

HOUSE BILL NO. 925

2/26 Introduced
2/26 Referred to Taxation
2/26 Fiscal Note Requested
3/04 Fiscal Note Received
3/08 Hearing
Died in Committee

HOUSE BILL NO. 925

INTRODUCED BY *J. Brown, Jay Keenan, Zimic, Pistoria, Zimic, Carlmit, Alarico, Mikes, Kelly, Mironchuk, Stella Jean, Harrison, Posture*
A BILL FOR AN ACT ENTITLED: "AN ACT TO EXTEND THE ELIGIBILITY FOR THE RESIDENTIAL PROPERTY TAX CREDIT; AMENDING SECTIONS 15-30-171, 15-30-172, AND 15-30-176, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-30-171, MCA, is amended to read:

"15-30-171. Residential property tax credit for elderly -- definitions. As used in 15-30-171 through 15-30-179, the following definitions apply:

(1) "Income" means federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:

- (a) the gross amount of any pension or annuity (including Railroad Retirement Act benefits and veterans' disability benefits);
- (b) the amount of capital gains excluded from adjusted gross income;
- (c) alimony;
- (d) support money;
- (e) nontaxable strike benefits;

- (f) cash public assistance and relief;
- (g) payments and interest on federal, state, county, and municipal bonds; and
- (h) all payments under federal social security.

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

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

(4) "Household" means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(5) "Gross household income" means all income received by all individuals of a household while they are members of the household.

(6) "Household income" means:
(a) gross household income; or
(b) \$0 or the amount obtained by subtracting the first \$4,000 of retirement, pension, annuity, or disability income 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

1 taxes in Montana, owned and occupied as a residence by the
 2 owner for at least 6 months of the claim period or occupied
 3 as a dwelling of a renter or lessee for at least 6 months of
 4 the claim period, and as much of the surrounding land, but
 5 not in excess of 1 acre, as is reasonably necessary for its
 6 use as a dwelling.

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

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

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

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

18 Section 2. Section 15-30-172, MCA, is amended to read:

19 "15-30-172. Residential property tax credit for
 20 ~~elderly~~ -- eligibility. In order to be eligible to make a
 21 claim under 15-30-171 through 15-30-179, an individual must
 22 have ~~reached age 62 or older during the claim period for~~
 23 ~~which relief is sought and must have~~ resided in Montana for
 24 at least 9 months ~~of that period~~ during the claim period for
 25 which relief is sought."

1 Section 3. Section 15-30-176, MCA, is amended to read:

2 "15-30-176. Residential property tax credit ~~for~~
 3 ~~elderly~~ -- computation of relief. The amount of the tax
 4 credit granted under the provisions of 15-30-171 through
 5 15-30-179 is computed as follows:

6 (1) In the case of a claimant who owns the homestead
 7 for which a claim is made, the credit is the amount of
 8 property tax paid less the deduction specified in subsection
 9 (4).

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

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

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

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

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

24 Household income	Amount of reduction
25 \$ 0-999	\$0

1	1,000-1,999	\$0
2	2,000-2,999	the product of .006 times the household income
3	3,000-3,999	the product of .016 times the household income
4	4,000-4,999	the product of .024 times the household income
5	5,000-5,999	the product of .028 times the household income
6	6,000-6,999	the product of .032 times the household income
7	7,000-7,999	the product of .035 times the household income
8	8,000-8,999	the product of .039 times the household income
9	9,000-9,999	the product of .042 times the household income
10	10,000-10,999	the product of .045 times the household income
11	11,000-11,999	the product of .048 times the household income
12	12,000-12,999	the product of .050 times the household income
13	<u>12,000-12,999</u>	<u>the product of .051 times the household income</u>
14	<u>13,000-13,999</u>	<u>the product of .054 times the household income</u>
15	<u>14,000-14,999</u>	<u>the product of .057 times the household income</u>
16	<u>15,000 & over</u>	<u>the product of .060 times the household income</u>

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

18 NEW SECTION. Section 4. Extension of authority. Any
19 existing authority of the department of revenue to make
20 rules on the subject of the provisions of this act is
21 extended to the provisions of this act.

22 NEW SECTION. Section 5. Applicability. This act
23 applies to taxable years beginning after December 31, 1985.

-End-

STATE OF MONTANA

REQUEST NO. FNN 511-85

FISCAL NOTE

Form BD-15

In compliance with a written request received February 26, 19 85, there is hereby submitted a Fiscal Note for House Bill 925 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:

An act to extend the eligibility for the residential property tax credit; and providing an applicability date.

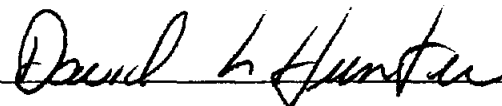
ASSUMPTIONS:

1. Individual income tax revenue under current law is \$209,890,625 in FY1987.
2. The elderly homeowner-renter credit allowed under current law was \$2,540,855 in FY1984.
3. An average credit of \$182.40 is claimed by 13,518 taxpayers age 62 or older under the proposed law.
4. An average credit of \$96.79 is claimed by 46,370 other taxpayers under the proposed law. (Based on computer simulation by Department of Revenue using a sample of actual 1983 returns.)
5. For taxpayers under the age of 62 household income equals gross household income.

FISCAL IMPACT:

	Under Current Law	FY1987 Under Proposed Law	Difference
<u>EFFECT ON REVENUE</u>			
Individual Income Tax	\$209,890,625	\$205,477,645	(\$4,412,980)
TOTAL REVENUE	\$209,890,625	\$205,477,645	(\$4,412,980)
<u>FUND INFORMATION:</u>			
General Fund	\$134,330,000	\$131,505,693	(\$2,824,307)
Foundation Program	\$ 52,472,656	\$ 51,369,411	(\$1,103,245)
Debt Service	\$ 23,087,969	\$ 22,602,541	(\$ 485,428)

NOTE: The fiscal impact reflected above represents the additional impact of the proposed bill after deducting the current credit allowed for the elderly (\$2,540,855 in FY1984).



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 4, 1985

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