GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**HB0836.02 R (001): Provide for a property tax deferral loan program**
Primary Sponsor: Scott Rosenzweig	Status: As Amended in House Committee - Revised

☐ 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)	$6,000,000	$0	$0	$0
Other	$0	$0	$0	$0
Proprietary	$1,706,969	$1,716,669	$2,006,663	$945,439
Revenues				
General Fund (01)	$0	$0	$0	$0
Other	$0	$0	$0	$0
Proprietary	$6,186,819	$117,699	$57,453	$13,769
Net Impact General Fund Balance	($6,000,000)	$0	$0	$0

Description of fiscal impact

HB 836 as amended in the House Appropriations Committee creates a property tax loan program to be administered by the Board of Housing for the purpose of covering the difference between a qualifying homeowner's current year property taxes and property taxes paid by the property in Tax Year 2022. This program would be available to elderly homeowners that have resided in the property for at least five years and that meet certain equity threshold requirements. The loans are intended to be a lien on the property, to be repaid upon death of the qualifying homeowner or sale of the property. The loans would be funded from a transfer of $6 million from the general fund to the housing authority enterprise fund provided for in 90-6-107, MCA.

FISCAL ANALYSIS

Assumptions

Department of Commerce

1. HB 836 establishes a property tax deferral loan program account, and transfers $6 million from the general fund to the account to make property tax deferral loans and to pay for the board's costs to administer the program.
2. Based on the household income requirements and purchase price limitations outlined in new Section 2(2)(b) and 2(2)(c), the department of revenue estimates approximately 50,000 properties to be potentially eligible for the program. Of those properties, 34,200 experienced a tax increase in 2024 as compared to 2022.

3. The average tax increase from 2022 to 2024 was $470. The department of revenue expects the differences to grow to $700 in FY 2026 and FY 2027, and to $850 in FY 2028 and FY 2029. Since the bill caps loan amounts at the change in property taxes, the board of housing assumes average loan amounts will coincide with these differences.
4. It is difficult to quantify the number of potentially eligible homeowners who will apply for property tax deferral loans. Property tax collections are a responsibly of county treasurers and there is no readily available data source to determine residential property tax delinquencies at the state level. According to the Stock Titan ICE December 2024 mortgage performance data, the percentage of noncurrent residential mortgage loans in Montana was 2.13%. Based on this proxy statistic (mortgage delinquency), the departments estimate 5% of the 34,200 potentially eligible homeowners will apply to the program, or 1,710 homeowners for the first year of the program. It is assumed most of the first-year borrowers would reapply in the second and subsequent years, along with some new borrowers each year, for a projected growth rate of 1.5% each year.
5. Board administrative costs would include personal services for 2.00 FTE to administer the program, including a Loan & Bond Supervisor who will have overall program responsibility, including processing loan applications (1.00 FTE), a Loan & Bond Specialist for servicing (0.50 FTE), and an Accountant 1 (0.50 FTE). Operating expenses include legal expenses, title recording fees at $150 per application, supplies, equipment, marketing & communications costs, and associated overhead.
6. Legal expenses would entail administrative rule development and drafting of loan documents specific to this program, such as an additional advance Deed of Trust (similar to Home Equity Line of Credit Deeds of Trust that can be increased in subsequent years), Promissory Note, and Borrower Disclosure statement (to ensure compliance with any applicable Truth in Lending and related servicing requirements given the simple interest rate proposed for the program).
7. To assess the hazard insurance coverage on the primary residence pursuant to new Section 2, board staff would need to obtain copies of all applicable hazard insurance coverage to verify the 100% of the insurable value as established by the property insurer, or the unpaid balance of the property tax deferral loan as long as insurance cover equals "the industry standard minimum amount required to compensate for damage or loss on a replacement cost basis."
8. To assess the percent equity in the primary residence pursuant to new Section 2, the board would need to pull title for the property to determine all outstanding liens. Title will not show current balances, so current statements and/or verification with each lien holder would be required to confirm current balance in order to perform the prescribed equity calculation.
9. To appropriately service property tax deferral loans, the board would provide annual statements to borrowers reminding them of their outstanding balance. One risk may include borrowers not paying their base property tax amount (as only the increase in property taxes is eligible for this loan program); to mitigate that risk, servicing personnel would need to verify that taxes are paid in their entirety, or the borrower is at risk of a property tax lien for the unpaid base amount. Borrowers may also have property tax and insurance escrowed with the servicer of their primary mortgage loan, necessitating collaboration between the board and the borrower's servicer to ensure no duplication of property tax payments. Servicing would also be responsible for overall tracking of loans and reconveying at time of payoff.
10. Total administrative costs for the program would be $509,969 in FY 2026, $501,469 in FY 2027, $508,963 in FY 2028, and $352,879 in FY 2029.
11. The balance of any unlent funds will be maintained in the Short-Term Investment Pool (STIP) with all interest earnings returning to the fund. Based on anticipated average account balance and STIP rates provided by the board of investments, interest earnings from STIP are estimated to be $186,819 in FY 2026, $117,699 in FY 2027, $57,453 in FY 2028, and $13,769 in FY 2029.
12. Given the expected loan volume in the first three years and the anticipated administrative costs, the board would anticipate funds in the account, including STIP interest earnings, to be fully expended and for lending to be capped in FY 2029.

13. The board estimates that $1,197,000 will be loaned in FY 2026 (1,710 applications x $700 average loan principal), $1,215,200 in FY 2027 (1,736 applications x $700), and $1,497,700 in FY 2028 (1,762 applications x $850). Anticipated demand in FY 2029 would be 1,788 loans, however loans would be limited to $592,559.
14. New Section 3(5) indicates that the interest rate on property tax deferral loans will be the lesser of the borrower's primary mortgage interest rate or 5%. According to a September 2024 article CFPB, around 60% of active mortgages across the United States are at an interest rate below 4%, with more than a fifth of mortgages with interest rates at or above 5% and 14.3% of mortgages at or above 6%. For the purposes of this fiscal note, the board is assuming an average interest rate of 4.50%.
15. Interest would continue to accrue through the life of the loans, but as stated in section 4 of the bill the accrued interest along with the principal would not be paid until the sale of the property or death of the qualifying property owner. Average loan terms under the board's reverse annuity mortgage (RAM) program, which operates similarly, are roughly 11 years. This means that on average, principal loaned in FY 2026 along with the accrued interest would not be available to be relent until FY 2037.
16. After FY 2029, no further loans could be made until existing loans begin to pay off. The board would eliminate 1.00 FTE (Loan & Bond Supervisor) at the end FY 2029 to coincide with the lack of loan originations. The remaining FTE would still be necessary to continue servicing the outstanding loans and to reconcile accounts. By the end of FY 2029 the funds are expected to be fully disbursed, so it is assumed the continued administrative costs past FY 2029 would be paid from the general fund.

HB 836 as Amended in the House Appropriations Committee

	FY 2026	FY 2027	FY 2028	FY 2029
Beg Balance	$6,000,000	$4,479,849	$2,880,879	$931,669
Less loans closed	$1,197,000	$1,215,200	$1,497,700	$592,559
Less admin	$509,969	$501,469	$508,963	$352,879
Plus STIP	$186,819	$117,699	$57,453	$13,769
End Balance	$4,479,849	$2,880,879	$931,669	$0
Avg account balance	$5,146,515	$3,621,515	$1,877,548	$458,950
STIP Rate	3.63%	3.25%	3.06%	3.00%
STIP earnings	$186,819	$117,699	$57,453	$13,769
Avg Loan Amt	$700	$700	$850	$850
Annual # of Loans	$1,710	$1,736	$1,762	$1,788
$ Loans Closed	$1,197,000	$1,215,200	$1,497,700	$592,559
				amount capped by available funds

Department of Revenue

1. HB 836 creates a property tax loan program administered by the Board of Housing.
2. This program is available to elderly homeowners that have resided in the property for at least five years and that meet certain equity threshold requirements.

3. The Board of Housing funded loan would cover the difference of current year property taxes and property taxes paid by the property in Tax Year 2022.
4. The loans would be a lien on the property, to be repaid upon death of the qualifying homeowner or sale of the property.
5. The Department of Revenue is required to notice this program on assessments, there is no additional cost associated with this requirement.

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	2.00	2.00	2.00	2.00
TOTAL Fiscal Impact	**2.00**	**2.00**	**2.00**	**2.00**
Expenditures				
Personal Services	$197,739	$197,739	$200,705	$203,716
Operating Expenses	$1,509,230	$1,518,930	$1,805,958	$741,723
Transfers	$6,000,000	$0	$0	$0
TOTAL Expenditures	**$7,706,969**	**$1,716,669**	**$2,006,663**	**$945,439**
Funding of Expenditures				
General Fund (01)	$6,000,000	$0	$0	$0
Other	$0	$0	$0	$0
Proprietary	$1,706,969	$1,716,669	$2,006,663	$945,439
TOTAL Funding of Expenditures	**$7,706,969**	**$1,716,669**	**$2,006,663**	**$945,439**
Revenues				
Other	$0	$0	$0	$0
Proprietary	$6,186,819	$117,699	$57,453	$13,769
TOTAL Revenues	**$6,186,819**	**$117,699**	**$57,453**	**$13,769**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($6,000,000)	$0	$0	$0
Other	$0	$0	$0	$0
Proprietary	$4,479,850	($1,598,970)	($1,949,210)	($931,670)

Effect on County or Other Local Revenues or Expenditures

Montana Association of Counties (MACO)

1. The language in the bill implicitly assumes that the eligible loan recipients use the proceeds to pay the property tax increase.

Significant Long-Term Impacts

Department of Commerce

1. Per section 4 of the bill, a property tax deferral loan, together with interest, is payable within 90 days after the death of the qualifying property owner, or on the date of transfer or sale of the qualifying residence. Based on the reverse annuity mortgage loan program administered by the Board of Housing, the loans and interest are estimated to be paid off, and the funds made available for relending, an average of 11 years after the original loans are made.

Technical Concerns

Department of Commerce

1. HB 836 defines "equity" as the difference between the market value of a property as determined by department of revenue and the outstanding balance of all liens on the property." "Market value" is listed in 15-7-102, MCA, pertaining to Notice of classification, market value, and taxable value to owners. For purposes of this program, the "market value" (or assessed value) may be less than market value as determined by (the lagged) current property appraisal. Department of Revenue uses a 2-year valuation cycle, so the most currently available "market value" as determined by department of revenue may be up to 2 years old.
2. Estimated loan demand suggests funds will be exhausted in FY 2029. Given that no interest or principal payments are due until the sale of the property or the death of the qualifying homeowner, the fund would not replenish itself on a regular basis.
3. Section 5 establishes a property tax deferral loan program account within the housing authority enterprise fund provided for in 90-6-107. The state does not utilize sub-funds, and the fund referenced in this section is used to account for the board's existing mortgage loan activity and must be kept segregated. A separate enterprise fund would need to be established if HB 836 were to pass.

Department of Revenue

4. The loans, as written in HB 836 appear to be unsecured loans. Language may be required to grant a security interest in the property for the benefit of the Board of Housing. If that is the case, care needs to be taken to not affect the priority of the department of revenue's "Warrants for Distraint."

	4-11-25		4/11/2025
Sponsor's Initials	Date	Budget Director's Initials	Date

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Dedication of Revenue 2027 Biennium

17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes

Interest earned on current loans would be used to make future loans.

2. What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

Yes

Interest and principal payments will be collected in a proprietary fund and used to make future loans.

3. Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

No

Interest earned on loans would not be paid for a number of years, and in the interim the interest earned on STIP would not be sufficient to support future loans.

4. Does the need for this state special revenue provision still exist?

Yes

Future payments of principal and interest would still need to be segregated from other Board of Housing mortgage activity.

5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

Yes Funds would held in a non-appropriated enterprise fund.

6. Does the dedicated revenue fulfill a continuing, legislatively recognized need?

Yes Interest and principal payments will be collected in a proprietary fund and used to make future property tax deferral loans.

7. How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?

Yes Funds could not be properly segregated in the general fund.