GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**HB0836.01: Provide for a property tax deferral loan program**		
Primary Sponsor:	Scott Rosenzweig	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)	$50,000,000	$0	$0	$0
Other	$874,813	$2,144,263	$3,575,335	$5,166,862
Revenues				
General Fund (01)	$0	$0	$0	$0
Other	$51,792,131	$1,542,793	$1,350,797	$1,176,872
Net Impact General Fund Balance	($50,000,000)	$0	$0	$0

Description of fiscal impact

HB 836 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. Thes program would be available to elderly homeowners or active-duty military members 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 for a transfer of $50 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 Section 5 directs $50 million from the general fund to be transferred to the housing authority enterprise fund to originate and service property tax deferral loans for eligible households. The actual number of loans that will be made depends upon the number of eligible households accessing the program. The Board of Housing (BOH) would 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, 36,000 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 Department of Commerce 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 responsibility 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 estimates 5% of the 36,000 potentially eligible homeowners will apply to the program, or about 1,800 homeowners for the first year of the program. For subsequent program years, a 1.5% increase in projected application volume is estimated.
5. The entire $50 million would not be loaned out within the years covered by the fiscal note. BOH estimates that $1,260,000 will be loaned in FY 2026 (1,800 applications x $700 average loan principal), $1,278,900 in FY 2027 (1,827 applications x $700), $1,575,900 in FY 2028 (1,854 applications x $850), and $1,599,700 in FY 2029 (1,882 applications x $850).
6. The loans would not all be lent at the beginning of the fiscal year so an average of the outstanding balance for the year would be $630,000 for 2026; $1.9 million for 2027; $3.3 million for 2028; and $4.9 million for 2029.
7. The balance of any unlent funds will be maintained in the Short-Term Investment Pool (STIP) with all interest earnings returning to the fund.
8. 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, nearly 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, BOH is assuming an average interest rate of 4.50%.
9. BOH Personal Services includes 2.50 FTE to administer the program, including a loan and bond supervisor who will have overall program responsibility, including processing loan applications (1.00 FTE), a loan and bond specialist for servicing (1.00 FTE), and an accountant (0.50 FTE).
10. BOH Operating Expenses include allowances for legal expenses, title recording fees at $150 per application, materials/supplies, office/computer equipment for designated FTE, marketing/communications, and associated overhead.
11. Legal expenses would include 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).
12. To assess the hazard insurance coverage on the primary residence pursuant to new Section 2, BOH 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."
13. To assess the percent equity in the primary residence pursuant to new Section 2, BOH 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.
14. To appropriately service property tax deferral loans, BOH 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 BOH 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.

15. While it is industry standard to include application, administrative, and servicing fees for loan programs, in acknowledgement that principal loan amounts for this program will be modest, BOH would propose to waive these fees to the borrower/applicant but would use interest earnings from loans originated and/or interest earnings from unlent funds held in STIP, to cover BOH personal services and operating expenses.

HB 836 PROPERTY TAX DEFERRAL LOAN PROGRAM

	Impact of HB 836				
Interest Revenue Impacts	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Transfer Out	$ (50,000,000)	-			
Gross Change to General Fund	**$ (50,000,000)**	**$ -**	**$ -**	**$ -**	**$ -**
Transfer In	$ 50,000,000				
Average Unlent Property Tax Deferral Fund Balance		$ 49,370,000	$ 47,470,550	$ 44,143,700	$ 39,229,050
STIP Yield		3.630%	3.250%	3.060%	3.000%
Property Tax Deferral Fund STIP Earnings		$ 1,792,131	$ 1,542,793	$ 1,350,797	$ 1,176,872
Loan Principal (cumulative average)		$ 630,000	$ 1,899,450	$ 3,326,850	$ 4,914,650
Loan Yield (Expected Average Loan Rate)		4.5000%	4.5000%	4.5000%	4.5000%
Property Tax Deferral Loan Interest Earnings		$ 28,350	$ 85,475	$ 149,708	$ 221,159
Gross Property Tax Deferral Fund Interest Earnings (STIP + Loan Interest)		**$ 1,820,481**	**$ 1,628,268**	**$ 1,500,505**	**$ 1,398,031**
Average Spend Down by FY Calc:		FY 2026	FY 2027	FY 2028	FY 2029
Cummulative Average Outstanding Balance		$ 630,000	$ 1,899,450	$ 3,326,850	$ 4,914,650
Total Loans Closed per Fiscal Year		$ 1,260,000	$ 1,278,900	$ 1,575,900	$ 1,599,700
Average Loan Amount		$ 700	$ 700	$ 850	$ 850
Eligible home owners	36,000	1,800	1,827	1,854	1,882

Department of Revenue

16. HB 836 creates a property tax loan program administered by the Board of Housing.
17. This program is available to elderly homeowners or active-duty military members that have resided in the property for at least five years and that meet certain equity threshold requirements.
18. 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.
19. The loans would be a lien on the property, to be repaid upon death of the qualifying homeowner or sale of the property.
20. 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	2.50	2.50	2.50	2.50
TOTAL Fiscal Impact	**2.50**	**2.50**	**2.50**	**2.50**
Expenditures				
Personal Services	$244,813	$244,813	$248,485	$252,212
Operating Expenses	$630,000	$1,899,450	$3,326,850	$4,914,650

Transfers	$50,000,000	$0	$0	$0
TOTAL Expenditures	**$50,874,813**	**$2,144,263**	**$3,575,335**	**$5,166,862**
Funding of Expenditures				
General Fund (01)	$50,000,000	$0	$0	$0
Other	$874,813	$2,144,263	$3,575,335	$5,166,862
TOTAL Funding of Expenditures	**$50,874,813**	**$2,144,263**	**$3,575,335**	**$5,166,862**
Revenues				
Other	$51,792,131	$1,542,793	$1,350,797	$1,176,872
TOTAL Revenues	**$51,792,131**	**$1,542,793**	**$1,350,797**	**$1,176,872**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($50,000,000)	$0	$0	$0
Other	$50,917,318	($601,470)	($2,224,538)	($3,989,990)

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.

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. For other veteran programs, the board of housing obtains the DD-214 Certificate of Release or Discharge from Active Duty form, which includes details on where the veteran enlisted. However, this form is not provided until separation from military service. Verifying active military status is straight-forward but verifying that the veteran enlisted in the state of Montana may be more challenging. BOH would propose in its administrative rule-making that enlistment in the state of Montana may be self-certified.

Department of Revenue

3. 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.".

3-25-2025 3/25/2025

Sponsor's Initials | Date | Budget Director's Initials | Date