GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**SB0169: Revise intangible personal property exemption**		
Primary Sponsor:	Mary Ann Dunwell	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)	$0	($18,362,078)	($14,997,337)	($14,936,571)
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$14,725,000	$14,704,000	$14,698,000
University	$0	$930,000	$929,000	$928,000
Revenues				
General Fund (01)	$0	$92,000	$91,000	$91,000
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$14,725,000	$14,704,000	$14,698,000
University	$0	$930,000	$929,000	$928,000
Net Impact General Fund Balance	$0	$18,454,078	$15,088,337	$15,027,571

Description of fiscal impact

Currently, all intangible personal property (IPP) of centrally assessed companies, as defined in 15-6-218, MCA, is exempt from taxation. SB 169 amends the definition to exclude goodwill and IPP that is used as an integral part of the operation of the business or centrally assessed unit. The definition change eliminates a majority of the exemption for IPP, which would increase the market and taxable value for all centrally assessed property. Statewide taxable value would increase by $155 million (2.82%) beginning in FY 2027 when the bill takes effect, increasing collections from the state 95 mills for school equalization, 6 university mills, and 1.5 vo. tech mills. Changes in taxable values will change the distribution of funding to public schools. SB 169 will reduce state general fund expenditures by $18.5 million and will increase local property taxes by $3.7 million in FY 2027.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. Under current law, all intangible personal property (IPP) of centrally assessed property is exempt from taxation. SB 169 eliminates a majority of the exemption, increasing market and taxable value of centrally assessed property.
2. When centrally assessed companies are valued, the total market value of the company is determined, the

value of IPP is deducted, and the remaining value is apportioned to the company's property throughout the state.

3. The share of total market value made up of IPP was determined for each centrally assessed company. That share was added to the current market value of each centrally assessed property in the state to determine SB 169 market values. Respective tax rates were applied according to tax class to calculate a new taxable value for each property.
4. HJ 2 growth rates were applied according to tax class to current and new taxable values for each property, and the difference was summed to estimate the statewide taxable value change of SB 169 – $155 million (2.82%).
5. Class 13 and class 9 property would see the greatest nominal increase in taxable value. The table below contains the statewide taxable value change by class.

Tax Class	TV Change
1	$0
2	$0
3	$0
4	$0
5	$6,061,847
7	$0
8	$127,517
9	$52,989,568
10	$0
12	$5,832,645
13	$87,653,108
14	$2,267,842
15	$67,787
17	$0
18	$0
Total	$155,000,315

6. The increase in taxable value would increase collections from the state 95 mills for school equalization, 6 university mills, and 1.5 vo-tech mills. The following table contains the impact to each affected fund.

Fund	FY 2027	FY 2028	FY 2029
TV Change	$155,000,000	$154,777,000	$154,713,000
SEPTR	$14,725,000	$14,704,000	$14,698,000
University	$930,000	$929,000	$928,000
Vo-tech	$92,000	$91,000	$91,000

7. Administrative costs would be absorbed by the department.

Office of Public Instruction

1. SB 169 amends section 15-6-218, MCA, adjusting district and statewide taxable valuation (TV). Changes to TV will impact the calculation of guaranteed tax base (GTB) aid beginning in FY2026.
2. The statewide present law (HJ 2) taxable valuation are forecast to increase by 15.50% in FY 2026 and 1.07% in FY 2027. These growth rates were applied prior to determination of the changes related to SB 169.
3. Adjustments are to be made to the amount of state GTB distribution to school districts when state 95 mill revenue in the current year TV is more than $2 million less than the prior year TV 95 mill revenue (20-9-336, MCA). This law requires the Office of Public Instruction (OPI) to decrease the amount of funding distributed for district general fund GTB by 85% and country retirement GTB by 15% of the amount of reduction to the SEPTR account 95 mill revenue.
4. The effects of SB 169 TV changes will adjust the state funded portion of general fund GTB and the county retirement GTB downward beginning in FY 2027 and increase local school property taxes.

5. HB 169 increases the statewide TV by $155,000,315 in FY 2027. Adjusted increases of TV between years would generate the need to distribute $11.0 million for county retirement GTB beginning in FY 2027 as shown in the following table. However, current law calculations indicate all of the "dials" in 20-9-336, MCA, have been maximized so $20 million of the revenue will flow to the SEPTR account and reduce general fund expenditures by a like amount.

State FY	Adjusted TV	TV Change	95 mill calc	55% County Retirement
FY 2025	$4,495,734,393			
FY 2026	$4,512,374,412			
FY 2027	$5,211,792,446			
FY 2028	$5,422,558,940	$210,766,494	$20,022,817	$11,012,549

1. The changes in TV will also create a change to the state distribution of funds for the district general fund GTB and the county retirement GTB in the school funding formula. The following assumption show those adjustments.
2. The following table represents the decrease in state distribution of funding for district general fund GTB and the increase for local property taxes related to the TV change effects of SB 169.

	FY2026	FY2027	FY2028	FY2029
District GF GTB		($2,672,802)	($264,300)	($217,823)
Local Property Taxes		$2,672,802	$264,300	$217,823

3. The following table represents the decrease in state distribution of funding for county retirement GTB and the increase for local property taxes related to the TV change effects of SB 169.

	FY2026	FY2027	FY2028	FY2029
District GF GTB		($1,056,276)	($120,037)	($111,748)
Local School Property Taxes		$1,056,276	$120,037	$111,748

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Transfers	$0	$0	$0	$0
Vo Tech	$0	$92,000	$91,000	$91,000
University	$0	$930,000	$929,000	$928,000
Local Assistance	$0	$0	$0	$0
District General Fund GTB	$0	($2,672,802)	($264,300)	($217,823)
County Retirement GTB	$0	($1,056,276)	($120,037)	($111,748)
TOTAL Expenditures	**$0**	**($2,707,078)**	**$635,663**	**$689,429**
Funding of Expenditures				
General Fund (01)	$0	($18,362,078)	($14,997,337)	($14,936,571)
State Special Revenue (02)	$0	$0	$0	$0
University	$0	$930,000	$929,000	$928,000
SEPTR	$0	$14,725,000	$14,704,000	$14,698,000
TOTAL Funding of Expenditures	**$0**	**($2,707,078)**	**$635,663**	**$689,429**
Revenues				
General Fund (01)	$0	$92,000	$91,000	$91,000
State Special Revenue (02)	$0	$0	$0	$0
University	$0	$930,000	$929,000	$928,000
SEPTR	$0	$14,725,000	$14,704,000	$14,698,000
TOTAL Revenues	**$0**	**$15,747,000**	**$15,724,000**	**$15,717,000**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	$0	$18,454,078	$15,088,337	$15,027,571
State Special Revenue (02)	$0	$0	$0	$0
University	$0	$0	$0	$0
SEPTR	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures

1. The increase in taxable value due to SB 169 may decrease mills in jurisdictions that operate under 15-10-420, MCA,
2. Local and countywide school property taxes are regulated the school funding formulas in Title 20, MCA. Because of the change in the distribution of taxable value in different school districts relative to present law, some districts will see increases and others will see decreases in local school property taxes. On net there will be a statewide increase in local school mill revenue of $3.7 million in FY 2027 and by $0.4 million in FY 2028 and beyond due to the change in the distribution of taxable value changes in SB 169.

NO SPONSOR SIGNATURE 1/28/25

Sponsor's Initials   Date

Budget Director's Initials   1/26/2025 Date