

SENATE BILL 231

IN THE SENATE

| | |
|------------------|---|
| January 24, 1979 | Introduced and referred to Committee on Taxation. |
| January 25, 1979 | Fiscal note requested. |
| January 31, 1979 | Fiscal note returned. |
| April 20, 1979 | Died in Committee. |

1 *Spasti* BILL NO. 231
2 INTRODUCED BY Spasti

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A TAX CREDIT
5 FOR PROPERTY TAX PAID OR RENT CONSTITUTING PROPERTY TAX PAID
6 ON HOMESTEADS WHEN CERTAIN CONDITIONS ARE MET; PROVIDING
7 PROCEDURES FOR ADMINISTERING THE ACT; AND PROVIDING AN
8 EFFECTIVE AND APPLICABILITY DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Short title. [This act] may be cited as the
12 "Montana Residential Property Tax Relief Act of 1979".

13 Section 2. Definitions. As used in [this act], the
14 following definitions apply:

15 (1) "Department" means the department of revenue.

16 (2) "Claimant" means a natural person who files a
17 claim for the tax credit allowed in [section 3].

18 (3) "Gross rent" means the total rent in cost actually
19 paid by the renter or lessee for the right of occupying the
20 homestead.

21 (4) "Homestead" means a dwelling, including a unit of
22 a multiple unit dwelling, occupied by an owner, renter, or
23 lessee for at least 10 months of the year and the lot, not
24 exceeding 1 acre, upon which it is constructed.

25 (5) (a) "Household" means an association of persons

1 who live in the same dwelling and share its furnishings,
2 facilities, accommodations, and expenses.

3 (b) "Household" does not include tenants, roomers, or
4 boarders on contract.

5 (6) "Household income" means all income received by
6 all persons in a household.

7 (7) "Income" means income received from all sources,
8 including both taxable and nontaxable income.

9 (8) "Property taxes paid" means general property
10 taxes, exclusive of special assessments, penalties, or
11 interest, levied against the homestead and paid during the
12 taxable year.

13 (9) "Rent constituting property tax paid" means 20% of
14 the gross rent.

15 Section 3. Credit for property tax or rent
16 constituting property tax paid by certain taxpayers --
17 amount. (1) A credit is allowed against the taxes imposed by
18 15-30-103 and 15-30-104 for property tax paid on a homestead
19 or rent constituting property tax paid on a homestead when
20 the conditions imposed in [section 4] have been met.

21 (2) The tax credit that may be claimed for property
22 tax paid is either the total amount of property tax paid or
23 the amount shown in (3) corresponding to the claimant's
24 income, whichever is smaller.

25 (3) The tax credit which may be claimed for rent

1 constituting property tax paid is either 20% of the gross
 2 rent or the amount shown in the following table
 3 corresponding to the claimant's income, whichever is
 4 smaller:

| Claimant's Income | Allowed Tax Credit |
|-------------------|--------------------|
| \$ 0 - \$ 2,000 | \$200 |
| 2,001 - 4,000 | 180 |
| 4,001 - 5,000 | 160 |
| 5,001 - 6,000 | 100 |
| 6,001 - 7,000 | 60 |
| 7,001 - 8,000 | 40 |
| 8,001 - 9,000 | 20 |
| 9,001 - 10,000 | 10 |

14 (4) The credit may not exceed the claimant's total
 15 income tax liability.

16 Section 4. Conditions necessary to claim credit. (1) To
 17 be eligible for the credit allowed in [section 3], the
 18 claimant must:

19 (a) have lived in the homestead for which the credit
 20 is claimed for at least 6 months of the preceding year;

21 (b) be at least 55 years old in the taxable year for
 22 which the credit is claimed;

23 (c) live in a household in which:

24 (i) the household income did not exceed \$10,000 during
 25 the taxable year; and

1 (ii) the property tax paid or rent constituting
 2 property tax paid exceeded 3% of the total household income.
 3 (2) The tax credit may not be claimed for any portion
 4 of property tax paid or rent constituting property tax paid
 5 that is received from a rent or tax subsidy provided by a
 6 government agency.

7 (3) Only one person residing in a household may claim
 8 the tax credit allowed in [section 3] each year.

9 Section 5. Procedure for claiming tax credit. (1) The
 10 department shall provide forms and instructions for claiming
 11 the tax credit allowed in [section 3] in the state income
 12 tax return forms made available to all taxpayers.

13 (2) A claimant must file with his individual income
 14 tax return:

15 (a) the completed form claiming the tax credit,
 16 containing the information the department considers
 17 necessary to support the claim; and

18 (b) receipts showing either the property tax paid or
 19 gross rent paid.

20 Section 6. Adjustment or denial of credit. (1) The
 21 department may adjust a claimant's gross rent to a
 22 reasonable amount if it determines that the rent is
 23 excessive for that area.

24 (2) The department shall deny any credit claimed
 25 falsely or fraudulently.

1 Section 7. Penalty for false or fraudulent claim. (1)
2 Any person filing a false or fraudulent claim for the tax
3 credit provided in [section 3] is guilty of false swearing,
4 as defined in 45-7-202.

5 (2) If a refund based on a false or fraudulent claim
6 has been paid, the department may use the procedure
7 established in Title 15, chapter 30, part 3, to collect:

8 (a) the amount of the refund falsely obtained;
9 (b) 10% of the amount due, as a penalty; and
10 (c) interest on the amount due at the rate of 1% a
11 month.

12 Section 8. Effective and applicability date. This act
13 is effective on passage and approval and applies to taxable
14 years beginning after December 31, 1978.

-End-

STATE OF MONTANA

REQUEST NO. 115-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, 1979, there is hereby submitted a Fiscal Note for Senate Bill 231 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This proposed bill provides a tax credit for property tax paid or rent constituting property tax paid on homesteads when certain conditions are met; providing procedures for administering the act; and providing an effective and applicability date.

ASSUMPTIONS

Assume that:

1. Gross rent averages \$150 per month (\$1800 annually).
2. Property tax paid averages at least \$200 on the homes of claimants (A home with an assessed value of \$10000 in a jurisdiction with a total mill levy of 250 mills would have a tax of \$213.75 imposed on it, hence the assumption.)
3. The distribution of incomes of over 55 is as follows: (based on 1970 census data)

| Income | 0-2000 | 2001-4000 | 4001-5000 | 5001-6000 | 6001-7000 |
|------------|--------|-----------|-----------|-----------|-----------|
| # Eligible | 11379 | 11635 | 4101 | 3636 | 3462 |

| Income | 7001-8000 | 8001-9000 | 9001-10000 |
|------------|-----------|-----------|------------|
| # Eligible | 2927 | 2500 | 2355 |
4. The Department of Revenue income tax collection projections for the biennium are used as a basis for revenue impact estimates.
FY80 \$154.268 M FY81 \$169.790 M
5. Because of the non-refundable nature of the credit, the amount of credit taken must be limited by income tax liability in bracket.
6. All those eligible for the credit will avail themselves of it.
7. The number and distribution of claimants will be the same in both years of the biennium.

Under the assumptions listed above, the property tax paid or rent constituting property tax will exceed 3% of household income for all those who meet the other eligibility criteria. In addition, tax paid or rent constituting property tax will exceed the maximum tax credit allowed given in the schedule of section 3. (Doubtless there would be some cases where this would not be true, but on average the choice of the smaller of tax paid or the amount shown in the table, will result in taking the table value.)

(CONTINUED ON PAGE 2)

Richard L. Tracy Jr.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/30/79

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Page 2

FISCAL IMPACT

| | FY 80 | FY 81 |
|-----------------------------------|---------------------|---------------------|
| Collections-Individual Income Tax | | |
| under current law | \$154.268 M | \$169.790 M |
| under proposed law | 152.545 M | 168.067 M |
| Estimated Decrease | <u>(\$ 1.723 M)</u> | <u>(\$ 1.723 M)</u> |

FUND INFORMATION

General Fund

| | | |
|--------------------|---------------------|---------------------|
| | \$ 98.732 M | \$108.666 M |
| under current law | 97.629 M | 107.563 M |
| Estimated Decrease | <u>(\$ 1.103 M)</u> | <u>(\$ 1.103 M)</u> |

25% School Foundation

| | | |
|--------------------|--------------------|--------------------|
| | \$ 38.567 M | \$ 42.448 M |
| under current law | 38.136 M | 42.017 M |
| Estimated Decrease | <u>(\$.431 M)</u> | <u>(\$.431 M)</u> |

11% Long-Range Building

| | | |
|--------------------|--------------------|--------------------|
| | \$ 16.969 M | \$ 18.676 M |
| under current law | 16.780 M | 18.487 M |
| Estimated Decrease | <u>(\$.189 M)</u> | <u>(\$.189 M)</u> |

EFFECT ON LOCAL GOVERNMENTS

No direct effects.

LONG-RANGE EFFECTS

It can be anticipated that the level of revenue loss would continue at about the same level in future fiscal years.

TECHNICAL NOTE

Any reduction in income to the School Foundation account may necessitate additional support from other sources.

(Prepared by the Department of Revenue)

Received 1/30/79

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/30/79