



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0887.01: Provide property tax relief funded with lodging tax revenue

Primary Sponsor: Jane Gillette 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)	\$25,000	\$25,000	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 887 revises 15-35-121, MCA, to cap the allocation of the lodging facility use tax received by the Department of Commerce beginning with the 2029 biennium, at the same amount of the prior year's allocation, adjusted by the average amount of inflation in the prior three years, plus 0.5% of the revenue collected in the prior year. The bill appropriates \$50,000 state general fund to the Department of Revenue for the 2027 Biennium for implementation of SB 90. The bill will redirect \$1.0 million in FY 2028 and \$0.4 million in FY 2029 from the Department of Commerce programs funded by accommodations taxes to the Property Tax assistance account created in SB 90.

FISCAL ANALYSIS

Assumptions

Department of Commerce

- Under current law, the Department of Commerce receives 60.2% of the 4% lodging facilities use tax for the following uses specified in 90-1-122, MCA. Beginning July 1, 2027, the allocation increases to 63.0%.
 - 43% for tourism media, advertising film programs, made-in-Montana promotions and main street programs, wayfinding and signage, and support to trade offices;
 - 22.5% for rural tourism, under-visited area attraction projects, and tribal tourism, including infrastructure, tourism-related emergency services, marketing, and promotional activities;
 - 23% for tourism grants, including agritourism grants and Montana-based film grants;
 - 6.5% for revolving loan programs and regional tourism assistance; and
 - 5% to use in collaboration with the office of economic development established in 2-15-218 for new tourism attractions, other state business development programs, and support for the activities in this section.
- Per 15-65-121, MCA, the lodging facility use tax funds allocated to the department are statutory appropriated. For the purposes of this fiscal note, it is assumed that all revenue allocated will be expended.

3. Current HJ 2 estimates suggest that the amount of the lodging use tax allocated to the department will be \$38.6 million in FY 2026, and \$40.2 million in FY 2027. Using the 1.5% inflationary adjustment typically used for the purposes of fiscal notes, the revenue estimate for FY 2028 would be \$42.4 million, and \$43.1 million for FY 2029.
4. Beginning with FY 2028, HB 887 would cap the amount of the lodging facility use tax allocated to the department at an amount equal to the amount received in the previous fiscal year adjusted by the average rate of inflation plus 0.5%.
5. The Department of Revenue estimates that the three-year average projected rate of inflation will be 2.6% in FY 2028 and 2.4% in FY 2029.
6. Revenue for FY 2028 would then be calculated using the following equation: FY 2027 revenue x (2.6% + 0.5%). Revenue for FY 2029 would be calculated as FY 2028 revenue x (2.4% + 0.5%).
7. The resulting revenue using the HJ 2 estimate for FY 2027 as a starting point would be \$41.4 million in FY 2028, and \$42.6 million in FY 2029. Compared to current law estimates detailed in assumption 3 above, this would be a reduction of \$1 million in FY 2028, and \$441,144 in FY 2029.
8. Per 90-1-122, MCA, the reductions to Commerce would be realized in the following manner:
 - a. Reductions to the Main Street Montana program, Made in Montana advertising and additional funding for the Pilot Community grants of \$431,000 in FY 2028 (\$1 million * 43%) and \$190,000 in FY 2029 (\$441,144 * 43%).
 - b. Reduction to tribal tourism development grants of \$225,571 in FY 2028 (\$1 million * 22.5%) and \$189,692 in FY 2029 (\$99,257 * 22.5%).
 - c. Reduction to the Pilot Community grants and agritourism grants of \$230,584 in FY 2028 (\$1 million * 23%) and \$101,463 in FY 2029 (\$441,144 * 23%).
 - d. Reduction to the Regional Assistance Program grants of \$65,165 in FY 2028 (\$1 million * 6.5%) and \$28,674 in FY 2029 (\$441,144 * 6.5%).
 - e. Reduction to the air service sponsorship program of \$50,127 in FY 2028 (\$1 million * 5%) and \$22,057 in FY 2029 (\$441,144 * 5%).

Department of Revenue

1. The difference between the adjusted distribution and the 63% of lodging facility use tax would be distributed to the property tax assistance account established in SB 90 in the amount of \$1 million in FY 2028 and \$441,144 in FY 2029.
2. Increasing the distribution to the property tax assistance account would increase the assistance per residence by \$4.03 in FY 2028 and \$6.43 in FY 2029.
3. There is an appropriation of \$50,000 for the 2027 Biennium to the Department of Revenue for implementation of SB 90.
4. There are no additional costs to the department beyond those required for SB 90.
5. This bill is void if SB 90 fails to pass.

Fiscal Analysis Table

Department of Commerce

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$0	\$0	(\$481,218)	(\$211,749)
Local Assistance	\$0	\$0	\$0	\$0
Grants	\$0	\$0	(\$521,319)	(\$229,395)
TOTAL Expenditures	\$0	\$0	(\$1,002,537)	(\$441,144)
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	(\$1,002,537)	(\$441,144)
TOTAL Funding of Expenditures	\$0	\$0	(\$1,002,537)	(\$441,144)
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	(\$1,002,537)	(\$441,144)
TOTAL Revenues	\$0	\$0	(\$1,002,537)	(\$441,144)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Department of Revenue

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Transfers	\$25,000	\$25,000	\$0	\$0
Local Assistance	\$0	\$0	\$0	\$0
Property Tax Assistance	\$0	\$0	\$1,002,537	\$441,144
TOTAL Expenditures	\$25,000	\$25,000	\$1,002,537	\$441,144
<u>Funding of Expenditures</u>				
General Fund (01)	\$25,000	\$25,000	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$1,002,537	\$441,144
TOTAL Funding of Expenditures	\$25,000	\$25,000	\$1,002,537	\$441,144
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	\$1,002,537	\$441,144
TOTAL Revenues	\$0	\$0	\$1,002,537	\$441,144
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$25,000)	(\$25,000)	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

STATEWIDE SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Expenditures</u>				
Operating Expenses	\$0	\$0	(\$481,218)	(\$211,749)
Transfers	\$25,000	\$25,000	\$0	\$0
Local Assistance	\$0	\$0	\$0	\$0
Property Tax Assistance	\$0	\$0	\$1,002,537	\$441,144
Grants	\$0	\$0	(\$521,319)	(\$229,395)
TOTAL Expenditures	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$25,000	\$25,000	\$0	\$0
TOTAL Funding of Expenditures	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues</u>				
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>(\$25,000)</u>	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>

Effect on County or Other Local Revenues or Expenditures**Department of Revenue**

- HB 887 slightly increases the the property tax assistance available to each primary home, which counties may retain if the assistance is greater than a home's property tax liability.

Technical Concerns**Department of Commerce**

- Since HJ 2 estimates only go through FY 2027, the department typically includes a 1.5% inflationary factor for FY 2028 and FY 2029 for the purposes of fiscal note creation. However, actual revenues are likely to be higher resulting in a greater fiscal impact as a result of capping the distribution. The impact would likely continue to grow in subsequent years as the average lodging facility use tax collections have exceeded the three-year average CPI.

NOT SIGNED BY SPONSOR
 Sponsor's Initials 4/4 Date 4/4



Budget Director's Initials

4/3/2025

Date