

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/18/2021**

Revised  
 Bill/Resolution No.: HB 1446

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$(335,630,000)	\$335,630,000				
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1446 creates a new legacy property tax relief fund that would be made up of legacy fund earnings transferred from the general fund. The funds transferred into this new fund would then be used for a new primary residence property tax credit.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill creates the new legacy property tax relief fund and requires all legacy fund earnings transferred to the general fund at the end of each biennium be immediately transferred by the state treasurer to this new fund. It appropriates all money in the fund to the new program.

Section 2 creates a new primary residence property tax credit and outlines the details of the new credit that would provide for a reduction in the taxable valuation of an individual's primary residence, resulting in a reduction in property taxes owed by the individual. It also sets up the process by which the tax commissioner would certify to the state treasurer for payment to each county out of the legacy property tax relief fund. Assuming sufficient funds are available, the county payment amounts would be equal to the property tax credits allowed within each county.

In conferring with the tax commissioner's office, it is estimated that \$410M-\$440M would be required annually (\$820M-\$880M for the biennium) to provide for full property tax relief on primary residences under this program.

If the money available in the legacy property tax relief fund is insufficient to cover the full amount of credits claimed, the tax commissioner is to prorate the credit amounts for payment to each county. This would potentially leave counties and their political subdivisions with a shortfall of revenue equal to the amount of credits claimed but not reimbursed through the primary residence property tax credit program.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Sections 1 and 3 of the bill are considered emergency measures and, if the emergency clause were to carry, would go into effect for legacy fund earnings of the 2019-2021 session. Together, these sections would require all 2019-2021 biennium legacy fund earnings in excess of \$164,370,000 to be immediately transferred from the general fund to the legacy property tax relief fund. Using the most recently approved legislative forecast for legacy fund earnings of \$500,000,000 would result in a reduction in general fund revenues of (\$335,630,000) and an increase in special fund revenues of the same amount into the legacy property tax relief fund for the current 2019-2021 biennium.

For the 2021-23 biennium and going forward, this bill would require all legacy fund earnings which are transferred to the general fund be immediately transferred into the legacy property tax relief fund. Therefore, there will be a reduction in the available general fund revenues in an amount equal to the legacy fund earnings for each forthcoming biennium.

Due to the complexity of estimating the legacy fund earnings under the current statutory definition of earnings, it would be very difficult to accurately estimate the actual amount of legacy fund earnings that would be transferred to the general fund and subsequently to the legacy property tax relief fund for future biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This fiscal note does not account for any potential expenditures incurred by the Office of State Tax Commissioner to create and administer the primary residence property tax credit program.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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