GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**HB0928.01: Revise tax rate for agricultural property owned by certain nonprofits**
Primary Sponsor:	Brandon Ler
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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$2,000	$4,000	$6,000
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	($2,000)	($4,000)	($6,000)
Revenues				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$2,000	$6,000	$9,000
University	$0	$0	$0	$1,000
Net Impact General Fund Balance	$0	($2,000)	($4,000)	($6,000)

Description of fiscal impact

HB 928 applies to new land acquisitions by certain not-for-profit organization landowners. The bill increased the tax rate by a factor of ten (10) for qualified class 3 agricultural land. The tax rate would be 21.6% instead of 2.16%. The bill also affects the tax rate on newly acquired non-qualified agricultural land by these owners from 15.12% to 21.6% for these landowners. The classification of the one-acre homesites for these property owners is moved from class 3 to class 4 (residential land). The impact of the homesite provision is negligible as it is anticipated that there are few such homesites. The tax rate change increases taxable value and therefore the revenue generated from the state 95 mills for school equalization and 6 university mills. The taxable value difference will increase every year as more land is acquired by these nonprofit organizations.

FISCAL ANALYSIS

Assumptions

1. Class 3 qualified agricultural land in Montana is valued at its productive (not market) value and taxed at a rate of 2.16%. Non-qualified agricultural land is taxed at 15.12% (seven times the qualified rate). The one acre of qualified agricultural land on which a home is located is valued at $2,003 and taxed at the regular 2.16% class 3 rate.
2. HB 928 places a ten times multiplier on the tax rate of qualified ag class 3 land newly acquired by certain nonprofits and it would change the classification of any one-acre homesites on that newly acquired property to class 4 class which would value at market value and taxed at 1.35%.

3. Since 2019, an average of 88,000 acres of class 3 land of all types was sold each year. It is estimated 5% of these acres – 4,400 – were acquired by a nonprofit subject to HB 928. Of the 4,400 acres that would be affected each year, 2,600 acres are qualified agricultural land, and 1,800 acres are non-qualified agricultural land. There are a negligible number of one-acre homesites.
4. It is estimated that statewide taxable value would increase by $38,000 annually under HB 928 relative to current law.
5. The bill is effective on passage and approval. It is assumed land acquired by nonprofits beginning May 2025 would be subject to the new tax rates beginning TY 2026/FY 2027, so only the land from those seven months of sales, or $22,000 of taxable value, would be captured that year.
6. The increase in taxable value increases revenue generated by the state 95 mills for school equalization and 6 university mills. The impact to the 1.5 vo-tech mills is less than $500. The following table contains the estimated taxable value increase and resulting impact to collections from the state mills.

Impact	**FY 2027**	**FY 2028**	**FY 2029**
Taxable Value	$22,000	$60,000	$98,000
SEPTR	$2,000	$6,000	$9,000
University	$0	$0	$1,000

7. Administrative changes would be part of normal annual change over processes and be absorbed by the department.

Fiscal Analysis Table

	FY 2026 Difference	**FY 2027 Difference**	**FY 2028 Difference**	**FY 2029 Difference**
Fiscal Impact				
Expenditures				
Funding of Expenditures				
General Fund (01)	$0	$2,000	$4,000	$6,000
SEPTR	$0	($2,000)	($4,000)	($6,000)
TOTAL Funding of Expenditures	**$0**	**$0**	**$0**	**$0**
State Special Revenue (02)	$0	$0	$0	$0
Revenues				
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$2,000	$6,000	$9,000
University	$0	$0	$0	$1,000
TOTAL Revenues	**$0**	**$2,000**	**$6,000**	**$10,000**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	$0	($2,000)	($4,000)	($6,000)
SEPTR	$0	$4,000	$10,000	$15,000
State Special Revenue (02)	$0	$0	$0	$0
University	$0	$0	$0	$1,000

Effect on County or Other Local Revenues or Expenditures

1. Local jurisdictions with affected property will experience an increase in taxable value. Mills would float down in these areas and taxes would be shifted onto these taxpayers and away from all other property owners.

Significant Long-Term Impacts

1. As this criteria applies to new land aquisitions, the share of this property is likely to grow over time, until their is a balance of property moving in and out of this type of ownership.

Technical Concerns

1. The Property Assessment Division of the Department of Revenue 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.
2. The treatment of property owned by a single member nonprofit LLC is unclear. It is assumed that these properties would not be subject to the new tax rates.

NOT SIGNED BY SPONSOR

	4/4		4/3/2025
Sponsor's Initials	Date	Budget Director's Initials	Date