

HOUSE BILL 398

Introduced by Connelly, et al.

1/25	Introduced
1/25	Referred to Taxation
1/26	First Reading
1/29	Fiscal Note Requested
2/01	Fiscal Note Received
2/04	Fiscal Note Printed
2/05	Hearing
3/27	Tabled in Committee

1 HOUSE BILL NO. 398
 2 INTRODUCED BY Connolly Kennedy
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION
 5 OF HOUSEHOLD INCOME FOR PURPOSES OF COMPUTING THE
 6 RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY; INCREASING
 7 THE MAXIMUM ALLOWABLE CREDIT FROM \$400 TO \$450; AMENDING
 8 SECTIONS 15-30-171 AND 15-30-176, MCA; AND PROVIDING AN
 9 IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY
 10 DATE."
 11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 **Section 1.** Section 15-30-171, MCA, is amended to read:
 14 "15-30-171. Residential property tax credit for elderly
 15 -- definitions. As used in 15-30-171 through 15-30-179, the
 16 following definitions apply:
 17 (1) "Income" means federal adjusted gross income,
 18 without regard to loss, as that quantity is defined in the
 19 Internal Revenue Code of the United States, plus all
 20 nontaxable income, including but not limited to:
 21 (a) the gross amount of any pension or annuity
 22 (including Railroad Retirement Act benefits and veterans'
 23 disability benefits);
 24 (b) the amount of capital gains excluded from adjusted
 25 gross income;

1 (c) alimony;
 2 (d) support money;
 3 (e) nontaxable strike benefits;
 4 (f) cash public assistance and relief;
 5 (g) payments and interest on federal, state, county,
 6 and municipal bonds; and
 7 (h) all payments received under federal social
 8 security.
 9 (2) "Claim period" means the tax year for individuals
 10 required to file Montana individual income tax returns and
 11 the calendar year for individuals not required to file
 12 returns.
 13 (3) "Claimant" means an individual natural person who
 14 is eligible to file a claim under 15-30-172.
 15 (4) "Household" means an association of persons who
 16 live in the same dwelling, sharing its furnishings,
 17 facilities, accommodations, and expenses. The term does not
 18 include bona fide lessees, tenants, or roomers and boarders
 19 on contract.
 20 (5) "Gross household income" means all income received
 21 by all individuals of a household while they are members of
 22 the household.
 23 (6) "Household income" means \$0 or the amount obtained
 24 by subtracting the greater of ~~\$4,000~~ \$4,500 or 50% of total
 25 retirement benefits from gross household income, whichever

1 is greater.

2 (7) "Homestead" means:

3 (a) a single-family dwelling or unit of a multiple-unit
4 dwelling that is subject to ad valorem taxes in Montana and
5 as much of the surrounding land, but not in excess of 1
6 acre, as is reasonably necessary for its use as a dwelling;
7 or

8 (b) a single-family dwelling or unit of a multiple-unit
9 dwelling that is rented from a county or municipal housing
10 authority as provided in Title 7, chapter 15.

11 (8) "Department" means the department of revenue.

12 (9) "Gross rent" means the total rent in cash or its
13 equivalent actually paid during the claim period by the
14 renter or lessee for the right of occupancy of the homestead
15 pursuant to an arm's length transaction with the landlord.

16 (10) "Property tax paid" means general ad valorem taxes
17 levied against the homestead, exclusive of special
18 assessments, penalties, or interest and paid during the
19 claim period.

20 (11) "Rent-equivalent tax paid" means 15% of the gross
21 rent."

22 **Section 2.** Section 15-30-176, MCA, is amended to read:

23 ***15-30-176. Residential property tax credit for elderly**
24 **-- computation of relief.** The amount of the tax credit
25 granted under the provisions of 15-30-171 through 15-30-179

1 is computed as follows:

2 (1) In the case of a claimant who owns the homestead
3 for which a claim is made, the credit is the amount of
4 property tax paid less the deduction specified in subsection
5 (4).

6 (2) In the case of a claimant who rents the homestead
7 for which a claim is made, the credit is the amount of
8 rent-equivalent tax paid less the deduction specified in
9 subsection (4).

10 (3) In the case of a claimant who both owns and rents
11 the homestead for which a claim is made, the credit is:

12 (a) the amount of property tax paid on the owned
13 portion of the homestead less the deduction specified in
14 subsection (4); plus

15 (b) the amount of rent-equivalent tax paid on the
16 rented portion of the homestead less the deduction specified
17 in subsection (4).

18 (4) Property tax paid and rent-equivalent tax paid are
19 reduced according to the following schedule:

20 Household income	Amount of reduction
21 \$ 0-999	\$0
22 1,000-1,999	\$0
23 2,000-2,999	the product of .006 times the household income
24 3,000-3,999	the product of .016 times the household income
25 4,000-4,999	the product of .024 times the household income

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1 5,000-5,999 the product of .028 times the household income
2 6,000-6,999 the product of .032 times the household income
3 7,000-7,999 the product of .035 times the household income
4 8,000-8,999 the product of .039 times the household income
5 9,000-9,999 the product of .042 times the household income
6 10,000-10,999 the product of .045 times the household income
7 11,000-11,999 the product of .048 times the household income
8 12,000 & over the product of .050 times the household income
9 (5) In no case may the credit granted exceed \$400
10 \$450."

11 NEW SECTION. **Section 3.** Effective date -- retroactive
12 applicability. [This act] is effective on passage and
13 approval and applies retroactively, within the meaning of
14 1-2-109, to claim periods beginning after December 31, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0398, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the definition of household income for purposes of computing the residential property tax credit for the elderly; increasing the maximum allowable credit from \$400 to \$450; and providing an immediate effective date and a retroactive applicability date.


ASSUMPTIONS:

1. Individual income tax collections under current law are \$311,176,000 in FY92 and \$327,201,000 in FY93 (OBPP).
2. Currently, there are 15,455 filers who claim an average homeowner/renter credit of \$224.80 (DOR income tax files-tax year 1989). The number of filers claiming the credit is assumed to remain constant over the biennium.
3. This proposal will increase the average credit claimed by \$19.67 (DOR simulation on a sample of 140 homeowner/renter credit returns).
4. Per current law, all income tax revenue is deposited in the state general fund.
5. There is no impact on department administrative expenses.
6. The proposal applies to claim periods beginning after December 31, 1990.


FISCAL IMPACT:

Revenues:

	<u>FY '92</u>			<u>FY '93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Individual Income Tax	311,176,000	310,872,000	(304,000)	327,201,000	326,897,000	(304,000)



ROD SUNDSTED, BUDGET DIRECTOR 2-1-91 DATE
Office of Budget and Program Planning



MARY ELLEN CONNELLY, PRIMARY SPONSOR 2-5-91 DATE
Fiscal Note for HB0398, as introduced **HB 398**