

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on January 26, 1989,
at 9:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None

HEARING ON HB 280

Presentation and Opening Statement by Sponsor: Speaker of the House John Vincent, District 80, presented the committee with the Elderly Homeowner/Renter Credit Form for the State of Montana. (Exhibit 1). Rep. Vincent stated the fiscal note was not ready and he understood that the committee would have to wait until they received this before taking any action on the bill. He said HB 280 expands property tax relief for the elderly so they may stay in their own homes. In talking with his constituents who are in this program, Rep. Vincent stated many had expressed the need for more property tax relief and others who are not presently in the program due to their income level, feel that the level should be liberalized in order to allow more of the elderly to participate. Under the current program, the maximum amount of property tax relief an elderly person can receive is \$400.00/year. HB 280 would not change that. Under this bill, some of the elderly who are currently participating, would receive more tax relief while others would be able to participate in the program and receive some property tax relief that they are not currently receiving. All of the income restrictions currently in the program were added after the program was put into effect. These are veteran's disability payments, railroad retirement benefits, social security benefits and PERS benefits. HB 280 would phase these restrictions out in each year a

quarter at a time. This would be a more sound fiscal policy. Opposition to this program has been on the basis that it does not really help the elderly to any great extent and that by changing the income requirements, there is actually an increase in the amount of taxes the elderly may have to pay. Rep. Vincent stated that counsel has advised him that under this program, no taxpayer loses. Opponents say that the increase in property tax relief creates a higher income tax payment. Rep. Vincent stated if that is true, the answer is that the program is voluntary and it is unlikely that anyone having to pay more income tax because of this program would take part in it. Rep. Vincent noted that a large number of elderly who are in the lower income brackets, pay no income taxes at all but they still qualify for the property tax relief program. This bill is a first step toward aid to the elderly on their property tax to assist them to stay in their own homes.

List of Testifying Proponents and What Group They Represent:

Rep. Bob Raney, Taxation Committee Member

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Rep. Raney stated that he wished to rise in support of HB 280 since this is a much needed bill.

Ken Nortveldt of the Department of Revenue made a comment only stating that one of the goals of the department and the new state administration is to reduce tax form complexity and to take low income taxpayers off the tax rolls. Dr. Nortveldt stated there are two programs in this area. One is described in 15-6-134, part of which is in HB 280 which basically scales down property tax for all low income people. The credit form which is used for the elderly also includes renters. These two tax relief measures interact in a strange way. Dr. Nortveldt stated HB 280 seeks to eliminate certain forms of income from the definition of household income used in both of these tax relief forms. The \$4,000.00 exclusion on the Elderly Homeowner/Renter Credit form was a compromise solution reached in the last session. This does not apply to 15-6-134 property tax reduction. The committee should consider the liberalization of both forms of tax relief and look at how these two programs interact. Dr. Nortveldt stated that his

department would work with the committee fully to do this and to find reimbursement mechanisms for any impacts due to this bill.

Questions From Committee Members: Rep. Giacometto asked if the proposal of putting \$4,000.00 exclusion in the property tax would make this simpler. Rep. Vincent replied that 15-6-134 is administered through the counties. He stated that this program is used very little since none of the counties inform the elderly this exists. He stated he would have no objection to combining the two programs if it would be at all possible to coordinate the two in the time frame left in the current session. Rep. Giacometto then asked if the counties are not currently informing the elderly of the available tax relief, how is the program presented in HB 280 going to be administered. Rep. Vincent replied he could not speak for the county level but the knowledge of the state program is quite extensive currently and he did not feel there would be any problem with this information being available to the elderly. Rep. Giacometto asked Dr. Nortveldt if he thought there was enough time to coordinate these two programs and possibly place them both at the state level on one form. Dr. Nortveldt replied he thought this could be done and that it would make the local tax jurisdictions happy to have this done entirely at the state level. He further stated the programs would then be more accessible and used more extensively. Rep. Giacometto then asked if the Department of Revenue had enough resources available to do this in this session to which Dr. Nortveldt replied they did.

Rep. Ream asked Rep. Raney why the change on the railroad retirement benefits. Rep. Raney replied that railroad workers do not get social security. Rep. Ream asked if this was true of federal workers as well. Rep. Vincent replied this could have been an oversight and federal and PERS employees could certainly be added since the overall policy objective of HB 280 is to provide property tax relief for the elderly.

Rep. Gilbert asked Rep. Vincent about his statement concerning many elderly citizens who do not pay any income tax, and if he had a proposal to replace this revenue in the general fund. Rep. Vincent stated he could certainly provide a proposal for this revenue replacement.

Rep. Giacometto asked Dr. Nortdveldt for his comments on including federal employees. Dr. Nortdveldt replied there should be one policy that is fair and consistent.

There are many different pension plans carried by employees in different fields of endeavor and it is a matter of being fair to all in developing property tax relief for the elderly.

Rep. Gilbert asked Rep. Vincent in regard to other pension plans, would he request Dr. Nortveldt to supply additional information in the event the committee decides to include these plans in the bill. This would increase the amount to the general fund and the fiscal note would need to be expanded. Rep. Vincent replied that it is the policy of the Budget Office to write fiscal notes on bills or on bills as amended. He stated the Budget Office could provide the committee with this information in the form of an advisory letter if requested by the committee.

Rep. Gilbert asked Chairman Harrington if he would request this information from the Budget Office. Chairman Harrington replied he would and also advised the committee he would place HB 280 into a subcommittee.

Closing by Sponsor: Rep. Vincent encouraged the committee to proceed very carefully in the work of coordinating two different programs in this area. He stated the tax property relief program for the elderly has been working well, is well known and he wanted to make sure that this is kept simple and understandable. Rep. Vincent stated the elderly do pay their taxes if at all possible so they can stay in their homes. It is not just the property tax burden but other expenses as well that often costs the taxpayer his/her home. It is especially important to the elderly to stay in their homes and they have paid their taxes for many years and should be able to retain their homes during their retirement years.

DISPOSITION OF HOUSE BILL 280

Motion: None

Discussion: None

Amendments and Votes: None

Recommendation and Vote: Will be placed in a subcommittee by Chairman Harrington.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 12 HEARD IN COMMITTEE ON JANUARY 11, 1989:

MOTION: DO NOT PASS by Rep. Driscoll.

DISCUSSION: Rep. Driscoll stated people living in mobile homes are treated as second class citizens. He said HB 12 continues this attitude.

Rep. Gilbert supported the DO NOT PASS motion stating at one time, he lived in a mobile home and definitely was treated as a second class citizen.

Rep. Hoffman supported the motion. He expressed his reservations about removing the tax paid sticker required on mobile homes.

Motion to DO NOT PASS carried unanimously by voice vote.

DISPOSITION OF HOUSE BILL 163 HEARD IN COMMITTEE ON JANUARY 25, 1989:

DISCUSSION: Rep. Cohen stated that in the fiscal note, a savings to the Department of Revenue of one-half an FTE is noted. He stated that Rep. Patterson had pointed out that in the previous governor's budget package, a much larger saving of FTEs was noted. Rep. Cohen requested that the committee get additional information and clarify this situation.

Rep. Giacometto stated that the ski industry people had requested that their taxes remain intact and an amendment to the bill would be necessary to achieve this.

Chairman Harrington stated there was additional work to be done on the bill and it would be held in committee for action at a later date. Dave Bohyer was requested to prepare the amendment for the ski industry.

DISPOSITION ON HOUSE BILL 263 HEARD IN COMMITTEE ON JANUARY 25, 1989:

MOTION: DO PASS by Rep. Gilbert.

DISCUSSION:

Rep. Rehberg spoke in favor of the DO PASS motion stating it is necessary to assist people having difficulty in paying their property taxes.

Rep. Raney stated he thought most of these people who are delinquent in their taxes are developers and anyone who does not pay their taxes for three years or longer is being very deliberate. He opposed the motion.

Rep. Hanson stated she supported the motion since many people in her area are behind in their taxes simply due to the current economic conditions.

Rep. Giacometto supported the motion saying the delinquency lists are in the newspapers and these are primarily families trying to survive in these difficult financial times.

Rep. Cohen proposed an amendment to strike Section 5 regarding the retroactive applicability stating this would create numerous problems.

Rep. Rehberg opposed the amendment stating the bill is to establish the intent of the last legislature. He stated many people did not know the rules regarding this law since the intent of the legislature was not incorporated into the law in the last session.

Rep. Gilbert agreed with Rep. Rehberg stating if this is eliminated, there will be a one year time frame and people who have been attempting to pay their taxes, will now be in a four year time frame. This could result in loss of their property.

Rep. Patterson also opposed the motion stating many people in his area were unable to pay their taxes due to the drought conditions and subsequent financial hardships.

Rep. Raney stated he was concerned about the budgeting process in the county if this is retroactive. He said they had done their budgeting according to current law but this bill would change the law to an entire past tax year.

Rep. Giacometto asked Rep. Hoffman who has been an assessor if the county includes back taxes in their budgets. Rep. Hoffman replied he did not think this was the case. He said they anticipate either receiving the tax money or selling the property.

Rep. Driscoll stated that in Yellowstone County, they had followed the bill exactly as written in the last session. The Attorney General gave an opinion on this law stating it was illegal. The county then placed all of the delinquent tax properties in the newspaper which amounted to 38 pages of advertising. This was extremely expensive plus the costs of sending the tax delinquency notices to all the taxpayers. Working with the people would have resulted in some payments

and saved a great deal of money in this respect. He opposed striking the retroactive date in the bill.

Rep. O'Keefe asked for a copy of the written testimony submitted by Cort Harrington during the hearing on the bill. He thought this might include discussion on the financial effects on the county budgets. He asked to see this before taking any further action on the bill.

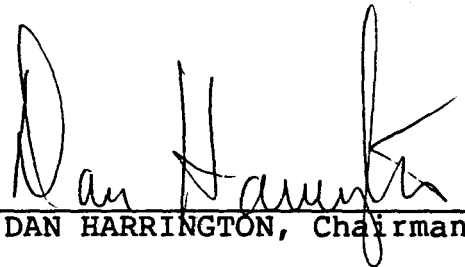
Chairman Harrington agreed and stated copies would be made available to all the committee members.

Rep. Ream stated their appeared to be some confusion as to how this bill relates to SB 162. He requested the researcher, Dave Bohyer, to do this.

Chairman Harrington concurred and all motions were withdrawn pending further action on the bill.

ADJOURNMENT

Adjournment At: 9:55 a.m.

A handwritten signature in black ink, appearing to read "Dan Harrington", written over a horizontal line.

REP. DAN HARRINGTON, Chairman

DH/lj

2215.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date January 26, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

STANDING COMMITTEE REPORT

January 26, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House
Bill 12 (first reading copy -- white) do not pass.

Signed: 
Dan Harrington, Chairman

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Form 2EC

Montana

DATE 1/26/89

1988

ELDERLY HOMEOWNER/RENTER CREDIT 280 1988

File on or before April 17, 1989 or with your Form 2 or 2S

Rep. J. Vincent

LAST NAME	First Name & Middle Initial	Your Social Security No.	
Spouse's last name if different	Spouse's First Name & Initial	Spouse's Social Security No.	
Mailing Address	City	State	Zip Code
Property Address if different	City	State	Zip Code

DO NOT USE THIS SPACE

PART I	YES	NO
IF THE ANSWER TO ANY OF THE QUESTIONS BELOW IS NO, YOU'RE NOT ELIGIBLE FOR THE CREDIT. DO NOT COMPLETE THIS SCHEDULE.		
Were you age 62 or older as of December 31, 1988?		
Did you reside in this state for 9 months or more during 1988?		
Did you occupy Montana residence(s) as an owner or renter a total of 6 months during 1988?		
Was this residence subject to property tax? (Examples Not subject to tax, HUD or government subsidized rental housing)		

PART II—List Income From All Members of the Household (See Instructions)

- Enter total income received from wages, fees, bonuses, capital gains at 100%, ordinary income, dividends and interest 1. _____
- Enter total income for business, partnerships, rents, royalties, etc. (Do not include any losses) 2. _____
- Enter all pensions and annuities, including Railroad Retirement, PERS, Veteran's Disability, Social Security, etc. 3. _____
- Enter any payments and interest on federal, state, county and municipal bonds 4. _____
- Enter alimony, public assistance, unemployment, tax refunds, and all other income not listed above ... 5. _____
- Total income (Add lines 1 thru 5) Total 6. _____
- Maximum exclusion per household \$4000.00 7. (4,000.00)
- Total household income (Subtract line 7 from 6) (If less than zero enter zero) Total 8. _____

PLEASE FOLLOW INSTRUCTIONS ON THE BACK WHEN COMPLETING THIS FORM

HOMEOWNER—Complete line 9 (Renters—Use line 10)

9. General property tax paid on residence and land in 1988 (Not to exceed 1 acre, do not include special assessments or fees.) (See instructions) 9. _____

RENTER—Complete form on reverse side

- Rent paid on residence in 1988 (attach receipts) 10. _____
- Rent equivalent—Multiply line 10 by 15% (.15) 11. _____
- Total of allowable property tax and/or allowable rents paid—Line 9 and/or line 11 12. _____

PERCENT OF HOUSEHOLD INCOME COMPUTATION

- Total household income from line 8 13. _____
- Enter multiplier figure from tax table on reverse side 14. _____
- Net allowable household income—Multiply line 13 by line 14 15. _____
- Subtract line 15 from 12 (If this is zero or less, you cannot take the credit; do not file this form) 16. _____
- Enter the amount from line 16 or \$400 whichever is smaller (The maximum refund is \$400) 17. _____

If you file a Montana State Tax Form 2, enter amount from line 17 on line 58.
 If you file a Montana State Tax Form 2S, enter amount from line 17 on line 35.
 If you are not required to file Form 2 or 2S, mail this claim form to the address stated below.
 Income Tax Division, P.O. Box 5805, Montana Department of Revenue, Helena, MT 59604.

REFUNDS WILL BE ISSUED THROUGH THE INCOME TAX DIVISION

I declare under penalty of false swearing that the information in this return and attachment is true, correct and complete.

Your signature	Date	Telephone Number	Spouse's signature	Date
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