GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0461.01: Provide exemption for certain owner-occupied residential property owned by persons 67 or older**

Primary Sponsor: Greg Oblander   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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$511,406	$53,020	$8,405,623	$6,655,951
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$0	($6,394,000)	($6,266,000)
University	$0	$0	($404,000)	($396,000)
Revenues				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$0	($6,394,000)	($6,266,000)
University	$0	$0	($404,000)	($396,000)
Vo Tech	$0	$0	($34,000)	($33,300)
Net Impact General Fund Balance	($511,406)	($53,020)	($8,405,623)	($6,655,951)

Description of fiscal impact

HB 461 creates a new property tax exemption available to taxpayers who are 67 years or older and have owned and occupied their property for at least 5 years as a primary residence. After application to the Department of Revenue, the market value of eligible properties is frozen. Any increases in value due to appreciation is exempt until the taxpayer sells or significantly remodels the property . The program is likely to have about 75,000 properties qualify in Tax Year 2026. These homeowners would see an exemption after the 2027 reappraisal of approximately 12.7% of their value on average. State collected property taxes will be $6.8 million less in FY 2028 because of this exemption. The Department of Revenue will require 5.00 FTE to process new applications and 0.50 FTE to maintain the program. State costs for schools will increase by $2.0 million in FY 2028 and by $0.4 million in FY 2029 with a like decrease to local school and countywide property taxes.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. HB 461 creates a new property tax exemption available to taxpayers who are 67 years or older and have owned and occupied their property for at least 5 years as a primary residence.

2. Data from the 2024 property tax rebate which used an equivalent definition for primary residence is used to anchor this fiscal estimate.
3. Information from the 2024 property tax rebate was merged with income tax filings for TY 2023 (or TY 2022 if no income tax return was filed in TY 2023). This resulted in 212,740 income tax returns being matched with primary residences. There were 12,991 rebate properties with no income tax filing filing in either TY 2022 or TY 2023.
4. Montana income tax returns have a deduction for taxpayers at least 65 years old. 91,039 rebate claimants that had matched income tax returns had at least one elderly taxpayer on the return.
5. It is likely that many of the rebate claimants without filing history are elderly as there is no obligation to file an income tax return if a taxpayer has no liability. This is often the case for elderly people living solely on social security and/or Roth IRA income. If a property was owned by a non-filer that had not sold in 15 years, it was assumed to belong to a qualifying taxpayer.
6. After accounting for these non-filers, the number of primary homeowners, at least 65 years old, that had not transferred their property within the last 5 years was 78,694.
7. The estimated total market value of these properties in TY 2024 is $32.536 billion with an associated taxable value of $402.575 million.
8. After the TY 2025 reappraisal, these properties are expected to have a TY 2026 market value of $39.348 billion and an associated taxable value of $486.444 million. The taxpayers would apply in TY 2026 and thus "lock-in" this value.
9. The TY 2027 reappraisal is expected to increase these home market values to $45.069 billion with an associated taxable value of $557.173 million.
10. The U.S. Census publishes estimates on the number of homeowners by age range. Approximately 12% of homeowners that are 65 or older are age 65 or age 66.
11. The number of estimated homeowners, market value, and taxable values are reduced by 12% to subtract the property and taxpayers age 65 or 66 to develop the estimate of property held by taxpayers who are 67 or older.
12. This exemption would be available starting in TY 2026. The count of expected homeowners beneficiaries in 2026 is grown by the HJ 2 assumptions for the population 65 years of age and over. Those growth estimates are 3.1% in 2024, 2.7% in 2025, and 2.1% in 2026. This results in an expected number of applicants in TY 2026 of 74,900 (78,694 x 0.88 x 1.031 x 1.027 x 1.021).
13. The total market value that will be "locked-in" for TY 2026 is expected to be $37.441 billion in assessed market value and a resulting taxable value of $462.872 million.
14. This property is expected to appreciate an additional $5.444 billion which adds additional taxable value of $67.302 million in TY 2027. Under HB 461 this appreciation is fully exempt.
15. The reduction of $67.302 million in taxable value results in a decreased collection of about $34,000 in vocational technical education mills, about $404,000 in university system mills, and about $6.394 million in state equalization mill revenues in FY 2028.
16. There is no reappraisal in FY 2029, so there is no increase to the estimated exempted taxable value.
17. It is assumed that 2% of qualifying properties the will lose it through either sale or significant remodel of the property or death of the homeowner.
18. The expected losses in FY 2029 are the losses of FY 2028, reduced by 2%. This is equal to roughly $33,000 in vocational technical education mills, about $396,000 in university system mills, and about $6.266 million in state equalization mill revenue.

DOR Costs

19. Based on an expected application load of about 75,000 the department will require 5.00 FTE in FY 2027 to process these applications.
20. Approximately 3,000 new applications are expected fiscal year. Between this application load and potential audit efforts, an additional 0.50 FTE is required for program maintenance.
21. Mailing costs are are based on an postage cost estimate of $1.43 per letter. This results in a cost of $107,250 in FY 2026 and $4,290 in subsequent years.

Office of Public Instruction

22. HB 461 creates exemptions for residential property occupied by owner who meet certain criteria. The changes adjust district and statewide taxable valuations (TV). Changes to TV will impact the calculation of guaranteed tax base (GTB) aid beginning FY 2028.
23. HB 461 decreases the statewide TV, however the decrease in TV pursuant to HB 461 is less than the HJ 2 growth rates therefore the current year 95 mill revenue compared to the prior year 95 mill revenue is greater than prior year 95 mill revenue. Adjusted increases of TV between years would generate the need to distribute additional funding to the county retirement fund however current law, before any legislation is enacted, meets all the distribution maximums in 20-9-336,MCA for all the "dials" therefore, any additional 95 mill revenue will be distributed to the SEPTR account with a like reduction to general fund expenditures for BASE aid funding. The reductions to TV pursuant to HB 461 will reduce the revenue to be deposited to the SEPTR account by \$6.4 million in FY 2028 and \$6.3 million in FY 2029 with a like cost to state general fund.
24. Reductions to taxable value will adjust the value of each mill levied. As a result, additional mills will be required to achieve the same level of funding for the formulaic and required BASE levy area of a district's general fund budget. State general fund GTB described under section 20-9-366, MCA, will adjust for qualifying districts. The estimated changes to distribution of district general fund GTB are shown below.

	FY 2028	**FY 2029**
District GF GTB	$1,158,807	$258,406
Local School Property Taxes	($1,158,807)	($258,406)

25. County retirement GTB described under section 20-9-366, MCA, will adjust for qualifying districts. The estimated changes in distribution of county retirement6 GTB are shown below.

	FY 2028	**FY 2029**
County Retirement GTB	$833,221	$110,663
Local County Property Taxes	($833,221)	($110,663)

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	5.00	0.50	0.50	0.50
TOTAL Fiscal Impact	**5.00**	**0.50**	**0.50**	**0.50**
Expenditures				
Personal Services	$325,601	$39,277	$39,676	$40,082
Operating Expenses	$185,805	$13,743	$13,919	$14,100
Transfers	$0	$0	$0	$0
University	$0	$0	($404,000)	($396,000)
Vo Tech	$0	$0	($34,000)	($33,300)
Local Assistance	$0	$0	$0	$0
District GF GTB	$0	$0	$1,158,807	$258,406
County Retirement GTB	$0	$0	$833,221	$110,663
TOTAL Expenditures	**$511,406**	**$53,020**	**$1,607,623**	**($6,049)**
Funding of Expenditures				
General Fund (01)	$511,406	$53,020	$8,405,623	$6,655,951
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$0	($6,394,000)	($6,266,000)
University	$0	$0	($404,000)	($396,000)
TOTAL Funding of Expenditures	**$511,406**	**$53,020**	**$1,607,623**	**($6,049)**
Revenues				
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$0	($6,394,000)	($6,266,000)
University	$0	$0	($404,000)	($396,000)
Vo Tech	$0	$0	($34,000)	($33,300)
TOTAL Revenues	**$0**	**$0**	**($6,832,000)**	**($6,695,300)**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($511,406)	($53,020)	($8,405,623)	($6,655,951)
State Special Revenue (02)	$0	$0	$0	$0
SEPTR	$0	$0	$0	$0
University	$0	$0	$0	$0
Vo Tech	$0	$0	($34,000)	($33,300)

Effect on County or Other Local Revenues or Expenditures

Department of Revenue

1. Taxable value is expected to be about 1.1% lower in FY 2028 and FY 2029 under HB 461. All else equal, mills are expected to increase by about 1.1% on average to offset this exemption.

Office of Public Instruction

2. Local school property taxes will decrease by $1.2 million in FY 2028 and by $0.3 million in FY 2029 and ongoing. Countywide retirement taxes will decrease by $0.8 million in FY 2028 and by $0.1 million in FY 2029.

Montana Association of Counties (MACO)

3. No fiscal impact anticipated as some tax shifting from exempted properties to other properties within taxing jurisdiction will occur. This will vary by jurisdiction.

Significant Long-Term Impacts

Department of Revenue

1. The effect of HB 461 grows over time as more elderly homeowners take advantage of the exemption and, more significantly, as the gap between the base year of application and reappraisal years increases. The total exempted property under HB 461 will increase substantially each reappraisal cycle for 20-30 years before becoming relatively stable.

NOT SIGNED BY SPONSOR

Sponsor's Initials	Date	Budget Director's Initials	2/24/2025 Date