HB 701 INTRODUCED BY VINCENT, ET AL.
CHANGING THE DEFINITION OF "INCOME" FOR PROPERTY TAX RELIEF

2/11 INTRODUCED
2/11 REFERRED TO TAXATION
2/11 FISCAL NOTE REQUESTED
2/18 HEARING
2/19 FISCAL NOTE RECEIVED
3/17 TABLED IN COMMITTEE

House BILL NO. 701

INTRODUCED BY Vincent Harp Steele Jordan Hansen Connelly

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXCLUDE SOCIAL SECURITY BENEFITS, RAILROAD RETIREMENT PAYMENTS, AND VETERANS' DISABILITY BENEFITS FROM THE INCOME LIMITATIONS APPLICABLE TO THE RESIDENTIAL PROPERTY TAX REDUCTION PROVISIONS FOR CLASS FOUR PROPERTY AND TO THE RESIDENTIAL PROPERTY TAX RELIEF CREDIT AVAILABLE TO THE ELDERLY; AND AMENDING SECTIONS 15-6-134, 15-6-142, AND 15-30-171, MCA."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first $35,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose ~~total~~ income, ~~from-all-sources-including~~ as defined in 15-30-171, and otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple;

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at ~~the--taxable--percentage--rate--"P"~~ 3.86% of its market value.

(b) Property described in subsection (1)(c) is taxed at ~~the-taxable-percentage-rate-"P"~~ 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$0 - $1,000	$0 - $1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%

8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a).

~~(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.~~

~~(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:~~

~~(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.~~

~~(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below.~~

~~(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions,~~

~~or deletions during calendar year 1985.~~

~~(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:~~

~~Certified Statewide Percentage Increase~~	~~Class Four Taxable Percentage "P"~~
~~0~~	~~8.55~~
~~10~~	~~7.77~~
~~20~~	~~7.12~~
~~30~~	~~6.57~~
~~40~~	~~6.10~~
~~50~~	~~5.70~~
~~60~~	~~5.34~~
~~70~~	~~5.02~~
~~80~~	~~4.75~~
~~90~~	~~4.50~~
~~100~~	~~4.27~~
~~110~~	~~4.07~~
~~120~~	~~3.88~~
~~130~~	~~3.71~~
~~140~~	~~3.56~~
~~150~~	~~3.42~~
~~160~~	~~3.28~~
~~170~~	~~3.16~~

~~Certified Statewide Percentage Increase~~	~~Class Four Taxable Percentage "P"~~
~~180~~	~~3.05~~
~~190~~	~~2.94~~
~~200~~	~~2.85~~
~~210~~	~~2.75~~
~~220~~	~~2.67~~
~~230~~	~~2.59~~
~~240~~	~~2.51~~
~~250~~	~~2.44~~
~~260~~	~~2.37~~
~~270~~	~~2.31~~
~~280~~	~~2.25~~
~~290~~	~~2.19~~
~~300~~	~~2.13~~

~~(5)~~(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

~~(6)~~(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-6-142, MCA, is amended to read:

"15-6-142. Class twelve property -- description -- taxable percentage. (1) Class twelve property includes:

(a) a trailer or mobile home used as a residence except when:

(i) held by a distributor or dealer of trailers or mobile homes as his stock in trade; or

(ii) specifically included in another class;

(b) the first $35,000 or less of the market value of a trailer or mobile home used as a residence and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose ~~total~~ income, ~~from all sources including~~ as defined in 15-30-171, and otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple.

(2) Class twelve property is taxed as follows:

(a) Property described in subsection (1)(a) that is not of the type described in subsection (1)(b) is taxed at ~~the taxable percentage rate "P", described in 15-6-134,~~ 3.86% of its market value.

(b) Property described in subsection (1)(b) is taxed at ~~the taxable percentage rate "P", described in 15-6-134,~~ 3.86% of its market value multiplied by a percentage figure based on income and determined from the table established in subsection (2)(b) of 15-6-134."

Section 3. 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~~,~~:

(a) plus all nontaxable income, including but not limited to:

~~(a)~~(i) the gross amount of any pension or annuity ~~(including Railroad Retirement Act--benefits--and--veterans' disability-benefits)~~;

~~(b)~~(ii) the amount of capital gains excluded from adjusted gross income;

~~(c)~~(iii) alimony;

~~(d)~~(iv) support money;

~~(e)~~(v) nontaxable strike benefits;

~~(f)~~(vi) cash public assistance and relief;

~~(g)~~(vii) payments and interest on federal, state, county, and municipal bonds; ~~and~~

~~(h)~~(b) excluding all payments received under federal social security~~,~~, all payments received as Railroad Retirement Act benefits, and all payments received as veterans' disability benefits as follows:

(i) for the taxable period beginning January 1, 1987, and ending December 31, 1987, 50% of all payments received

under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits;

(ii) for the taxable period beginning January 1, 1988, and ending December 31, 1988, 75% of all payments received under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits; and

(iii) for the taxable period beginning January 1, 1989, and thereafter, all payments received under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits.

(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 $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."

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

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB701, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exclude social security benefits, railroad retirement benefits, and veterans' disability benefits from the income limitations applicable to the residential property tax reduction provisions for Class Four property and to the residential property tax relief credit available to the elderly.

ASSUMPTIONS:

1. The taxable value of the state will be $1,997,193,000 in FY88 and $2,024,661,000 in FY89 (REAC).
2. Individual income tax revenues under current law are $208,088,000 in FY88, and $229,991,000 in FY89.
3. Mill levies are 6 mills for universities, 45 mills for the school foundation program, and the weighted average local government levy remains constant at the 1986 level of 289 mills.
4. Approximately 13,904 taxpayers will be affected by the bill.
5. There is no effect on property tax collections in FY88; in FY89 property taxes are reduced an average of $41.43. FY89 mill levy distribution - university levy - 1.91%, school foundation - 14.3261%, other jurisdictions - 83.7639%.
6. Homeowner/Renter income tax credits decrease an average of $18.60 in FY88, and $74.50 in FY89.

FISCAL IMPACT:

Revenue Impact: Property Tax

FY88 - No fiscal impact.

	FY89 Current Law	FY89 Proposed Law	FY89 Difference
University Levy	$ 12,147,966	$ 12,136,964	$ (11,002)
School Equalization	91,109,745	91,027,221	(82,524)
Total	$103,257,711	$103,164,185	$ (93,526)

David L. Hunter DATE 2/19/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

John Vincent DATE 2/20/87
JOHN VINCENT, PRIMARY SPONSOR

Fiscal Note for HB701, as introduced.

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Revenue Impact: Income Tax

	FY88 Current Law	FY88 Proposed Law	FY88 Difference	FY89 Current Law	FY89 Proposed Law	FY89 Difference
Individual Income Tax	$208,088,000	$208,346,600	$ 258,600	$229,991,000	$231,026,800	$1,035,800

Fund Information:	FY88 Current Law	FY88 Proposed Law	FY88 Difference	FY89 Current Law	FY89 Proposed Law	FY89 Difference
General Fund	$133,176,320	$133,341,824	$ 165,504	$147,194,240	$147,857,152	$ 662,912
Foundation Program	52,022,000	52,086,650	64,650	57,497,750	57,756,700	258,950
Debt Service Fund	22,889,680	22,918,126	28,466	25,299,010	25,412,948	113,938
Total	$208,088,000	$208,346,600	$ 258,600	$229,991,000	$231,026,800	$1,035,800

EFFECT ON COUNTY OR OTHER LOCAL REVENUE:
Local government revenue is expected to fall $482,517 in FY89 and even more in following years.

EXPLANATORY NOTE:
The proposed legislation, by excluding benefit income from the definition of income for both the residential property tax reduction in Class 4 and the residential property tax credit, results in two separate effects. Property taxes are decreased, but income tax collections increase due to a decrease in residential property tax credits. The reduction in income (50% of benefit income in FY88) results in a decrease of the residential property tax credit. The amount of property tax credit is a function of income. As income decreases, the amount of the credit also decreases. In addition, as the property tax itself is reduced by the exclusion of benefit income, the decreased in the amount of the credit is further compounded. Also, because almost 75% of the income of individuals qualifying for the tax credit is the proposed excluded benefit income, the effect is even more dramatic. The net effect of excluding benefit income is to decrease property tax revenues and increase income tax revenues.

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