



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0528.02 R (001): Revise property tax rates for agricultural, residential, and commercial property**

Primary Sponsor: **Ed Byrne** Status: **As Amended in House Committee - Revised**

☐ 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**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b>Expenditures</b>				
General Fund (01)	\$159,153,069	\$34,443,697	\$50,225,143	\$61,109,137
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$114,754,000)	(\$115,822,000)	(\$132,480,000)	(\$133,787,000)
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
<b>Revenues</b>				
General Fund (01)	(\$716,000)	(\$724,000)	(\$827,000)	(\$835,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
SEPTR	(\$114,754,000)	(\$115,822,000)	(\$132,480,000)	(\$133,787,000)
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
<b>Net Impact</b>	<b><u>(\$159,869,069)</u></b>	<b><u>(\$35,167,697)</u></b>	<b><u>(\$51,052,143)</u></b>	<b><u>(\$61,944,137)</u></b>
<b>General Fund Balance</b>				

### **Description of fiscal impact**

HB 528, as amended in the House Appropriations Committee, reduces class 3 agricultural land, class 4 residential, and class 4 commercial property tax rates. The class 3 agricultural rate is reduced from 2.16% to 1.7%. The residential tax rate is reduced from 1.35% to 0.76%, and the commercial property tax rate is fixed at 1.35% instead of being set to 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 would reduce statewide taxable value by \$1.62 billion (29.5%) in FY 2026 when the bill takes effect, reducing revenue generated by the 95 school equalization mills, 6 university mills, and 1.5 vo-tech mills. The amendment requires a permanent increase to the 95 school equalization mills and 6 university mills beginning FY 2026 so that the total reduction in revenue between the two accounts is no more than \$50 million from FY 2025 levels. School equalization mills would be raised from 95 to 105.5 and university mills would increase from 6 to 6.66. As amended HB 528 changes sections 15-6-133, & 15-6-134, MCA, taxation impacting the calculation of school district general fund GTB, county retirement GTB, These school funding effects are unchanged from the introduced version of the bill. [The fiscal note revision fixes the typographical error affecting FY 2026 SEPTR revenue and funding].

## FISCAL ANALYSIS

### Assumptions

- Under current law, the state assessed value of property is converted to taxable value by applying a base tax rate. The assessed (productive) value of class 3 agricultural land receives a 2.16% tax rate. Class 4 residential property is 1.35%. The class 4 commercial rate is 1.89%. Class 4 residential improvements valued above \$1.5 million receive a 1.89% tax rate on the value over \$1.5 million.
- HB 528 would lower these rates to 1.7% (class 3), 0.76% (class 4 residential), and 1.35% (class 4 commercial and the value class 4 residential improvements over \$1.5 million).
- To estimate the effects of HB 528, the bill's tax rates were applied to the FY 2025 market values of agricultural, residential, and commercial property, respectively, to estimate each property's FY 2025 taxable value under the bill. The differences in taxable value were calculated and grown by the respective HJ 2 forecasts. The following table contains the taxable value difference by tax class.

Tax Class	TV Difference	% of difference
Residential	-1,396,411,000	86.3%
Commercial	-188,821,000	11.7%
Agricultural	-33,118,000	2.0%

- Statewide, taxable value would be reduced by \$1.62 billion in FY 2026, \$1.63 billion in FY 2027, \$1.87 billion in FY 2028, and \$1.89 billion in FY 2029.
- The reduction in taxable value will decrease revenue generated by the 95 school equalization mills, 6 university mills, and 1.5 vo-tech mills. As introduced, the revenue generated by the 95 mills under HB 528 would have been \$86.02 million less in FY 2026 than FY 2025. The 6 university mills would have generated \$5.43 million less in FY 2026 than FY 2025. The total revenue loss from the 101 mills from FY 2025 to FY 2026 would have been \$91.45 million. The amendment requires that the revenue loss is no more \$50 million, requiring the state to increase the 95 and 6 mills. To mitigate the lost revenue proportionately between the school equalization and university mills, the 95 school equalization mills would be raised to 105.5 and the 6 university mills would be raised to 6.66. These new mill levels would continue in subsequent years.
- The following table contains the taxable value reduction and the difference in state mill collections between current law and HB 528 for each fiscal year of the forecast period.

Impact	FY 2026	FY 2027	FY 2028	FY 2029
TV Difference	(\$1,618,350,000)	(\$1,634,261,000)	(\$1,868,336,000)	(\$1,886,770,000)
SEPTR	(\$114,754,000)	(\$115,882,000)	(\$132,480,000)	(\$133,787,000)
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
Vo-tech	(\$716,000)	(\$724,000)	(\$827,000)	(\$835,000)

- As the tax rate changes fit within the parameters of the department's current systems and processes, the administrative costs would be handled as part of the current biennial reappraisal process.

### Office of Public Instruction

- HB 528 changes adjust district and statewide taxable valuations (TV). Changes reducing TV will impact the calculation of district general fund guaranteed tax base (GTB) aid and county retirement GTB beginning in 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 528.

10. 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 state equalization and property tax reduction (SEPTR) account for the 95 mill revenue.
11. The change in TV will adjust the district general fund GTB downward by \$73.8 million and will reduce county retirement GTB by \$13.0 million in FY 2026 pursuant to 20-9-366(5) in FY 2027.
12. The following table provides information regarding TV changes and the related effects of section 20-9-366, MCA, when considering changes related to the school district general fund GTB decrease.

State FY	Current Law TV	Adjusted Chg	TV 95 calculation	mill District GTB reduction 85%	GF GTB Multiplier
FY 2025	\$4,495,734,393				
FY 2026	\$4,512,374,412	\$16,640,019	\$1,580,802		262%
FY 2027	\$3,599,001,171	(\$913,373,241)	(\$86,770,458)	(\$73,754,889)	165%

13. For purposes of this fiscal note, it is estimated that the school district general fund GTB multiplier would be required to be lowered to 165% in accordance with 20-9-336(3), and then raised to 166% in accordance with 20-9-336(5).
14. The estimated change in school district general fund GTB is provided in the table below.

	FY 2026	FY 2027	FY 2028	FY 2029
District GF GTB	\$31,502,246	(\$68,223,488)	(\$70,499,317)	(\$72,561,884)
Local School Property Taxes	(\$31,502,246)	\$68,223,488	\$70,499,317	\$72,561,884

15. The county retirement GTB subsidy per mill calculation will be affected beginning in FY 2027. The following table provides information regarding TV changes and the related effects of section 20-9-366, MCA, when considering changes related to the county retirement fund GTB decrease.

State FY	Current Law TV	Adjusted Chg	TV 95 calculation	mill County Retirement reduction (15%)	County Retirement increase 55%
FY 2025	\$4,495,734,393				
FY 2026	\$4,512,374,412	\$16,640,019	\$1,580,802		
FY 2027	\$3,599,001,171	(\$913,373,241)	(\$86,770,458)	(\$13,015,569)	
FY 2028	\$3,637,510,484	\$38,509,313	\$3,658,385		\$2,012,112
FY 2029	\$4,040,182,894	\$402,672,410	\$38,253,879		\$21,039,633

16. Under current law the county retirement GTB multiplier is set at 189% for FY 2026 and for 305% for FY 2027 in accordance with section 20-9-366(5)(b), MCA. The county retirement GTB multiplier would need to be adjusted to 242% in FY 2027 to adjust the distribution of retirement GTB downward by \$13.0 million. The following table provides information related to total county retirement GTB funding for TV changes and revenue adjustments.

	FY 2026	FY 2027	FY 2028	FY 2029
County Retirement GTB	\$13,688,823	(\$12,357,814)	(\$10,928,539)	\$719,020

Local Property Taxes	(\$13,688,823)	\$12,357,814	\$10,928,539	(\$719,020)
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17. 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 \$45.2 million in FY 2026 and increase by \$80.5 million in FY 2027 and beyond.

	FY 2026	FY 2027	FY 2028	FY 2029
District GF GTB	\$31,502,246	(\$68,223,488)	(\$70,499,317)	(\$72,561,884)
County Retirement GTB	\$13,688,823	(\$12,357,815)	(\$10,928,540)	(\$719,021)
Local Property Taxes	(\$45,191,069)	\$80,581,303	\$81,427,857	\$73,280,905

### Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
Vo-Tec	(\$792,000)	(\$797,000)	(\$827,000)	(\$835,000)
Transfers	\$0	\$0	\$0	\$0
Local Assistance	\$0	\$0	\$0	\$0
District GF GTB	\$31,502,246	(\$68,223,488)	(\$70,499,317)	(\$72,561,884)
County Retirement GTB	\$13,688,823	(\$12,357,815)	(\$10,928,540)	\$719,021
<b>TOTAL Expenditures</b>	<b>\$37,151,069</b>	<b>(\$88,697,303)</b>	<b>(\$90,621,857)</b>	<b>(\$81,127,863)</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$159,153,069	\$34,443,697	\$50,225,143	\$61,109,137
SEPTR	(\$114,754,000)	(\$115,822,000)	(\$132,480,000)	(\$133,787,000)
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
<b>TOTAL Funding of Expenditures</b>	<b>\$37,151,069</b>	<b>(\$88,697,303)</b>	<b>(\$90,621,857)</b>	<b>(\$81,127,863)</b>
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b><u>Revenues</u></b>				
General Fund (01)	(\$716,000)	(\$724,000)	(\$827,000)	(\$835,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
University	(\$7,248,000)	(\$7,319,000)	(\$8,367,000)	(\$8,450,000)
SEPTR	(\$114,754,000)	(\$115,822,000)	(\$132,480,000)	(\$133,787,000)
<b>TOTAL Revenues</b>	<b>(\$122,718,000)</b>	<b>(\$123,865,000)</b>	<b>(\$141,674,000)</b>	<b>(\$143,072,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$159,869,069)	(\$35,167,697)	(\$51,052,143)	(\$61,944,137)
SEPTR	\$0	\$0	\$0	\$0
University	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Effect on County or Other Local Revenues or Expenditures**

1. The significant decrease in taxable value due to HB 528 would increase mills in jurisdictions (local governments) that operate under 15-10-420, MCA. Local tax burdens would generally be shifted from residential and commercial property to other types of property. For most agricultural land, the impact of the mill increase would be greater than the impact of the taxable value reduction. Most of these properties would see an increase in taxes because more would be shifted onto them than away from them, but the impact would be mitigated by the class 3 tax cut.

**Office of Public Instruction**

2. Local school property taxes will decrease by \$45.2 million in FY 2026 and increase by \$80.6 million and beyond.

  
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