



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0129: Provide income tax benefit to support emergency response volunteers

Primary Sponsor: Llew Jones 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	(\$353,000)	(\$580,000)	(\$799,000)
Net Impact	<u>\$0</u>	<u>(\$353,000)</u>	<u>(\$580,000)</u>	<u>(\$799,000)</u>
General Fund Balance	<u>\$0</u>	<u>(\$353,000)</u>	<u>(\$580,000)</u>	<u>(\$799,000)</u>

Description of fiscal impact

HB 129 creates a \$3,000 income exemption for qualified volunteer firefighters and volunteer emergency care providers. The proposed changes will reduce general fund revenue by \$353,000 in FY 2027, \$580,000 in FY 2028, and \$799,000 in FY 2029.

FISCAL ANALYSIS

Assumptions

1. HB 129 creates a \$3,000 income exemption for qualified volunteer firefighter or volunteer emergency care providers (ECPs) starting TY 2026. To qualify, firefighters are required to have completed at least 30 hours of training and ECPs are required to have completed the training hours prescribed by the Montana state board of medical examiners. Starting TY 2027, the \$3,000 income exemption amount is to be adjusted each TY by the inflation factor defined in 15-30-2101, MCA.
2. Based on the inflation adjustments used in HJ 2, it is assumed that the income exemption will increase to \$3,250 in TY 2027 and \$3,320 in TY 2028.
3. According to the Montana Public Employees Retirement Administration, there were approximately 2,720 volunteer firefighters at the end of FY 2024.
4. According to EMS and Trauma Service at the Department of Public Health and Human Service, there were approximately 1,620 ECPs who would potentially qualify for the exemption in 2024.
5. In total, it is assumed that 4,340 (2,720 + 1,620) taxpayers would have qualified for the exemption in 2024.
6. Based on historical growth rates, it is assumed that the number of taxpayers who qualify for the exemption will increase by 50 taxpayers each year.
7. With 4,340 qualified taxpayers in 2024, and an annual increase of 50 taxpayers each year, the total number of taxpayers expected to be able to claim the exemption in TY 2026 is 4,440. The number of qualified taxpayers increases to 4,490 in TY 2027 and 4,540 in TY 2028.


8. It is assumed that each taxpayer that can claim the \$3,000 income exemption will be able to claim the entire \$3,000 amount each tax year.
9. With a \$3,000 exemption and 4,440 qualified taxpayers, a total of \$13,320,000 (\$3,000 x 4,440) of income could be exempted under the proposed bill in TY 2026. This number moves up to \$14,592,000 (\$3,250 x 4,490) in TY 2027 and \$15,072,800 (\$3,320 x 4,540) in TY 2028.
10. Some taxpayers likely will not know of the exemption during the first two years. It is assumed that 50% of the qualified taxpayers will claim the exemption the first year it is available; 75% of qualified taxpayers will claim the exemption the second year, and finally, 100% of qualified taxpayers will claim the exemption in TY 2028 and beyond.
11. The income exempted will be taxed at an average rate of 5.3% (half of the income taxed at 4.7% and the other half taxed at 5.9%) under current law.
12. With \$6,660,000 (\$13,320,000 x 50%) of income exempted in TY 2026, HB 129 will reduce Montana income tax liability by \$353,000 in TY 2026. TY 2027 and TY 2028 income tax liability will decline by \$580,000 (\$14,592,500 x 75% X 5.3%) and \$799,000 (\$15,072,800 x 5.3%), respectively.

Figure 1							
Tax Year	Qualifying Volunteers	Percent Claiming	Number of Exemptions	Exemption Amount	Exemptions Claimed	Assumed Tax Rate	Tax Liability Reduction
2026	4,440	50%	2,220	\$3,000	\$6,660,000	5.3%	\$353,000
2027	4,490	75%	3,368	\$3,250	\$10,944,375	5.3%	\$580,000
2028	4,540	100%	4,540	\$3,320	\$15,072,800	5.3%	\$799,000

13. Taxpayers are assumed to not adjust their withholding, or estimated payments, as a result of the bill.
14. With no changes in estimated payments or withholding, the \$353,000 tax liability reduction in TY 2026 will reduce FY 2027 tax revenue by \$353,000. FY 2028 and FY 2029 tax revenue will be reduced by \$580,000 and \$799,000, respectively.
15. The changes made by HB 129 can be made as part of the DOR annual change processes. The department does not expect to incur any significant additional costs because of this bill.

Fiscal Analysis Table

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
General Fund (01)	\$0	(\$353,000)	(\$580,000)	(\$799,000)
TOTAL Revenues	\$0	(\$353,000)	(\$580,000)	(\$799,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	(\$353,000)	(\$580,000)	(\$799,000)



 Sponsor's Initials

1-14-25

 Date



 Budget Director's Initials

1/13/2025

 Date

