

FISCAL NOTE
SENATE BILL NO. 2309
LC# 23.0305.03000
01/23/2023

1 - 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.

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

SB 2309 creates a primary residence property tax relief fund, a property tax credit for property used as a primary residence, and limitations on the true and full valuation of property. It also amends sections related to transfers of legacy fund earnings, and deposit of oil and gas tax revenues.

4 - Fiscal Impact Sections Detail

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 SB 2309, would add the amount of state reimbursement of the primary residence property tax credit to the amount of revenue reported to the superintendent of public instruction.

Section 3 of SB 2309, would transfer up to \$50 million dollars for tax relief pursuant to appropriations or transfers

authorized by the legislative assembly for the primary residence property tax relief credit from the legacy earnings fund for the biennium.

Section 4 of SB 2309, would create a primary residence property tax relief fund and a primary residence property tax credit.

The amount of the credit is dependent on the funds deposited into the primary residence property tax relief fund. For odd-numbered years, the amount available in the fund is equal to 50% of the balance in the fund, less amounts needed for transfer to the state medical center fund. For even-numbered years, the amount available in the fund is equal to the remaining balance of the fund less the amount needed for transfer to the state medical center fund.

An individual is entitled to a credit applied as a reduction of up to the first \$5625 dollars of taxable valuation of the individual's primary residence and it applies regardless if the individual is the head of a family. An estate, trust, corporation, or passthrough entity that owns residential property used as part of a farming or ranching operation is entitled to the credit if the residential property is not exempt from property taxes.

If the reduction in tax liability exceeds the amount available in the fund, the tax commissioner shall prorate the credits among the claimants. The tax commissioner shall calculate the total payment to each county and certify the amounts to the state treasurer.

Section 5 of SB 2309, would create a limitation on true and full valuation on a primary residence. The true and full valuation on any parcel of taxable property used as a primary residence may not exceed by more than 3% of the true and full valuation on that parcel of taxable property in the preceding year, except to the extent improvements to the property have been made which were not included in the taxable valuation in the previous taxable year. True and full valuations exceeding the limitations may be imposed upon approval of a ballot measure.

In conferring with the Department of Public Instruction, the school district funding formula uses a 60-mill contribution of the taxable valuation of the district. Capping the valuation increases to 3% of the school district would increase the state share of the school district funding formula. This cap would cost an estimated \$5 million for the 2023-25 biennium and a \$10 million expense for the 2025-27 biennium.

Section 7 of SB 2309, modifies the revenues designated for deposit in the state general fund from the state share of oil and gas taxes. Any remaining revenue not previously deposited into designated funds will move into the primary residence relief fund.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

If enacted, SB 2309 According to Office of State Treasurer, approximately \$272 million (reflecting base level revenue) would modify the allocation to the primary residence property tax relief fund instead of the strategic investment and improvements fund (SIIF).

If all owner-occupied residences were eligible for the primary residence property tax relief credit and claimed the credit, this would lead to an 2023-2025 biennium credit amount between \$555 million and \$582 million. It is unknown what percentage of residences are considered secondary or may be excluded due to any other provisions listed in SB 2309. Due to these unknown factors, the Office of State Tax Commissioner is unable to provide a reliable estimate for this credit amount.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

If enacted, SB 2309 up to \$50 million would be transferred from the legacy earnings fund to the primary residence property tax relief credit fund, subject to legislative appropriation.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please 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.

Contact Information

Name: Bryan Bittner

Agency: Tax Department

Telephone: 7013283402

Date Prepared: 01/21/2023