



68th Montana Legislative UPDATE #8 April 21, 2023

The 68th Legislative session is quickly coming to a conclusion. Almost all of the general bills have passed through both houses. Bills that deal with revenue or that appropriate money have a little longer timeline. They need to be returned to the house they originated in by early in the last week of April.

There are several important tax bills are still moving through the process. These bills are:

1. [SB 246](#) – eliminates the current list of tax havens from the statute. Certain multi-national corporations that do business in Montana can choose to report only their activity within the boundaries of the United States. If they have activity in a jurisdiction listed in the tax haven list, they must also report that activity on their Montana income tax form. The problem is the tax haven list is inaccurate and outdated. Only one other state uses a tax haven list.
2. [SB 529](#)—this bill requires a 5-year abatement from property taxes for cellular infrastructure that will be built. After 5 years the property is phased to full value in the second 5 years. Cellular infrastructure includes towers, lines, power equipment, radios, and other associated property that is not central office equipment.
3. [SB 530](#)—this bill requires a 5-year abatement of 80% of the value of manufacturing equipment installed after December 31, 2022. After 5 years the equipment is phased to full value over the next 5 years. Local governments can choose to abate the remaining 20% of the value of the above equipment from taxation if they choose to and the 5-year total abatement and 5-year phase in apply.
4. [SB 554](#)—this bill allows Montana taxpayers to work around the Federal income tax limitation on the amount of State and Local taxes that can be deducted from Federal income tax filings. In 2017 the changes in the Federal income tax system limited the amount of state and local taxes that individuals could deduct as an expense on their federal income tax filing. This bill allows Montanans to set up a pass-through entity that pays their State and Local taxes which then allows these taxes to be deducted on the federal form. It also allows a credit on the Montana individual income tax form for taxes paid by the pass-through entity. The result is Montanan's who use

this IRS approved strategy can save on Federal income tax and pay no more State income tax than they would normally.

5. [HB 587](#)—This bill takes a portion of the Property tax revenue collected by the State and uses it to reduce property taxes that support K-12 by providing more State support to school general funds, and county-wide school retirement levies. This will amount to over 30 million dollars in property tax relief beginning in November of 2024.

The second major process occurring during the final days of the Legislature is producing a balanced budget. Two components are involved in balancing the budget. First, the Legislature produces an estimate of the revenue that the State expects to collect over the coming 2 years. Those numbers are included in document [HJ 2](#). HJ2 contains a large number of assumptions on growth rates of all the factors that influence the revenues from the many sources of revenue the state collects.

The second part of the balanced budget is aligning all of the spending bills that go through the legislature. Those bills are evaluated by the House Appropriations Committee and the Senate Finance and Claims committee. The major spending bill that funds the State agencies and other public operations is [House Bill 2](#). That bill has passed through the House and is currently being acted on by the Senate. After Senate action HB 2 returns to the House for concurrence or if not agreed to, goes to a conference committee to iron out differences.

There also are a number of bills that either increase or decrease revenue that must be factored into balancing the budget. The Legislature keeps a status sheet that is updated almost daily at this time of the session. The House Appropriations Committee and the Senate Finance Committee use this analysis to determine if bills they still control can fit into the budget.

As of today, there are still more spending bills alive than there is revenue to pay for them and still balance the budget and have adequate ending fund reserves. In the coming few days decisions will be made which of these proposals will survive the Legislature. The current status sheet shows a negative ending fund balance. This is due to several large bills that spend one-time-only money on various programs. Some of those bills cannot be adopted.

An important number the Legislature and the Governor's office track in the budgeting process is structural balance. Structural balance compares ongoing income to ongoing spending. At this time the structural balance is good. Projected income exceeds ongoing spending by over 400 million dollars.

The State also has significant reserves in three accounts, the budget stabilization account, the fire fund, and the capital developments long-range building account. Those funds can be used to carry the State through possible emergencies or downturns in expected revenue.

The Legislature must complete its work in 90 days. The 90th day is currently May 6th.