(\$43,062,823)
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
Property Tax Assistance	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
<b>Net Impact</b>	<u>(\$49,427,985)</u>	<u>(\$50,248,202)</u>	<u>(\$52,372,301)</u>	<u>(\$54,220,373)</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 90 would create a state property tax assistance account funded by portions of the lodging facility and sales taxes and the rental vehicle tax. Each year, the Department of Revenue would retain 2% of the fund to administer a certification process for primary residences. The remainder of the fund would be divided by the number of primary residences to calculate the property tax assistance each residence receives. The department would distribute the property tax assistance to each county according to the number of primary residences in the county. Counties would list the property tax assistance amount as a credit on the primary residence owner's property tax bill. The program would redirect revenue from the general fund and various state special revenue accounts to the property tax assistance account. There would be no impact to state or local mill levies or collections, but counties would be permitted to retain any amount that exceeds a primary residence's tax liability.

### FISCAL ANALYSIS

**Assumptions**

**Department of Revenue**

1. Currently, 60.2% of the lodging facility use tax is distributed to the Department of Commerce for tourism promotion, which will increase to 63% in FY 2027, 2.5% is distributed to the Montana University System, and the lessor of \$1 million or 2.7% is distributed to the Montana Heritage Preservation fund until FY 2027. SB 90 would redirect all of the revenue for those funds (a total of 65.4% of lodging facility revenue in FY 2026 and 65.5% in FY 2027 and beyond) to the new property tax assistance account, which is projected to be \$41.95 million in FY 2026. The other 34.5% of revenue would continue to be distributed to other state special revenue accounts as currently established.
2. Of revenue generated from the lodging sales tax, 75% is currently distributed to the state general fund and 7% is directed to the long-range building program. SB 90 would redirect this revenue to the property tax assistance account, which is projected to be \$52.60 million in FY 2026. The remaining 18% would be distributed to other accounts as currently established.
3. Rental vehicle tax revenue is currently distributed to the general fund (75%) and a special revenue account funding transportation services for senior citizens and persons with disabilities (25%). SB 90 would redirect the 75% from the general fund to the property tax assistance account, which is estimated to be \$8.01 million in FY 2026.
4. In summary, 65.5% of the lodging facility use tax, 82% of the lodging sales tax, and 75% of the rental vehicle tax would be distributed to the property tax assistance account. The following table contains the estimated impact in millions to all affected accounts for the next two biennia.

Account	FY 2026	FY 2027	FY 2028	FY 2029
Property Tax Assistance	\$93.106	\$96.912	\$100.382	\$103.945
General Fund	(\$48.108)	(\$50.080)	(\$52.203)	(\$54.049)
Commerce	(\$37.933)	(\$39.516)	(\$41.581)	(\$43.063)
University	(\$1.575)	(\$1.641)	(\$1.727)	(\$1.788)
Montana Heritage and Preservation	(\$1.000)	(\$1.000)		
Long Range Building	(\$4.490)	(\$4.674)	(\$4.872)	(\$5.045)

5. There will be about 230,000 primary residences in FY 2026, which is expected to grow by 2,000 per year. The next table estimates the assistance available for each primary residence.

	Property Tax Assistance Account	DOR allowance (2%)	Primary Residences	Assistance per Residence
<b>FY 2026</b>	\$102,555,000	\$2,051,100	230,000	\$436.97
<b>FY 2027</b>	\$106,540,000	\$2,130,800	232,000	\$450.04
<b>FY 2028</b>	\$110,785,000	\$2,215,700	234,000	\$463.97
<b>FY 2029</b>	\$114,610,000	\$2,292,200	236,000	\$475.92

6. It is estimated that the Property Assessment Division would need 13.00 FTE in FY 2026 to process about 230,000 initial applications for primary residences and 2.00 FTE in subsequent years for ongoing applications from home sales and new construction.
7. Additional costs will be required to develop an application process and mail decision letters to applicants.

**Department of Commerce**

8. Under current law the Department of Commerce receives 60.2% of the 4% lodging facilities use tax for the following uses specified in 90-1-122, MCA
  - a. 43% for tourism media, advertising film programs, made-in-Montana promotions and main street programs, wayfinding and signage, and support to trade offices;
  - b. 22.5% for rural tourism, under-visited area attraction projects, and tribal tourism, including infrastructure, tourism-related emergency services, marketing, and promotional activities;
  - c. 23% for tourism grants, including agritourism grants and Montana-based film grants;

- d. 6.5% for revolving loan programs and regional tourism assistance; and
  - e. 5% to use in collaboration with the office of economic development established in 2-15-218 for new tourism attractions, other state business development programs, and support for the activities in this section.
9. Per 15-65-121, MCA, the lodging facility use tax funds allocated to the department are statutory appropriated. For the purposes of this fiscal note, it is assumed that all revenue allocated will be expended.
  10. Per 15-68-820, MCA, the department currently receives 4.11% (68.5% of 6%) of the lodging sales tax for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
  11. Current HJ 2 estimates suggest that the amount of the lodging sales allocated to the department will be \$2.6 million in FY 2026, \$2.7 million in FY 2027, \$2.9 million in FY 2028, and \$3.0 million in FY 2029.
  12. The Brand MT division within the Department of Commerce currently employs 31.00 FTE to support the activities specified in 90-1-122, MCA, and 15-68-820, MCA, and is entirely funded by the lodging facility use tax and the lodging sales tax allocations.
  13. SB 90 repeals 90-1-122, MCA, and eliminates the lodging use tax allocation to the department, leaving the 4.11% of the lodging sales tax as the sole source of funding for the promotion of tourism and film.
  14. The impact to the Brand MT division would be a budget reduction of \$37.9 million in FY 2026, \$39.5 million in FY 2027, an estimated \$41.6 million in FY 2028, and an estimated \$43.1 million in FY 2029.
  15. Reduced expenditures would be realized through the elimination of the following programs: the Governor's Conference on Tourism, Made in Montana marketing, Rural Tourism Development, Montana Film Office, statewide tourism marketing both domestic and international, statewide tourism industry research, Montana Main Street Program, state Diplomacy Program, the Japan Trade Office and the Taiwan Trade Office. Tribal economic development would be reduced. Additionally, the following grant programs would be eliminated: Pilot Community Readiness Grants, Agritourism Grants, Event Grants, Emergency Services Travel Related Grants, Tourism Development and Enhancement Revolving Loan Grant Program, Tribal Tourism Small Business Grants, Tribal Tourism Grant Program, Regional Assistance Grant Program and the Big Sky Film Grants.
  16. The department estimates it would eliminate 26.00 FTE currently funded through the lodging use tax allocation.
  17. Per 15-65-121, MCA, the Montana Heritage Commission (MHC) receives 2.7% or \$1 million, whichever is less, of the lodging facilities use tax, until July 1, 2027, at which time the allocation for MHC is reduced to \$400,000 each year. In each year since the 2.7% allocation was established the \$1 million cap has been reached and current HJ 2 estimates suggest that would continue to be the case through the 2027 biennium. SB 90 eliminates the 2.7% allocation for the 2027 biennium.
  18. The impact to MHC is a reduction in funding of \$1 million in each FY 2026 and FY 2027.
  19. The reduction in funding would result in a reduction in marketing expenditures, preservation and maintenance expenditures, and a reduction in seasonal staffing equivalent to 1.00 FTE.

**Long Range Building**

20. Long Range Building would see a reduction in available revenue due to changes in lodging facility use tax of 7% which would be \$4.5 million in FY 2026, \$4.7 million in FY 2027, \$4.9 million in FY 2028, and \$5.0 million in FY 2029.

**Montana University System**

21. The Montana University System would have a decrease of approximately \$1.5 million per year which funds the travel research program.

Fiscal Analysis Table

<b>Department of Commerce</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Fiscal Impact</u></b>				
FTE	-27.00	-27.00	-26.00	-26.00
<b>TOTAL Fiscal Impact</b>	<b><u>-27.00</u></b>	<b><u>-27.00</u></b>	<b><u>-26.00</u></b>	<b><u>-26.00</u></b>
<b><u>Expenditures</u></b>				
Personal Services	(\$2,377,369)	(\$2,386,430)	(\$2,363,770)	(\$2,399,226)
Operating Expenses	(\$26,387,490)	(\$27,588,384)	(\$29,346,333)	(\$30,447,358)
Equipment	(\$150,000)	(\$150,000)	\$0	\$0
Transfers	(\$108,580)	(\$108,580)	(\$110,209)	(\$111,862)
Capital Outlay	\$0	\$0	\$0	\$0
Grants	(\$8,724,575)	(\$9,088,720)	(\$9,563,605)	(\$9,904,449)
Debt Service	(\$184,920)	(\$194,062)	(\$196,973)	(\$199,928)
<b>TOTAL Expenditures</b>	<b><u>(\$37,932,934)</u></b>	<b><u>(\$39,516,176)</u></b>	<b><u>(\$41,580,890)</u></b>	<b><u>(\$43,062,823)</u></b>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce	(\$37,932,934)	(\$39,516,176)	(\$41,580,890)	(\$43,062,823)
<b>TOTAL Funding of Expenditures</b>	<b><u>(\$37,932,934)</u></b>	<b><u>(\$39,516,176)</u></b>	<b><u>(\$41,580,890)</u></b>	<b><u>(\$43,062,823)</u></b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce	\$37,932,934	\$39,516,176	\$41,580,890	\$43,062,823

<b>Department of Revenue</b>				
	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>	<b>FY 2028 Difference</b>	<b>FY 2029 Difference</b>
<b><u>Fiscal Impact</u></b>				
FTE	13.00	2.00	2.00	2.00
<b>TOTAL Fiscal Impact</b>	<b>13.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>
<b><u>Expenditures</u></b>				
Personal Services	\$773,889	\$120,466	\$121,894	\$123,342
Operating Expenses	\$0	\$0	\$0	\$0
Department of Revenue	\$447,889	\$47,506	\$47,858	\$48,220
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
Equipment	\$98,454	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
Grants	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
<b>TOTAL Expenditures</b>	<b>\$87,360,919</b>	<b>\$89,764,378</b>	<b>\$93,953,191</b>	<b>\$97,283,196</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$1,320,232	\$167,972	\$169,752	\$171,562
State Special Revenue (02)	\$0	\$0	\$0	\$0
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
Property Tax Assistance	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
<b>TOTAL Funding of Expenditures</b>	<b>\$87,360,919</b>	<b>\$89,764,378</b>	<b>\$93,953,191</b>	<b>\$97,283,196</b>
<b><u>Revenues</u></b>				
General Fund (01)	(\$48,107,753)	(\$50,080,230)	(\$52,202,549)	(\$54,048,811)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Property Tax Assistance	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
Department of Commerce	(\$37,932,934)	(\$39,516,176)	(\$41,580,890)	(\$43,062,823)
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$49,427,985)	(\$50,248,202)	(\$52,372,301)	(\$54,220,373)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Long Range Building Program	\$0	\$0	\$0	\$0
Montana Heritage and Preservation	\$0	\$0	\$0	\$0
University System	\$0	\$0	\$0	\$0
Property Tax Assistance	\$0	\$0	\$0	\$0
Department of Commerce	(\$37,932,934)	(\$39,516,176)	(\$41,580,890)	(\$43,062,823)

**STATEWIDE SUMMARY**

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b><u>Fiscal Impact</u></b>				
FTE	-14.00	-25.00	-24.00	-24.00
<b>TOTAL Fiscal Impact</b>	<b>-14.00</b>	<b>-25.00</b>	<b>-24.00</b>	<b>-24.00</b>
<b><u>Expenditures</u></b>				
Personal Services	(\$1,603,480)	(\$2,265,964)	(\$2,241,876)	(\$2,275,884)
Operating Expenses	(\$26,387,490)	(\$27,588,384)	(\$29,346,333)	(\$30,447,358)
Department of Revenue	\$447,889	\$47,506	\$47,858	\$48,220
Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
Equipment	(\$51,546)	(\$150,000)	\$0	\$0
Transfers	(\$108,580)	(\$108,580)	(\$110,209)	(\$111,862)
Capital Outlay	\$0	\$0	\$0	\$0
Long Range Building Program	(\$4,490,057)	(\$4,674,155)	(\$4,872,238)	(\$5,044,556)
Grants	\$84,381,457	\$87,822,878	\$90,818,853	\$94,040,064
Debt Service	(\$184,920)	(\$194,062)	(\$196,973)	(\$199,928)
<b>TOTAL Expenditures</b>	<b>\$49,427,985</b>	<b>\$50,248,202</b>	<b>\$52,372,301</b>	<b>\$54,220,373</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$1,320,232	\$167,972	\$169,752	\$171,562
State Special Revenue (02)	\$0	\$0	\$0	\$0
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Montana Heritage and Preservation	(\$1,000,000)	(\$1,000,000)	\$0	\$0
Property Tax Assistance	\$93,106,032	\$96,911,598	\$100,382,458	\$103,944,513
University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
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<b><u>Revenues</u></b>				
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University System	(\$1,575,288)	(\$1,641,037)	(\$1,726,781)	(\$1,788,323)
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$49,427,985)	(\$50,248,202)	(\$52,372,301)	(\$54,220,373)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce	\$0	\$0	\$0	\$0
Long Range Building Program	\$0	\$0	\$0	\$0
Montana Heritage and Preservation	\$0	\$0	\$0	\$0
Property Tax Assistance	\$0	\$0	\$0	\$0
University System	\$0	\$0	\$0	\$0



**Effect on County or Other Local Revenues or Expenditures**

1. SB 90 specifies that funds distributed to counties from the property tax assistance account may not be included in the maximum mill levy calculation in 15-10-420, MCA. Local mill levies will not be affected by SB 90.
2. However, counties are permitted to retain any amount of the property tax assistance distribution that exceeds the property tax billed to a primary residence. For example, if a primary residence's property tax liability is \$400 and the per-residence distribution from the property tax assistance account is \$450, the county may retain the \$50 extra for that residence. Counties with low residential property values and/or a low share of primary residences as a percent of the tax base will be able to retain more revenue as more of their primary residences' tax liabilities will be under the per-residence distribution amount.

  
\_\_\_\_\_  
Sponsor's Initials

1-13-25  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Budget Director's Initials

1/13/2025  
\_\_\_\_\_  
Date