



AN ACT GENERALLY REVISING STATE FINANCE LAWS; REQUIRING THE BOARD OF INVESTMENTS TO PERFORM DUTIES IN A RESTRICTED ENTERPRISE FUND TYPE; ALLOWING THE DEPARTMENT OF REVENUE TO WAIVE INTEREST ON UNDERPAID ESTIMATED TAXES; TEMPORARILY ALLOWING USE OF THE ACCOMMODATIONS TAX FOR HISTORICAL SITES AT REEDER'S ALLEY AND VIRGINIA CITY; PROVIDING FOR TIMELY TRANSFER OF LEGISLATIVE SPACE; PROVIDING AN APPROPRIATION; PROVIDING CONTINGENT APPROPRIATIONS; PROVIDING FOR A STUDY FOR THE OFFICE OF BUDGET AND PROGRAM PLANNING ON EXECUTIVE AGENCY STRUCTURE AND OPERATIONS AND MARKET AND ACTUAL WAGES; REQUESTING THAT THE GOVERNOR CALL A SPECIAL SESSION IF CERTAIN FEDERAL ACTIONS AFFECTING MONTANA'S ECONOMY OCCUR; AMENDING SECTIONS 2-15-1808, 15-30-2512, 15-65-121, AND 17-7-102, MCA; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 2-15-1808, MCA, is amended to read:

**"2-15-1808. Board of investments -- allocation -- composition -- quasi-judicial -- reporting.** (1)

There is a board of investments within the department of commerce.

(2) Except as otherwise provided in this subsection, the board is allocated to the department for administrative purposes as prescribed in 2-15-121. The board may employ a chief investment officer and an executive director who have general responsibility for selection and management of the board's staff and for direct investment and economic development activities. The board shall prescribe the duties and annual salaries of the chief investment officer, executive director, and six professional staff positions. The chief investment officer, executive director, and six professional staff serve at the pleasure of the board.

(3) The board is composed of nine members appointed by the governor, as prescribed in 2-15-124, and two ex officio, nonvoting members. The members are:

(a) one member from the public employees' retirement board, provided for in 2-15-1009, and one member from the teachers' retirement board provided for in 2-15-1010. If either member of the respective retirement boards ceases to be a member of the retirement board, the position of that member on the board of investments is vacant, and the governor shall fill the vacancy in accordance with 2-15-124.

(b) seven members who will provide a balance of professional expertise and public interest and accountability, who are informed and experienced in the subject of investments, and who are representatives of:

(i) the financial community;

(ii) small business;

(iii) agriculture; and

(iv) labor; and

(c) two ex officio, nonvoting legislative liaisons to the board, of which one must be a senator appointed by the president of the senate and one must be a representative appointed by the speaker of the house. The liaisons may not be from the same political party. Preference in appointments is to be given to legislators who have a background in investments or finance. The legislative liaisons shall serve from appointment through each even-numbered calendar year and may attend all board meetings. Legislative liaisons appointed pursuant to this subsection (3)(c) are entitled to compensation and expenses, as provided in 5-2-302, to be paid by the legislative council.

(4) The board is designated as a quasi-judicial board for the purposes of 2-15-124.

(5) The board shall perform all duties outlined in 2-15-121 subject to the restrictions of Title 17, chapters 5 and 6, in a restricted enterprise fund type pursuant to 17-2-102.

(6) (a) The board shall prepare and present on its budget to the following committees on at least a biannual basis:

(i) the legislative finance committee;

(ii) the state administrative and veterans' affairs interim committee; and

(iii) the general government interim budget committee.

(b) During each legislative session, the board shall report to the house appropriations committee, the senate finance and claims committee, and the general government joint appropriations subcommittee upon

request."

**Section 2.** Section 15-30-2512, MCA, is amended to read:

**"15-30-2512. Estimated tax -- payment -- exceptions -- interest.** (1) (a) Each individual subject to tax under this chapter, except farmers or ranchers as defined in subsection (6), shall pay for the tax year, through employer withholding, as provided in 15-30-2502, through payment of estimated tax in four installments, as provided in subsection (2) of this section, or through a combination of employer withholding and estimated tax payments, at least:

(i) 90% of the tax for the current tax year, less tax credits and withholding allowed the taxpayer; or  
(ii) an amount equal to 100% of the individual's tax liability for the preceding tax year, if the preceding tax year was a period of 12 months and if the individual filed a return for the tax year.

(b) Payment of estimated taxes under this section is not required if:

(i) the combined tax liability of employer withholding and estimated tax for the current year is less than \$500 after reductions for credits and withholding;

(ii) the individual did not have any tax liability for the preceding tax year, which was a tax year of 12 months, and if the individual was a citizen or resident of the United States throughout that tax year;

(iii) the underpayment was caused by reason of casualty, disaster, or other unusual circumstances that the department determines to constitute good cause; or

(iv) the individual retired in the tax year after having attained the age of 62 or if the individual became disabled in the tax year. In addition, payment of estimated taxes under this section is not required in the tax year following the tax year in which the individual retired or became disabled.

(2) Estimated taxes must be paid in four installments according to one of the following schedules:

(a) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on January 1, estimated tax payments are due on the following dates:

| Installment | Date     |
|-------------|----------|
| First       | April 15 |
| Second      | June 15  |

|        |                                      |
|--------|--------------------------------------|
| Third  | September 15                         |
| Fourth | January 15 of the following tax year |

(b) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on a date other than January 1, estimated tax payments are due on the following dates:

| Installment | Date  |
|-------------|---|
| First       | 15th day of the 4th month following the beginning of the tax year |
| Second      | 15th day of the 6th month following the beginning of the tax year |
| Third       | 15th day of the 9th month following the beginning of the tax year |
| Fourth      | 15th day of the month following the close of the tax year         |

(3) (a) Except as provided in subsection (4), each installment must be 25% of the required annual payment determined pursuant to subsection (1). If the taxpayer's tax situation changes, each succeeding installment must be proportionally changed so that the balance of the required annual payment is paid in equal installments over the remaining period of time.

(b) If the taxpayer's tax situation changes after the date for the first installment or any subsequent installment, as specified in subsection (2)(a) or (2)(b), so that the taxpayer is required to pay estimated taxes, the taxpayer shall pay 25% for each succeeding installment except for the first one in which a payment is required. For estimated taxes required to be paid beginning with the second installment provided for in subsection (2)(a) or (2)(b), the taxpayer shall pay 50% for that installment and 25% for the third and fourth installments, respectively. For estimated taxes required to be paid beginning with the third installment provided for in subsection (2)(a) or (2)(b), the taxpayer shall pay 75% for that installment and 25% for the fourth installment.

(4) (a) If for any required installment the taxpayer determines that the installment payment is less than the amount determined under subsection (3)(a), the lower amount may be paid as an annualized income installment.

(b) For any required installment, the annualized income installment is the applicable percentage described in subsection (4)(c) applied to the tax computed on the basis of annualized Montana taxable income in the tax year for the months ending before the due date for the installment less the total amount of any prior required installments for the tax year.

(c) For the purposes of this subsection (4), the applicable percentage is determined according to the following schedule:

| Required Installment | Applicable Percentage |
|----------------------|-----------------------|
| First                | 22.5%                 |
| Second               | 45%                   |
| Third                | 67.5%                 |
| Fourth               | 90%                   |

(d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next required installment, determined under subsection (3)(a), by the amount of the reduction. Any subsequent installment must be increased by the amount of the reduction until the amount has been recaptured.

(5) (a) Subject to subsection (5)(e), if an estimated tax, an employer withholding tax, or a combination of estimated tax and employer withholding tax is underpaid, there must be added to the amount due under this chapter interest on the amount of the underpayment as provided in 15-1-216. The interest is computed on the amount of the underpayment, as determined in subsection (5)(b), for the period from the time the payment was due to the date payment was made or to the 15th day of the 4th month of the year following the tax year in which the payment was to be made, whichever is earlier.

(b) For the purpose of determining the amount of interest due in subsection (5)(a), the amount of the underpayment is the required installment amount less the installment amount paid, if any, on or before the due date for the installment.

(c) For the purpose of determining the amount of interest due in subsection (5)(a), an estimated payment must be credited against unpaid required installments in the order in which those installments are required to be paid.

(d) Interest may not be charged with respect to any underpayment of the fourth installment of estimated taxes if:

- (i) the taxpayer pays in full the amount computed on the return as payable; and
- (ii) the taxpayer files a return on or before the last day of the month following the close of the tax year referred to in subsection (2)(a) or (2)(b).

(e) Interest on the underpayment of estimated tax may not be assessed against a taxpayer if the tax paid by the taxpayer from employer withholding and estimated tax payments satisfies the requirements of subsection (1)(a)(i) or (1)(a)(ii) and the taxpayer has paid approximately equal quarterly installments of estimated taxes.

(6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least 66 2/3% of the taxpayer's gross income, determined for federal income tax purposes, from farming or ranching operations, or both.

(7) The department shall promulgate rules governing reasonable extensions of time for paying the estimated tax. An extension may not be for more than 6 months.

(8) (a) Notwithstanding 15-1-206(2), the department may, in its discretion, waive the interest required to be added under subsection (5), for underpaid estimated taxes attributable to the 2024 tax year, if the taxpayer:

(i) timely files a Montana income tax return for the 2024 income tax year, as provided in 15-3024 2604; and

(ii) when filing the return as provided in subsection (8)(a)(i), pays to the department any balance of income tax remaining unpaid.

(b) The waiver authority provided for under this subsection (8) terminates January 1, 2026."

**Section 3.** Section 15-65-121, MCA, is amended to read:

**"15-65-121. (Temporary) Distribution of tax proceeds.** (1) The proceeds of the tax imposed by 15-65-111 must, in accordance with the provisions of 17-2-124, be deposited in an account in the state special revenue fund to the credit of the department. The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the tax proceeds in accordance with the provisions of 17-2-124 and as provided in subsections (2)(a) through ~~(2)(j)~~ (2)(k) of this section, the department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each reporting period. The department shall distribute the portion of the 4% that was paid with federal funds to the department of administration for return to the federal

government and deposit 30% of the amount deducted less the portion paid with federal funds in the state general fund.

(2) The balance of the tax proceeds received each reporting period and not deducted pursuant to the expenditure appropriation, deposited in the state general fund, distributed to agencies that paid the tax with federal funds, or deposited in the heritage preservation and development account must be transferred to an account in the state special revenue fund to the credit of the department of commerce for the purposes designated under 90-1-122, to the emergency lodging for victims of domestic violence or human trafficking account, to the Montana historical interpretation state special revenue account, to the Montana historical society, to the university system, to the state-tribal economic development commission, and to the department of fish, wildlife, and parks, as follows:

(a) 1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites;

(b) 2.5% to the university system for the establishment and maintenance of a Montana travel research program;

(c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks that have both resident and nonresident use;

(d) 1.4% to the invasive species state special revenue account established in 80-7-1004;

(e) 60.2% to be used directly by the department of commerce as provided in 90-1-122[, and in part to renovate the Miles City train depot];

(f) 0.1% to the emergency lodging for victims of domestic violence or human trafficking account established in 44-4-1506;

(g) (i) except as provided in subsection (2)(g)(ii), 22.5% to be distributed by the department to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total proceeds collected statewide; and

(ii) if 22.5% of the proceeds collected annually within the limits of a city, consolidated city-county, resort area, or resort area district exceeds \$35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation in the region where the city, consolidated city-county, resort area, or resort area district is located, to be distributed to the nonprofit convention and visitors bureau in that city, consolidated city-

county, resort area, or resort area district;

(h) 0.5% to the state special revenue account provided for in 90-1-135 for use by the state-tribal economic development commission established in 90-1-131 for activities in the Indian tourism region;

(i) 2.6% to the Montana historical interpretation state special revenue account established in 22-3-115; ~~and~~

(j) 2.7% or \$1 million, whichever is less, to the Montana heritage preservation and development account provided for in 22-3-1004. The Montana heritage preservation and development commission shall report on the use of funds received pursuant to this subsection (2)(j) to the legislative finance committee on a semiannual basis, in accordance with 5-11-210; and

(k) \$250,000 in each year of the biennium beginning July 1, 2025, to the Montana heritage commission for projects at Reeder's Alley in Helena and Grace Methodist Church in Virginia City.

(3) If a city, consolidated city-county, resort area, or resort area district qualifies under 15-68-820(5)(b)(iii) or this section for funds but fails to either recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism corporation in the region in which the city, consolidated city-county, resort area, or resort area district is located.

(4) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.

(5) The tax proceeds received that are transferred to a state special revenue account pursuant to subsections (2)(a) through (2)(c), (2)(e), and (2)(g) are statutorily appropriated to the entities as provided in 17-7-502. The tax proceeds received that are transferred to the emergency lodging for victims of domestic violence or human trafficking account pursuant to subsection (2)(f) are subject to the appropriation provisions in 44-4-1506.

(6) The tax proceeds received that are transferred to the invasive species state special revenue account pursuant to subsection (2)(d), to the Montana historical interpretation state special revenue account pursuant to subsection (2)(i), and to the Montana heritage preservation and development account pursuant to

subsection (2)(j) are subject to appropriation by the legislature. (Terminates June 30, 2027--sec. 12, Ch. 563, L. 2021; sec. 10, Ch. 758, L. 2023; bracketed language in subsection (1)(e) terminates June 30, 2025--sec. 34, Ch. 763, L. 2023.)

**15-65-121. (Effective July 1, 2027) Distribution of tax proceeds.** (1) The proceeds of the tax imposed by 15-65-111 must, in accordance with the provisions of 17-2-124, be deposited in an account in the state special revenue fund to the credit of the department. The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the tax proceeds in accordance with the provisions of 17-2-124 and as provided in subsections (2)(a) through (2)(h) of this section, the department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each reporting period. The department shall distribute the portion of the 4% that was paid with federal funds to the department of administration for return to the federal government and deposit 30% of the amount deducted less the portion paid with federal funds in the state general fund. The amount of \$400,000 each year must be deposited in the Montana heritage preservation and development account provided for in 22-3-1004.

(2) The balance of the tax proceeds received each reporting period and not deducted pursuant to the expenditure appropriation, deposited in the state general fund, distributed to agencies that paid the tax with federal funds, or deposited in the heritage preservation and development account must be transferred to an account in the state special revenue fund to the credit of the department of commerce for the purposes designated under 90-1-122, to the Montana historical interpretation state special revenue account, to the Montana historical society, to the university system, to the state-tribal economic development commission, and to the department of fish, wildlife, and parks, as follows:

- (a) 1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites;
- (b) 2.5% to the university system for the establishment and maintenance of a Montana travel research program;
- (c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks that have both resident and nonresident use;

- (d) 1.4% to the invasive species state special revenue account established in 80-7-1004;
  - (e) 63% to be used directly by the department of commerce as provided in 90-1-122;
  - (f) (i) except as provided in subsection (2)(f)(ii), 22.5% to be distributed by the department to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total proceeds collected statewide; and
    - (ii) if 22.5% of the proceeds collected annually within the limits of a city, consolidated city-county, resort area, or resort area district exceeds \$35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation in the region where the city, consolidated city-county, resort area, or resort area district is located, to be distributed to the nonprofit convention and visitors bureau in that city, consolidated city-county, resort area, or resort area district;
  - (g) 0.5% to the state special revenue account provided for in 90-1-135 for use by the state-tribal economic development commission established in 90-1-131 for activities in the Indian tourism region; and
  - (h) 2.6% to the Montana historical interpretation state special revenue account established in 22-3-115.
- (3) If a city, consolidated city-county, resort area, or resort area district qualifies under 15-68-820(5)(b)(iii) or this section for funds but fails to either recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism corporation in the region in which the city, consolidated city-county, resort area, or resort area district is located.
- (4) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- (5) The tax proceeds received that are transferred to a state special revenue account pursuant to subsections (2)(a) through (2)(c), (2)(e), and (2)(f) are statutorily appropriated to the entities as provided in 17-7-502.
- (6) The tax proceeds received that are transferred to the invasive species state special revenue account pursuant to subsection (2)(d) and to the Montana historical interpretation state special revenue account

pursuant to subsection (2)(h) are subject to appropriation by the legislature."

**Section 4.** Section 17-7-102, MCA, is amended to read:

**"17-7-102. (Temporary) Definitions.** As used in this chapter, the following definitions apply:

- (1) "Additional services" means different services or more of the same services.
- (2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges, and any other person or any other administrative unit of state government that spends or encumbers public money by virtue of an appropriation from the legislature under 17-8-101.
  - (3) "Approving authority" means:
    - (a) the governor or the governor's designated representative for executive branch agencies;
    - (b) the chief justice of the supreme court or the chief justice's designated representative for judicial branch agencies;
    - (c) the speaker for the house of representatives;
    - (d) the president for the senate;
    - (e) appropriate legislative committees or a designated representative for legislative branch agencies; or
    - (f) the board of regents of higher education or its designated representative for the university system.
  - (4) (a) "Base budget" means the resources for the operation of state government that are of an ongoing and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special revenue funds may not exceed that level of funding authorized by the previous legislature.
    - (b) The term does not include:
      - (i) funding for water adjudication if the accountability benchmarks contained in 85-2-271 are not met;
      - (ii) funding for petroleum storage tank leak prevention if the accountability benchmarks in 75-11-521 are not met.
  - (5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

(6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the budget stabilization reserve fund up to 16% of all general revenue appropriations in the second year of the biennium.

(7) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly not within the contemplation of the legislature and the governor, and that affects one or more functions of a state agency and the agency's expenditure requirements for the performance of the function or functions.

(8) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

(9) "General revenue appropriations" means appropriations from the general fund ~~or~~ and the school equalization and property tax reduction account in 20-9-336.

(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

(11) "New proposals" means requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.

(12) "Operating reserve" means an amount equal to 8.3% of all general revenue appropriations in the second year of the biennium.

(13) "Present law base" means that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

(a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;

(b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;

(c) inflationary or deflationary adjustments; and

(d) elimination of nonrecurring appropriations.

(14) "Program" means a principal organizational or budgetary unit within an agency.

(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

(16) "University system unit" means the board of regents of higher education; office of the commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central offices at Butte; the fire services training school at Great Falls; and the community colleges supervised and coordinated by the board of regents pursuant to 20-15-103. (Terminates June 30, 2028--sec. 11, Ch. 269, L. 2015.)

**17-7-102. (Effective July 1, 2028) Definitions.** As used in this chapter, the following definitions apply:

(1) "Additional services" means different services or more of the same services.

(2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges, and any other person or any other administrative unit of state government that spends or encumbers public money by virtue of an appropriation from the legislature under 17-8-101.

(3) "Approving authority" means:

(a) the governor or the governor's designated representative for executive branch agencies;

(b) the chief justice of the supreme court or the chief justice's designated representative for judicial branch agencies;

(c) the speaker for the house of representatives;

(d) the president for the senate;

(e) appropriate legislative committees or a designated representative for legislative branch agencies; or

(f) the board of regents of higher education or its designated representative for the university system.

(4) "Base budget" means the resources for the operation of state government that are of an ongoing and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special revenue funds may not exceed that level of funding authorized by the previous legislature.

(5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

(6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the budget stabilization reserve fund up to 16% of all general revenue appropriations in the second year of the biennium.

(7) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly not within the contemplation of the legislature and the governor, and that affects one or more functions of a state agency and the agency's expenditure requirements for the performance of the function or functions.

(8) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

(9) "General revenue appropriations" means appropriations from the general fund ~~or~~ and the school equalization and property tax reduction account in 20-9-336.

(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

(11) "New proposals" means requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.

(12) "Operating reserve" means an amount equal to 8.3% of all general revenue appropriations in the second year of the biennium.

(13) "Present law base" means that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

(a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;

(b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;

(c) inflationary or deflationary adjustments; and

(d) elimination of nonrecurring appropriations.

(14) "Program" means a principal organizational or budgetary unit within an agency.

(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

(16) "University system unit" means the board of regents of higher education; office of the commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central offices at Butte; the fire services training school at Great Falls; and the community colleges supervised and coordinated by the board of regents pursuant to 20-15-103."

**Section 5. Study -- cost-of-living adjustments.** During the interim following the 69th legislative session, the legislative finance committee may:

(1) assign to the modernization and risk analysis committee established in 5-12-601 a study of what cost-of-living adjustments may be appropriate based on a state employee's work location, wages, housing costs in the area, and related geographic expenses; or

(2) conduct the study described in subsection (1).

**Section 6. Study of executive agency structure and operations -- appropriation.** (1) The office of budget and program planning shall study the benefits generated by any principal department of the state, as designated in 2-15-104, to the citizens of Montana.

(2) As part of the study, the office of budget and program planning shall consider the expenses

associated with any principal department of the state in order to determine the most efficient and effective delivery of government services to the citizens of Montana.

(3) The study must include an examination of the operation and administration of state-owned health care facilities. The facilities to study may include the Montana state hospital, the Montana chemical dependency center, the Montana mental health nursing care center, the intensive behavioral center, the Montana veterans' home, the eastern Montana veterans' home, and the southwestern Montana veterans' home.

(4) This components of the study must include but are not limited to:

- (a) the organization and state administration of state-owned health care facilities in peer states;
- (b) resident outcomes at Montana's state-owned health care facilities;
- (c) state employee retention and staffing;
- (d) the role of contract or temporary staff; and
- (e) federal and state compliance.

(5) The office of budget and program planning shall consider the findings of relevant reporting from the legislative audit division.

(6) All aspects of the study must be concluded by September 1, 2026, and if there are findings and recommendations, they must be reported to the legislative finance committee.

(7) There is appropriated \$350,000 from the general fund to the office of budget and program planning for the biennium beginning July 1, 2025, to conduct the study provided for in this section.

(8) The office of budget and program planning shall report to the legislative finance committee and work with a subcommittee of the finance committee appointed by the chair of the legislative finance committee on the study and pay for the salary, per diem, and travel expenses of legislative members.

**Section 7. Market wage study.** (1) The office of budget and program planning shall study the market wages and actual wages of executive branch employees. The office of budget and program planning may allocate funds provided for in subsection (2) to agencies to increase wages for positions for which actual wages differ from market wages and authorize pay adjustments accordingly. The office of budget and program planning may also consider both public sector and comparable private sector wages and specific recruitment

and retention issues to determine prevailing market wages for comparable positions.

(2) The following money is appropriated from the designated funds to the office of budget and program planning for the biennium beginning July 1, 2025, to be distributed to agencies to address recruitment and retention issues within executive branch agencies:

- (a) \$10,600,000 from the general fund;
- (b) \$7,600,000 from state special revenue funds;
- (c) \$5,000,000 from federal special revenue funds; and
- (d) \$2,600,000 from proprietary funds.

(3) Each request must be reviewed and approved by the budget director of the governor's office prior to the transfer of appropriation authority to the agency.

(4) Funds must be used to adjust base pay for employees upon approval by the budget director and must become a part of the base budget of the receiving agency.

**Section 8. Federal action and legislative response.** During the 2027 biennium, to ensure a responsible and deliberate response to potential federal actions, the governor is encouraged to convene a special session of the legislature, and members of the legislature are encouraged to request the secretary of state to poll legislators pursuant to 5-3-105, if internal review and action by the office of budget and program planning do not generate sufficient mitigation for any of the following events:

- (1) a federal bill or other type of legislation or executive order reduces anticipated federal revenues to Montana by more than \$500 million for the 2027 biennium;
- (2) a federal bill or other type of legislation or executive order cancels previously enacted spending in a manner that reduces anticipated federal revenues to Montana by more than \$300 million;
- (3) a federal bill or other type of legislation reduces anticipated state general fund revenue by more than \$300 million; or
- (4) a recession in the United States is declared by the national bureau of economic research before September 1, 2026.

**Section 9. Legislative space.** On or before June 30, 2025, the legislative audit division shall move

out of the capitol into renovated space in the Mitchell building located at 125 north Roberts street, Helena, Montana, as approved by the legislative council pursuant to 2-17-805(6).

**Section 10. Contingent appropriation.** If a special session is called during the 2027 biennium to address federal actions or a recession as outlined in [section 8], there is appropriated \$280,000 from the general fund to the legislative services division for the biennium beginning July 1, 2025, upon the convening of a special session.

**Section 11. Appropriation.** (1) (a) There is appropriated \$250,000 from the Montana-Ireland trade and development special revenue account to the department of commerce for the biennium beginning July 1, 2025, for implementing the provisions of Senate Bill No. 320.

(b) It is the intent of the legislature that the appropriation in subsection (1)(a) be included in the base budget for the department of commerce for the biennium beginning July 1, 2027.

(2) (a) There is appropriated \$7,350,000 from the behavioral health system for future generations fund established in 50-1-119 to the department of public health and human services for the biennium beginning July 1, 2025, for community-based court-ordered forensic fitness evaluations.

(b) The appropriation in subsection (2)(a) is a one-time-only appropriation.

**Section 12. Coordination instruction.** If both House Bill No. 231 and [this act] are passed and approved, then:

(1) there is appropriated \$90 million from the property tax assistance account provided for in House Bill No. 231 to the department of revenue for the biennium beginning July 1, 2025, to provide tax rebates as set forth in House Bill No. 231; and

(2) the section in House Bill No. 231 amending 15-6-134 that is effective for 2025 is void and 15-6-134 must be amended as follows:

**"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) subject to subsection (1)(e), all land, except that specifically included in another class;

- (b) subject to subsection (1)(e):
  - (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
  - (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
  - (iii) vacant residential lots; and
  - (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.
  - (d) 1 acre of real property beneath an improvement used as a residence on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.
  - (e) all commercial and industrial property, as defined in 15-1-101, and including:
    - (i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;
    - (ii) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;
    - (iii) commercial buildings and parcels of land upon which the buildings are situated; and
    - (iv) vacant commercial lots.
- (2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:
  - (a) the land use with the highest percentage of total value is the use that is assigned to the property; and
  - (b) the improvements are apportioned according to the use of the improvements.
- (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b) of this section and subject to subsection (5) of this section, class four residential property described in subsections (1)(a) through (1)(d) of this section is taxed at ~~4.35%~~ 0.76% of market value.

(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

(c) The tax rate for commercial property is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

(4) Property described in subsection (1)(e)(ii) is taxed at one-half the tax rate established in subsection (3)(c).

(5) The tax rate for class four residential property provided for in subsection (3)(a) must be equal to a tax rate that results in revenue from the mill levies provided for in 20-9-331, 20-9-333, and 20-9-360 of not less than \$452 million."

**Section 13. Effective date.** [This act] is effective June 30, 2025.

- END -

I hereby certify that the within bill,  
HB 863, originated in the House.

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Chief Clerk of the House

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2025.

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2025.

HOUSE BILL NO. 863

INTRODUCED BY L. JONES, J. ESP, C. GLIMM, D. BEDEY, B. MERCER, E. TILLEMAN, K. WALSH

AN ACT GENERALLY REVISING STATE FINANCE LAWS; REQUIRING THE BOARD OF INVESTMENTS TO PERFORM DUTIES IN A RESTRICTED ENTERPRISE FUND TYPE; ALLOWING THE DEPARTMENT OF REVENUE TO WAIVE INTEREST ON UNDERPAID ESTIMATED TAXES; TEMPORARILY ALLOWING USE OF THE ACCOMMODATIONS TAX FOR HISTORICAL SITES AT REEDER'S ALLEY AND VIRGINIA CITY; PROVIDING FOR TIMELY TRANSFER OF LEGISLATIVE SPACE; PROVIDING AN APPROPRIATION; PROVIDING CONTINGENT APPROPRIATIONS; PROVIDING FOR A STUDY FOR THE OFFICE OF BUDGET AND PROGRAM PLANNING ON EXECUTIVE AGENCY STRUCTURE AND OPERATIONS AND MARKET AND ACTUAL WAGES; REQUESTING THAT THE GOVERNOR CALL A SPECIAL SESSION IF CERTAIN FEDERAL ACTIONS AFFECTING MONTANA'S ECONOMY OCCUR; AMENDING SECTIONS 2-15-1808, 15-30-2512, 15-65-121, AND 17-7-102, MCA; AND PROVIDING AN EFFECTIVE DATE.