



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0093.02 (002): Revise income taxes related to retired military members

Primary Sponsor: John Fuller Status: As Amended in House Committee

☐ 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

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact

As amended in the House Taxation Committee, SB 93 removes the TY 2033 sunset of Montana's military retirement pay and survivor benefits exemption. The removal of the exemption will have no fiscal impact in the four-year fiscal window.

FISCAL ANALYSIS

Assumptions

Department of Revenue (DOR)

- Under current law, taxpayers in Montana can exempt the lesser of 50% of their military retirement pay and survivor benefits, or the taxpayer's "Montana source wage income" from Montana's personal income tax starting tax year (TY) 2024. The exemption can only be claimed for five consecutive years. The exemption is limited to taxpayers who became residents of the state after June 30, 2023, or who were a resident of the state before receiving military pension or military retirement income and have remained a resident. The exemption is set to expire at the end of TY 2033.
- As amended, SB 93 eliminates the TY 2033 expiration date of the exemption which is beyond the fiscal window.
- The changes made by SB 93 can be made as part of the DOR annual change process at no additional expense.


Significant Long-Term Impacts

Department of Revenue


1. The removal of the sunset will reduce general fund revenue after TY 2033.

Office of Budget and Program Planning

2. The present law estimate (see the fiscal note for SB 104 (2023)) for this exemption assumes that taxpayers who were receiving military pension income before TY 2024 are qualified for the pension exemption for a 5-year period, starting TY 2024.
3. Data available in 2023 suggested that there were approximately 270 new recipients of military retirement income each year. This would hold the pool of military of the number of retirement claimants relatively stable over time. Costs were assumed to peak in TY 2028 (FY 2029) and then decrease after the initial group of qualifying taxpayers reach their fifth and final year of claiming the exemption. Thereafter claims grow based on increases in income and pension payments.



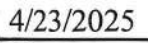
Sponsor's Initials



Date



Budget Director's Initials



Date