



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0841.01: Constitutional amendment to use sales tax revenue for education

Primary Sponsor: Brad Barker 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) | \$0 | \$0 | \$0 | \$0 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| General Fund Balance | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact

HB 841 proposes a constitutional amendment to Article VIII, Section 16, of the Montana Constitution be submitted to qualified electors. The amendment would require all sales tax revenue to be used solely to reduce property taxes. If passed, this bill will require the proposed amendment to be included on the ballot for the 2026 general election held in November 2026.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. HB 841 submits to the electors an amendment to the Montana constitution regarding a statewide sales tax. The constitutional amendment would require that any statewide sales or use tax be used solely to reduce property taxes that fund public schools and the Montana University System. This requirement could be changed by a three-fourths vote of the legislature. The constitutional amendment would be placed on the November 2026 election ballot and if passed, would be effective July 1, 2027.
2. This bill has no fiscal impact to the Department of Revenue because it simply places the constitutional amendment on the ballot and does not enact a sales tax. Estimates of the revenue a potential statewide sales tax could produce are included in the HB 842 fiscal note.

Office of Budget and Program Planning

3. The constitutional amendment would dedicate all education sales tax revenue to the reduction of education property tax levies.
4. Levels of sales tax collections by jurisdiction would not perfectly coincide with school district funding needs therefore, the collections would need a distribution mechanism to fund schools.

5. Not all school district property tax levies are constrained by current law state funding but are instead managed by school boards of trustees and local voter preference therefore, not all school property tax levies are equal and equitable on a district by district basis. Legislation implementing collection and distribution of the education sales tax revenue would be needed to address these disparities.

Office of Public Instruction

6. HB 841 establishes that the rate of a general statewide sales tax or use tax may not exceed 4%. Sales tax or use tax revenue, less administrative costs, must be used solely to reduce property taxes that fund public schools and the Montana university system unless appropriated for other purposes by a vote of three-fourths of the members of each house of the legislature.
7. It is additionally stated that because HB 841 is a legislative proposal to amend the constitution, Article XIV, section 8, of the Montana constitution requires an affirmative roll call vote of two-thirds of all the members of the legislature, whether one or more bodies, for passage.
8. Due to the proposal being a referendum proposal there is no immediate state cost.

Secretary of State's Office

9. While there may be a minimal fiscal impact for processes related to proofing of ballots to ensure the constitutional amendment is properly included on the 2026 general election ballot, the Office of the Secretary of State will absorb the costs associated with implementing this bill within its existing operating budget.

Technical Concerns

Department of Commerce

1. The language of the proposed constitutional amendment is broad and could read as requiring that all lodging facilities use tax revenue must be used for property tax reduction.


Sponsor's Initials 20250329
Date


Budget Director's Initials 3/27/2025
Date