

HOUSE BILL NO. 294

Introduced: 01/18/83

Referred to Committee on Taxation: 01/18/83

Hearing: 1/25/83

Died in Committee

1 House BILL NO. 294
 2 INTRODUCED BY Unittrell
 3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
 4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE
 6 DEFINITION OF INCOME FOR PURPOSES OF COMPUTING THE
 7 RESIDENTIAL PROPERTY TAX CREDIT FOR ELDERLY; AMENDING
 8 SECTION 15-30-171, MCA; PROVIDING AN IMMEDIATE EFFECTIVE
 9 DATE AND AN APPLICABILITY DATE."
 10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 15-30-171, MCA, is amended to read:
 13 "15-30-171. Residential property tax credit for
 14 elderly -- definitions. As used in 15-30-171 through
 15 15-30-179, the following definitions apply:
 16 (1) "Income", except as provided in [section 2], means
 17 federal adjusted gross income, without regard to loss, as
 18 that quantity is defined in the Internal Revenue Code of the
 19 United States, plus all nontaxable income ~~except--all~~
 20 ~~payments received under federal social security,~~ including
 21 but not limited to:
 22 (a) the gross amount of any pension or annuity
 23 (including payments received under federal social security,
 24 Railroad Retirement Act benefits, and veterans' disability
 25 benefits) reduced by an amount equal to the maximum annual

1 regular benefit that would be payable to a worker retiring
 2 at age 65 under federal social security;
 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.
 11 (2) "Claim period" means the tax year for individuals
 12 required to file Montana individual income tax returns and
 13 the calendar year for individuals not required to file
 14 returns.
 15 (3) "Claimant" means an individual natural person who
 16 is eligible to file a claim under 15-30-172.
 17 (4) "Household" means an association of persons who
 18 live in the same dwelling, sharing its furnishings,
 19 facilities, accommodations, and expenses. The term does not
 20 include bona fide lessees, tenants, or roomers and boarders
 21 on contract.
 22 (5) "Household income" means all income except
 23 payments received under federal social security received by
 24 all individuals of a household while they are members of the
 25 household.

INTRODUCED BILL

HB 294

(6) "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.

(7) "Department" means the department of revenue.

(8) "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.

(9) "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.

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

NEW SECTION. Section 2. General deduction from income. Each claimant is allowed to deduct from income an amount equal to the maximum annual regular benefit payable to a worker retiring at age 65 under federal social security.

NEW SECTION. Section 3. Codification instruction.

Section 2 is intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to section 2.

NEW SECTION. Section 4. Effective date -- applicability. This act is effective on passage and approval and applies to claim periods beginning during or after calendar year 1983.

-End-

STATE OF MONTANA

REQUEST NO. 155-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 294 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 294 revises the definition of income for purposes of computing the residential property tax credit for elderly and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) The maximum annual regular benefit for a worker retiring at age 65 under federal social security is currently \$8,750 (\$729/month). For simplicity, this benefit level is assumed constant.
- 2) Only one claimant per household is entitled to relief (15-30-177). Therefore, claimant is assumed to mean household for purposes of Section 2.
- 3) Household income equals federal adjusted gross income, plus pension income less \$8,750 (or zero), plus all other income, minus \$8,750. Pension income less \$8,750 is assumed to have a lower bound of zero.
- 4) All credit returns are received in the first half of each calendar year.
- 5) Total credits are assumed constant after fiscal impact of the proposal was calculated.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	<u>164,701,563</u>	<u>173,734,375</u>
Estimated Decrease	<u>\$ (1,725,000)</u>	<u>\$ (1,725,000)</u>
General Fund		
Under Current Law	\$106,513,000	\$112,294,000
Under Proposed Law	<u>105,409,000</u>	<u>111,190,000</u>
Estimated Decrease	<u>\$ (1,104,000)</u>	<u>\$ (1,104,000)</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-25-83

	<u>FY84</u>	<u>FY85</u>
Earmarked Revenue Fund		
Under Current Law	41,606,641	43,864,844
Under Proposed Law	41,175,391	43,433,594
Estimated Decrease	<u>\$ (431,250)</u>	<u>\$ (431,250)</u>
Sinking Fund		
Under Current Law	18,306,922	19,300,531
Under Proposed Law	18,117,172	19,110,781
Estimated Decrease	<u>\$ (189,750)</u>	<u>\$ (189,750)</u>

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The fiscal impact will tend to increase through time, since the reductions specified by the proposal are fully indexed. In essence, the across-the-board reduction has the effect of fully indexing the percentage table.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

- Paragraph 5 Section 1 states that household income excludes social security payments.
- Section 1 can be inferred to mean that if pension income is less than the maximum social security benefit, the claimant would be allowed to subtract the difference from other income.
- Section 2 is interpreted to allow an across-the-board reduction of the maximum allowable social security benefits in addition to the reduction allowed for pension income.
- Claimant needs to be defined for the purposes of Section 2.

FISCAL NOTE 7:E/2

STATE OF MONTANA

REQUEST NO. 240-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, 19 83, there is hereby submitted a Fiscal Note for House Bill 294, Amended 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 OF PROPOSED LEGISLATION:

House Bill 294, with proposed amendment, revises the definition of income for purposes of computing the residential property tax credit for elderly.

ASSUMPTIONS:

- 1) This fiscal note assumes Section 2 is stricken from the introduced version of the bill.
- 2) The maximum annual regular benefit for a worker retiring at age 65 under federal social security is currently \$8,750 (729/month). For simplicity, the benefit level is assumed constant.
- 3) All credit returns are received in the first half of each calender year.
- 4) Total credits are assumed constant after the fiscal impact of the proposal is estimated.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	165,986,563	175,019,375
Estimated Decrease	<u>(440,000)</u>	<u>(440,000)</u>
General Fund		
Under Current Law	106,513,000	112,294,000
Under Proposed Law	104,231,400	112,012,400
Estimated Decrease	<u>(281,600)</u>	<u>(281,600)</u>
Earmarked Revenue Fund		
Under Current Law	41,606,641	43,864,844
Under Proposed Law	41,496,641	43,754,844
Estimated Decrease	<u>(110,000)</u>	<u>(110,000)</u>
Sinking Fund		
Under Current Law	18,306,922	19,300,531
Under Proposed Law	18,258,522	19,252,131
Estimated Decrease	<u>(48,400)</u>	<u>(48,400)</u>

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-31-83

FISCAL NOTE 8/W/1