



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0192 - Use surplus revenue for income tax and property tax refunds and payment of bonds (Mercer, Bill)

Status: As Amended in House Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:					
General Fund	\$480,000,000	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$478,369,217	\$0	\$1,630,783	\$0
Revenue:					
General Fund	\$0	(\$352,000)	\$0	\$1,630,783	\$0
State Special Revenue	\$480,000,000	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$480,000,000)</u>	<u>(\$352,000)</u>	<u>\$0</u>	<u>\$1,630,783</u>	<u>\$0</u>

Description of fiscal impact: HB 192 as amended in the House Appropriations Committee transfers \$480 million from the general fund to a state special revenue fund administered by the Department of Revenue for an income tax rebate, and exempts the rebate from Montana personal income tax. Rebates total approximately \$477.727 million and administrative expenses are estimated at \$692,617. The remaining \$1.631 million will be transferred back to the general fund in FY 2026.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 192 creates an income tax rebate for full-year residents who filed a return in tax year (TY) 2021. To qualify, taxpayers must have filed as a full-year resident in TY 2020 and TY 2021 and could not be claimed as a dependent by another taxpayer for federal or Montana income tax purposes in TY 2021. The credit is equal to the lesser of \$1,250, or \$2,500 for joint returns, or the tax liability amount reported on line 20 of the taxpayer's 2021 Montana income tax return.
2. Through November 1, approximately 600,000 full-year resident Montana income tax returns had been filed for TY 2021. These returns reported approximately \$1.64 billion in tax liability after non-refundable credits on line 20 of the individual income tax return. Of the TY 2021 full-year resident approximately 550,000 were

filed by taxpayers who had also filed a timely resident return in Montana for TY 2020 and would be eligible for the credit per section 2 (5). In addition, nearly 24,000 were claimed as a dependent on a different full-year resident return in TY 2021. 503,370 filers had non-zero tax liabilities after non-refundable credits reported on line 20 of their income tax return. The interaction of all these factors results in a total of approximately 460,125 income tax rebates.

3. Based on the filing status of the returns, and the tax liability amount reported on line 20 of the return, the 460,125 returns qualify for \$477,727,000 in income tax rebates.
4. Taxpayers who receive the rebate and itemized their federal income tax deductions for TY 2021 may need to report a portion of the rebate as taxable income in TY 2023. Reporting this income in TY 2023 will increase the federal taxable income of qualified Montana taxpayers. If the same taxpayers itemize their Montana income tax for the same year, they may have their Montana tax liability decrease as a result of their larger (state deductible) federal tax liability.
5. Based on share of Montana taxpayers itemizing their federal deductions (9.1%) and average tax rates, federal tax liability is estimated to increase by \$5.217 million in TY 2023. If Montana taxpayers who itemize their federal deductions also itemize their Montana income deductions, this increase in federal liability results in a \$352,000 decrease in Montana tax liability for FY 2024.
6. It is assumed that taxpayers will not change their withholdings or estimated payments due to HB 192.

DOR Individual Income Tax Administrative Costs

7. The Business and Income Tax Division will require 5.0 FTE for auditing and verification of taxpayer information. Total expenses for these FTE are \$396,943.
8. The DOR will require 1.0 FTE in FY 2024 for the call center for questions regarding the rebate program. The cost for this FTE is \$72,726.
9. The department expects half of the rebates to be issued via direct deposit electronic fund transfer (EFT) at a cost of \$31,109 (230,063 EFTs at \$0.13522 per EFT). The other half of rebates will be issued via mailed check. Mailing 230,063 checks at \$0.83386 per check costs \$191,840. Total estimated operating expense for issuing income tax rebates is therefore \$222,949.
10. Total department administrative expenses are estimated at \$692,617.
11. The DOR will spend \$478.369 million of the appropriated \$480 million. The remaining \$1.631 million will be remitted to the general fund in FY 2026.
12. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>Yes</u>	<u>No</u>
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.	X	
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.		X
h. An expenditure cap and sunset date are excluded.		X

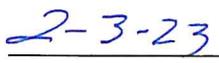
Fiscal Impact:	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue					
FTE	0.00	6.00	0.00	0.00	0.00
Expenditures:					
Personal Services	\$0	\$400,321	\$0	\$0	\$0
Operating Expenses	\$0	\$241,896	\$0	\$0	\$0
Income tax Rebate	\$0	\$477,427,000	\$0	\$0	\$0
Transfers	\$480,000,000	\$0	\$0	\$1,630,783	\$0
TOTAL Expenditures	\$480,000,000	\$478,069,217	\$0	\$1,630,783	\$0
Funding of Expenditures:					
General Fund (01)	\$480,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$478,369,217	\$0	\$1,630,783	\$0
TOTAL Funding of Exp.	\$480,000,000	\$478,369,217	\$0	\$1,630,783	\$0
Revenues:					
General Fund (01)	\$0	(\$352,000)	\$0	\$1,630,783	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	(\$352,000)	\$0	\$1,630,783	\$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):					
General Fund (01)	(\$480,000,000)	(\$352,000)	\$0	\$1,630,783	\$0
State Special Revenue (02)	\$0	(\$478,369,217)	\$0	(\$1,630,783)	\$0

Technical Notes:

Department of Revenue

- Given that audits or amendments to returns may change rebate amounts between the timing of this fiscal note and actual rebate issuance, the small margin of extra appropriation to the department may not cover the total rebate amount. Anything in excess of the amount appropriated would need to be granted to the department via supplemental appropriation.
- HB 192 has coordination instructions that could change the estimated fiscal impact of the bill. However, the coordination language cannot be triggered without an amendment to the appropriation amount currently listed in the bill, and therefore, the estimates in this fiscal note do not consider the coordination language in Section 8.



 Sponsor's Initials Date Budget Director's Initials Date