



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0213: Revise residential and commercial property tax rate

Primary Sponsor: Ed Byrne 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

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$193,196,866	\$72,306,049	\$93,318,663	\$103,219,850
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$149,910,000)	(\$150,955,000)	(\$172,425,000)	(\$173,660,000)
University 6 mill	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
Revenues				
General Fund (01)	(\$788,000)	(\$794,000)	(\$906,000)	(\$912,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$149,910,000)	(\$150,955,000)	(\$172,425,000)	(\$173,660,000)
University 6 mill	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
Net Impact	<u>(\$193,984,866)</u>	<u>(\$73,100,049)</u>	<u>(\$94,224,663)</u>	<u>(\$104,131,850)</u>
General Fund Balance				

Description of fiscal impact

HB 213 reduces Class 4 property tax rates. The residential tax rate would be set to 0.76% (from 1.35%) and the commercial property tax rate would be fixed at 1.35% instead of being set at 1.4 times the residential rate (currently 1.89%). The bill also reduces the tax rate on the portion of a residential improvement above \$1.5 million from 1.89% to 1.35%. These changes reduce statewide taxable value by \$1.58 billion (29%) in FY 2026 when the bill takes effect. The reduction in taxable value in HB 213 will increase state funding to schools by \$193.2 million in FY 2026 and by \$72.3 million in FY 2027. Local school property taxes for schools will decrease by \$44.1 million in FY 2026 and by \$77.9 million in FY 2027.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. The proposed changes to 0.76% and 1.35% for residential tax rates were applied to the FY 2025 market values of each residential and commercial property, respectively, to estimate each property's FY 2025 taxable value under HB 213.
2. The difference in FY 2025 taxable value for each property was calculated and grown by the respective HJ 2 forecast for residential and commercial taxable value.
3. Statewide taxable value would be reduced by \$1.58 billion in FY 2026, \$1.59 billion in FY 2027, \$1.82 billion in FY 2028, and \$1.83 billion in FY 2029.

4. The taxable value reduction decreases revenue generated by the 95 school equalization mills, 6 university mills, and 1.5 vo-tech mills. The following table contains the estimated fiscal impact to these accounts.

Fund	FY 2026	FY 2027	FY 2028	FY 2029
SEPTR	(\$149,910,000)	(\$150,955,000)	(\$172,425,000)	(\$173,660,000)
University	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
Vo-tech	(\$788,000)	(\$794,000)	(\$906,000)	(\$912,000)

5. Administrative costs would be absorbed by the department.

Office of Public Instruction

- HB 213 amends section 15-6-134, MCA, the changes adjust district and statewide taxable valuations (TV). Changes reducing TV will impact the calculation of guaranteed tax base (GTB) aid and county retirement GTB beginning FY 2026.
- The statewide present law taxable valuations are forecast to increase by 15.50% in FY 2026 and 1.07% in FY 2027. These growth rates were calculated prior to determination of the changes related to HB 213.
- Adjustments are to be made to the amount of state GTB distribution to school districts when state 95 mill revenue in the current year 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 county retirement GTB by 15% of the amount of reduction lost to the SEPTR account for the 95 mill revenue.
- The change in TV will adjust the general fund GTB downward by \$71.0 million and will reduce county retirement GTB by \$12.5 million pursuant 20-9-366(5) in FY 2027.
- The following table provides information regarding the calculation for the amount of the adjustment related to changes in TV in HB 213.

State FY	Current Law TV	Reduction TV HB 213	Adjusted TV	Adjusted Change
FY2026	\$4,512,374,412	\$16,640,019		
FY2027	\$5,211,792,446	(\$1,578,433,291)	\$3,633,359,155	(\$879,015,257)

6. The change in TV is used to determine the adjustment to district general fund GTB related to TV changes.

State FY	Adjusted Change	95 mill calculation	District GF GTB 85%	District GF GTB Multiplier
FY2026		\$1,580,802	NA	262%
FY2027	(\$879,015,257)	(\$83,506,449)	(\$70,980,482)	168%

7. County retirement GTB is reduced by 15% in the case of TV decreases and increases county retirement by 55% in the case of TV increases of the difference in related 95 mill change. The estimated change in county retirement GTB is provided in the table below. GTB calculations have a lag effect therefore the adjustment increases GTB in FY 2026 and decreases in years after.

State FY	Adjusted TV	Adjusted Change	95 mill calculation (Chg/1000) X 95	County Retirement GTB 15%	County Retirement GTB 55%	County Retirement GTB Multiplier
FY2025	\$4,495,734,393					
FY2026	\$4,512,374,412	\$16,640,019	\$1,580,802			305%
FY2027	\$3,633,359,155	(\$879,015,257)	(\$83,506,449)	(\$12,525,967)		242%
FY2028	\$3,681,097,807	\$47,738,652	\$4,535,172		\$2,494,345	252%
FY2029	\$4,088,595,334	\$407,497,527	\$38,712,265		\$21,291,746	305%

8. The estimated change in school district general fund GTB and county retirement GTB is provided in the table below. This includes an adjustment for both GTB types for redistribution of TV and change in statewide TV. GTB calculations have a lag effect therefore the adjustment increases GTB in FY 2026 and decreases in years after. Local property taxes will decrease by \$44 million in FY 2026 and increase by \$77.8 million in FY 2027 and beyond.

	FY 2026	FY 2027	FY 2028	FY 2029
District General Fund GTB	\$30,801,785	(\$65,974,010)	(\$68,227,010)	(\$70,216,473)
County Retirement GTB	\$13,273,081	(\$11,880,941)	(\$9,973,327)	\$688,323
Local Property Taxes	(\$44,074,866)	\$77,854,951	\$78,200,337	\$69,528,150

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Transfers	\$0	\$0	\$0	\$0
Vo Tech 1.5 mill	(\$788,000)	(\$794,000)	(\$906,000)	(\$912,000)
University 6 mill	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
District General Fund GTB	\$30,801,785	(\$65,974,010)	(\$68,227,010)	(\$70,216,473)
County Retirement GTB	\$13,273,081	(\$11,880,941)	(\$9,973,327)	\$688,323
TOTAL Expenditures	\$33,818,866	(\$88,182,951)	(\$89,996,337)	(\$81,408,150)
Local Assistance	\$0	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
General Fund (01)	\$193,196,866	\$72,306,049	\$93,318,663	\$103,219,850
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$149,910,000)	(\$150,955,000)	(\$172,425,000)	(\$173,660,000)
University 6 mill	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
TOTAL Funding of Expenditures	\$33,818,866	(\$88,182,951)	(\$89,996,337)	(\$81,408,150)
<u>Revenues</u>				
General Fund (01)	(\$788,000)	(\$794,000)	(\$906,000)	(\$912,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$149,910,000)	(\$150,955,000)	(\$172,425,000)	(\$173,660,000)
University 6 mill	(\$9,468,000)	(\$9,534,000)	(\$10,890,000)	(\$10,968,000)
TOTAL Revenues	(\$160,166,000)	(\$161,283,000)	(\$184,221,000)	(\$185,540,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$193,984,866)	(\$73,100,049)	(\$94,224,663)	(\$104,131,850)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	\$0	\$0	\$0	\$0
University 6 mill	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures

Department of Revenue

1. HB 213 would reduce statewide Class 4 value by \$1.58 billion (29%) in FY 2026. Local taxes would generally be shifted from residential and commercial property to other types of property.
2. Local mills would float up to offset the loss in taxable value. The average taxing jurisdiction would increase mills by 146.71 in FY 2026.
3. In FY 2026, the statewide average decrease in taxes for a residential home valued at \$300,000 would be \$260. The average decrease in taxes for a commercial property valued at \$300,000 would be \$153 before school funding impacts.

Office of Public Instruction

1. Local property taxes for schools will increase by \$44.1 million in FY 2026 and by \$77.9 million in FY 2027.

Sponsor's Initials

Date



Budget Director's Initials

1/28/2025

Date