GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0223 - Expanding the disabled veteran property tax assistance program (Kerns, Scot)	
Status:	As Introduced

☒Significant Local Gov Impact ☒Needs to be included in HB 2 ☒Technical Concerns

☐Included in the Executive Budget ☐Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$150,988	$57,993	$58,629	$59,279
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	($1,717,000)	($1,757,000)	($1,929,000)	($1,974,000)
State Special Revenue	($108,000)	($110,000)	($121,000)	($124,000)
Net Impact-General Fund Balance:	($1,867,988)	($1,814,993)	($1,987,629)	($2,033,279)

Description of fiscal impact: HB 223 expands eligibility for the Disabled Veteran Property Tax Assistance Program in two ways. First, it lowers the eligibility standard for veterans to a disability rating to 60%, from 100%. Second, it removes the maximum income cap thus making the program available to veterans with qualifying disability ratings eligible regardless of maximum income. The program retains it graduated phase-down. This bill The Department of Revenue (DOR) would require an additional 2.00 FTE in the first year to address anticipated increase in applicants and 0.50 FTE for each following year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Under current law, veterans with disability ratings of 100% and have an income below $48,626 for a single person or below $56,107 for a married couple or head of household, are eligible for the Disabled Veteran Property Tax Assistance Program. Depending on the applicant's income level, the percentage a veteran's taxable value is reduced falls as income rises (from 100% taxable value reduction to 50%).

2. HB 223 would make veterans with 60% or higher disability ratings eligible for this program. As an applicant income rises in this group, the percent reduction in taxable value would range 50% to 30%. This bill would also remove the income limits required in to qualify for an exemption.
3. The table below shows the current number of properties with this exemption by percent reduction of taxable value for TY 2022:

Reduction (100% Rating)	Properties
50%	58
70%	79
80%	72
100%	2,820
Total	3,029

4. The median household income for all veterans in Montana is approximately $52,800, which is very similar to the current income limits for this exemption. It is assumed that the median income for veterans rated 60% disabled or higher would be lower than the median of all veterans; therefore, the number of additional properties that would qualify for the exemption would likely not double (the increment will be less than the current total of 3,029 properties).
5. There are about 500 properties owned by 100% disabled veterans with income information available in the DOR's database that have qualified in the past, but currently do not qualify for the exemption as their income exceed the current income threshold.
6. It is estimated that all 500 of these formerly eligible households and an additional 500 properties owned by 100% disabled veterans would qualify to receive the 50% exemption once the income limitation is removed with HB 223. This increment of is estimated to decrease TY 2023 taxable value by about $2.190 million with as 1,000 additional properties receiving the 50% reduction.

Reduction	Properties	Est. TV Difference
50%	1,000	-$2,190,000

7. According to Veterans Benefits Administration, about 18.5% of disabled veterans are rated 100% disabled. About 36.3% of disabled veterans are rated 60-90% disabled.
8. Assuming that the income distribution for veterans with 60% to 90% disability ratings is similar to the distribution of veterans with disability ratings of 100%, and that similar proportion of disabled veterans rated 60% to 90% disabled, would apply for this program's exemption, about 7,939 additional properties would likely receive this exemption.
9. The table below shows the estimated number of properties owned by 60-90% disabled veterans that would now qualify for this exemption and the estimated difference in taxable value by percent reduction of taxable value for TY 2023:

Reduction	Number of Properties	Est. TV Difference
30%	2,062	-$2,778,000
35%	158	-$258,000
40%	144	-$278,000
50%	5,575	-$12,438,000
Total	7,939	-$15,752,000

10. Combining two estimates (assumptions #6 & #9) the removal of the income cap and allowing veterans with 60% to 90% disability ratings qualify for the DAV exemptions, the estimated total statewide reduction in taxable value for TY 2023 would be about $17.9 million.
11. Using estimated growth rates from HJ 2, the following table shows the estimated impact on taxable values and state revenue for FY 2024 through FY 2027:

FY	Taxable Value	General Fund	MUS
		($ millions)	
2024	-$17.96	-$1.717	-$0.108
2025	-$18.38	-$1.757	-$0.110
2026	-$20.17	-$1.929	-$0.121
2027	-$20.65	-$1.974	-$0.124

DOR Administrative Expense

12. The department's Property Assessment Division (PAD) estimates that 2.00 FTE would be required to process new applications in FY 2024 and 0.50 FTE for each year thereafter. These positions would incur standard support operating expenses.
13. PAD would have an increase mailing of $5,040 each year for decision letters to new applicants
14. HB 223 would have an immediate effective date and a retroactive applicability date to tax years beginning after January 1, 2023.

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Fiscal Impact:				
FTE	2.00	0.50	0.50	0.50
Expenditures:				
Personal Services	$122,832	$44,256	$44,729	$45,211
Operating Expenses	$28,156	$13,737	$13,900	$14,068
TOTAL Expenditures	$150,988	$57,993	$58,629	$59,279
Funding of Expenditures:				
General Fund (01)	$150,988	$57,993	$58,629	$59,279
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$150,988	$57,993	$58,629	$59,279
Revenues:				
General Fund (01)	($1,717,000)	($1,757,000)	($1,929,000)	($1,974,000)
State Special Revenue (02)	($108,000)	($110,000)	($121,000)	($124,000)
TOTAL Revenues	($1,825,000)	($1,867,000)	($2,050,000)	($2,098,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($1,867,988)	($1,814,993)	($1,987,629)	($2,033,279)
State Special Revenue (02)	($108,000)	($110,000)	($121,000)	($124,000)

Effect on County or Other Local Revenues or Expenditures:

Department of Revenue

1. HB 223 would reduce statewide taxable value base by $17.9 million or a reduction of about 0.52%. In local taxing jurisdictions the reduction in taxable value would be offset as jurisdictions would levy to maintain authorized levels of revenue. This shift would be proportional to that share of taxable value affected by HB 223. In levy in districts with greater than average DAV property tax exemptions, the shift would be somewhat larger than average. In levy districts with below average DAV program property exemptions, the shift would be somewhat smaller.

		RO	1-17-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

NOT SIGNED BY SPONSOR