



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0542.01: Freeze property values for 2 years

Primary Sponsor: Wylie Galt 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 2025</u><br><u>Difference</u> | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> | <u>FY 2028</u><br><u>Difference</u> | <u>FY 2029</u><br><u>Difference</u> |
|-----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expenditures</b>         |                                     |                                     |                                     |                                     |                                     |
| General Fund (01)           | \$1,280,433                         | \$95,035,000                        | \$100,288,000                       | \$0                                 | \$0                                 |
| State Special Revenue (02)  | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b>Revenues</b>             |                                     |                                     |                                     |                                     |                                     |
| General Fund (01)           | \$0                                 | (\$418,000)                         | (\$494,000)                         | \$0                                 | \$0                                 |
| State Special Revenue (02)  | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR                       | \$0                                 | (\$79,378,000)                      | (\$93,866,000)                      | \$0                                 | \$0                                 |
| University 6 mill           | \$0                                 | (\$5,013,000)                       | (\$5,928,000)                       | \$0                                 | \$0                                 |
| <b>Net Impact</b>           | <u>(\$1,280,433)</u>                | <u>(\$95,453,000)</u>               | <u>(\$100,782,000)</u>              | <u>\$0</u>                          | <u>\$0</u>                          |
| <b>General Fund Balance</b> |                                     |                                     |                                     |                                     |                                     |

### Description of fiscal impact

SB 542 freezes all property values for Tax Year 2025 and 2026 at the value of the property on January 1, 2024, unless reappraisal would result in a lower value for the property. Taxable value will be lower under SB 542 than current law. The Department of Revenue has significant implementation costs.

### FISCAL ANALYSIS

#### Assumptions

#### Department of Revenue

1. SB 542 modifies the normal reappraisal process to require that property in Tax Years 2025 and 2026 can be worth no more than the property was worth on January 1, 2024.
2. It is assumed that newly improved property cannot be taxed beyond its value as of January 1, 2024.
3. Taxable value by class is sourced from HJ 2. If the overall value of the tax class is expected to be less in future years than TY 2024, that lower value is used.
4. It is assumed a 2% reduction in each tax class will happen from minor changes and appeals, since values can only be adjusted downward.
5. Total taxable value is expected to be about \$836 million less in FY 2026 and \$988 million less in FY 2027.
6. The 2027 reappraisal will resume as normal, so there is no expected difference in taxable value between current law and SB 542 for those years.

# Fiscal Note Request - As Introduced

(continued)

| Fund    | FY 2026      | FY 2027      | FY 2028 | FY 2029 |
|---------|--------------|--------------|---------|---------|
| SEPTR   | \$79,378,000 | \$93,866,000 | \$0     | \$0     |
| MUS     | \$5,013,000  | \$5,928,000  | \$0     | \$0     |
| Vo-Tech | \$418,000    | \$494,000    | \$0     | \$0     |

- The Department of Revenue will have about \$84,000 in contracted service costs to the vendor of the computer assisted mass appraisal software to implement features allowing for multiple years of valuation methods to be stored.
- The retroactivity of this bill requires all work be completed by then end of FY 2025. The Department of Revenue expects to require the equivalent of 240 positions for one month (20.00.FTE) in FY 2025 for the significant record processing required to meet proscribed timeline, as well as necessary system testing. This results in about \$1.2 million in personal services costs in FY 2025.

## Office of Public Instruction

- The pause in the TY 2025 biennial reappraisal results in a relative reduction (from present law) in statewide taxable value, because the second year of the reappraisal cycle is principally new property. This results in a one-time GTB expense of \$10,226,000 in FY 2026.

## Fiscal Analysis Table

|  | <u>FY 2025</u><br><u>Difference</u> | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> | <u>FY 2028</u><br><u>Difference</u> | <u>FY 2029</u><br><u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>Fiscal Impact</u></b>  |                                     |                                     |                                     |                                     |                                     |
| FTE  | 20.00                               | 0.00                                | 0.00                                | 0.00                                | 0.00                                |
| <b>TOTAL Fiscal Impact</b>   | <b>20.00</b>                        | <b>0.00</b>                         | <b>0.00</b>                         | <b>0.00</b>                         | <b>0.00</b>                         |
| <b><u>Expenditures</u></b>   |                                     |                                     |                                     |                                     |                                     |
| Personal Services  | \$1,196,433                         | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Operating Expenses   | \$84,000                            | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Transfers  | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| University 6 mill  | \$0                                 | \$5,013,000                         | \$5,928,000                         | \$0                                 | \$0                                 |
| Vo-Tech  | \$0                                 | \$418,000                           | \$494,000                           | \$0                                 | \$0                                 |
| SEPTR Offset   | \$0                                 | \$79,378,000                        | \$93,866,000                        | \$0                                 | \$0                                 |
| Local Assistance   | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| School District GF GTB   | \$0                                 | \$10,226,000                        | \$0                                 | \$0                                 | \$0                                 |
| <b>TOTAL Expenditures</b>  | <b>\$1,280,433</b>                  | <b>\$95,035,000</b>                 | <b>\$100,288,000</b>                | <b>\$0</b>                          | <b>\$0</b>                          |
| <b><u>Funding of Expenditures</u></b>  |                                     |                                     |                                     |                                     |                                     |
| General Fund (01)  | \$1,280,433                         | \$95,035,000                        | \$100,288,000                       | \$0                                 | \$0                                 |
| <b>TOTAL Funding of Expenditures</b>   | <b>\$1,280,433</b>                  | <b>\$95,035,000</b>                 | <b>\$100,288,000</b>                | <b>\$0</b>                          | <b>\$0</b>                          |
| <b><u>Revenues</u></b>   |                                     |                                     |                                     |                                     |                                     |
| General Fund (01)  | \$0                                 | (\$418,000)                         | (\$494,000)                         | \$0                                 | \$0                                 |
| State Special Revenue (02)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR  | \$0                                 | (\$79,378,000)                      | (\$93,866,000)                      | \$0                                 | \$0                                 |
| University 6 mill  | \$0                                 | (\$5,013,000)                       | (\$5,928,000)                       | \$0                                 | \$0                                 |
| <b>TOTAL Revenues</b>  | <b>\$0</b>                          | <b>(\$84,809,000)</b>               | <b>(\$100,288,000)</b>              | <b>\$0</b>                          | <b>\$0</b>                          |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b> |                                     |                                     |                                     |                                     |                                     |
| General Fund (01)  | (\$1,280,433)                       | (\$95,453,000)                      | (\$100,782,000)                     | \$0                                 | \$0                                 |
| State Special Revenue (02)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR  | \$0                                 | (\$79,378,000)                      | (\$93,866,000)                      | \$0                                 | \$0                                 |
| University 6 mill  | \$0                                 | (\$5,013,000)                       | (\$5,928,000)                       | \$0                                 | \$0                                 |

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

1. It is assumed that local jurisdictions will adjust their mills to meet their authorized revenue requirements within the constraints of 15-10-420, MCA, present law constraints.

**Office of Public Instruction**

2. School districts receiving GTB payments will receive \$10,226,000 more in state GTB subsidy offsetting what otherwise would have been funded with mills on taxable value growth in FY 2026.

**Technical Concerns****Department of Revenue**

1. The property tax system is not currently designed to simultaneously hold more than one valuation framework within the system. Implementing this bill in time for Tax Year 2025 may not be possible.
2. The language directing the Department of Revenue to use the lesser of two valuations creates a non-uniform assessment challenge because there are different valuation dates used for similarly situated properties.
3. Class 1 and class 2 property represent annual proceeds from the severance of minerals and metals respectively. If significantly more class 1 or class 2 property was severed in Tax Year 2025, the value would nonetheless be limited to the value in Tax Year 2024.

EWG

Sponsor's Initials

4/1/25

Date

RD

Budget Director's Initials

3/31/2025

Date