

HOUSE BILL NO. 227

INTRODUCED BY YARDLEY, DOZIER, WILLIAMS, KEMMIS,
KEENAN, SCHYE, ABRAMS, SPAETH, FARRIS, J. JENSEN,
ECK, BLAYLOCK, REGAN, HOWE, PECK, PISTORIA, HART,
McCORMICK, METCALF, HARRINGTON, J. BROWN,
CONNELLY, ZABROCKI, KENNERLY, VELEBER,
BRAND, FABREGA, ASAY, HARP, JACOBSEN

BY REQUEST OF THE OFFICE OF THE GOVERNOR

IN THE HOUSE

January 13, 1983	Introduced and referred to Committee on Taxation.
January 24, 1983	On motion by chief sponsor, Representatives Keenan, Schye, et al., were added as authors to the prefiled bill.
January 26, 1983	Committee recommend bill do pass. Report adopted.
January 27, 1983	Bill printed and placed on members' desks.
January 28, 1983	Second reading, do pass.
January 31, 1983	Considered correctly engrossed. On motion, further consideration passed until the 28th Legislative Day.
February 3, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

February 4, 1983	Introduced and referred to Committee on Taxation.
March 3, 1983	Committee recommend bill be concurred in. Report adopted.

March 5, 1983

Second reading, concurred in.

March 8, 1983

Third reading, concurred in.
Ayes, 48; Noes, 0.

IN THE HOUSE

March 8, 1983

Returned to House.

March 9, 1983

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *227*
 2 INTRODUCED BY *Hardley D. Williams*
 3 BY REQUEST OF THE OFFICE OF THE GOVERNOR

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION
 6 OF INCOME FOR PURPOSES OF COMPUTING THE RESIDENTIAL PROPERTY
 7 TAX CREDIT FOR THE ELDERLY; INCREASING THE MAXIMUM ALLOWABLE
 8 CREDIT FROM \$150 TO \$400; CLARIFYING THE APPLICATION OF THE
 9 CREDIT WHEN PROPERTY IS BOTH OWNED AND RENTED; REQUIRING
 10 THAT PROPERTY ELIGIBLE FOR THE CREDIT BE SUBJECT TO AD
 11 VALOREM TAX; AMENDING SECTIONS 15-30-171, 15-30-176, AND
 12 15-30-177, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN
 13 APPLICABILITY DATE."

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

16 Section 1. Section 15-30-171, MCA, is amended to read:
 17 "15-30-171. Residential property tax credit for
 18 elderly -- definitions. As used in 15-30-171 through
 19 15-30-179, the following definitions apply:

20 (1) "Income" means federal adjusted gross income,
 21 without regard to loss, as that quantity is defined in the
 22 Internal Revenue Code of the United States, plus all
 23 nontaxable income except ~~all payments received under federal~~
 24 ~~social security~~, including but not limited to:

25 (a) the gross amount of any pension or annuity

1 (including Railroad Retirement Act benefits and veterans'
 2 disability benefits);

3 (b) the amount of capital gains excluded from adjusted
 4 gross income;

5 (c) alimony;

6 (d) support money;

7 (e) nontaxable strike benefits;

8 (f) cash public assistance and relief; and

9 (g) payments and interest on federal, state, county,
 10 and municipal bonds; and

11 ~~(h) all payments under federal social security.~~

12 (2) "Claim period" means the tax year for individuals
 13 required to file Montana individual income tax returns and
 14 the calendar year for individuals not required to file
 15 returns.

16 (3) "Claimant" means an individual natural person who
 17 is eligible to file a claim under 15-30-172.

18 (4) "Household" means an association of persons who
 19 live in the same dwelling, sharing its furnishings,
 20 facilities, accommodations, and expenses. The term does not
 21 include bona fide lessees, tenants, or roomers and boarders
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23 (5) "Household gross household income" means all
 24 income except ~~--- payments --- received under federal --- social~~
 25 ~~security~~ received by all individuals of a household while

they are members of the household.

~~(6)~~ "Household income" means \$0 or the amount obtained by subtracting \$4,000 from gross household income, whichever is greater.

~~(7)~~ "Homestead" means a single-family dwelling or unit of a multiple-unit dwelling that is subject to ad valorem taxes in Montana, owned and occupied as a residence by the owner for at least 6 months of the claim period or occupied as a dwelling of a renter or lessee for at least 6 months of the claim period, and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a dwelling.

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

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

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

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

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

"15-30-176. Residential property tax credit for

elderly -- computation of relief. The amount of the tax credit granted under the provisions of 15-30-171 through 15-30-179 is computed as follows:

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

(2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the amount of rent-equivalent tax paid less the deduction specified in subsection ~~(3)~~ (4).

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

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

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

~~(3)(4)~~ Property tax paid and rent-equivalent tax paid are reduced according to the following schedule:

Household income	Amount of reduction
\$ 0-999	\$0
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2,000-2,999	the product of .006 times the household income

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24 NEW SECTION. Section 4. Effective date. This act is
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1 periods beginning after December 31, 1982.

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STATE OF MONTANA

REQUEST NO. 119-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 17, 19 83, there is hereby submitted a Fiscal Note for House Bill 227 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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 OF PROPOSED LEGISLATION:

House Bill 227 revises the definition of income for purposes of computing the residential property tax credit for the elderly; increases the maximum allowable credit from \$150 to \$400; clarifies the application of the credit when property is both owned and rented; requires that property eligible for the credit be subject to ad valorem tax; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) Information from a sample of 1981 individual income tax returns claiming the Elderly Homeowner Credit applies to future returns.
- 2) Adjustments made in property tax burdens to reflect the introduction of graduated class 4 tax rates are correct.
- 3) Mill levies, elderly income, and other factors affecting credits are assumed constant.

FISCAL IMPACT:

	<u>FY 1984</u>	<u>FY 1985</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	165,326,563	174,359,375
Estimated Decrease	<u>\$ (1,100,000)</u>	<u>\$ (1,100,000)</u>
General Fund		
Under Current Law	\$106,513,000	\$112,294,000
Under Proposed Law	105,809,000	111,590,000
Estimated Decrease	<u>\$ (704,000)</u>	<u>\$ (704,000)</u>
Earmarked Revenue Fund		
Under Current Law	\$ 41,606,641	\$ 43,864,844
Under Proposed Law	41,331,641	43,589,844
Estimated Decrease	<u>\$ (275,000)</u>	<u>\$ (275,000)</u>

Continued



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-20-83

Approved by Committee
on Taxation

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live in the same dwelling, sharing its furnishings,
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15 months of the claim period, and as much of the surrounding
16 land, but not in excess of 1 acre, as is reasonably
17 necessary for its use as a dwelling.

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16 subsection ~~(3) (4).~~

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

19 ~~(a) the amount of property tax paid on the owned~~
20 ~~portion of the homestead less the deduction specified in~~
21 ~~subsection (4); plus~~

22 ~~(b) the amount of rent-equivalent tax paid on the~~
23 ~~rented portion of the homestead less the deduction specified~~
24 ~~in subsection (4).~~

25 ~~(3)(4)~~ Property tax paid and rent-equivalent tax paid

1 are reduced according to the following schedule:

2 Household income	Amount of reduction
3 \$ 0-999	\$0
4 1,000-1,999	\$0
5 2,000-2,999 the product of .006 times the household income	
6 3,000-3,999 the product of .016 times the household income	
7 4,000-4,999 the product of .024 times the household income	
8 5,000-5,999 the product of .028 times the household income	
9 6,000-6,999 the product of .032 times the household income	
10 7,000-7,999 the product of .035 times the household income	
11 8,000-8,999 the product of .039 times the household income	
12 9,000-9,999 the product of .042 times the household income	
13 10,000-10,999 the product of .045 times the household income	
14 11,000-11,999 the product of .048 times the household income	
15 12,000 & over the product of .050 times the household income	

16 (4) In no case may the credit granted exceed \$150
17 \$400."

18 Section 3. Section 15-30-177, MCA, is amended to read:

19 "15-30-177. Residential property tax credit for
20 elderly -- limitations. (1) Only one claimant per household
21 in a claim period under the provisions of 15-30-171 through
22 15-30-179 is entitled to relief.

23 (2) No claim for relief may be allowed for any portion
24 of property taxes paid or rent-equivalent taxes paid that is
25 derived from a public rent or tax subsidy program.

1 ~~(3) No claim for relief may be allowed on rented lands~~
2 ~~or rented dwellings that are not subject to ad valorem~~
3 ~~taxation in Montana during the claim period."~~

4 NEW SECTION. Section 4. Effective date. This act is
5 effective on passage and approval and is applicable to claim
6 periods beginning after December 31, 1982.

-End-