

HOUSE BILL NO. 280  
-  
INTRODUCED BY VINCENT, RANEY  
-

IN THE HOUSE

JANUARY 17, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
JANUARY 18, 1989	FIRST READING.
MARCH 22, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 23, 1989	PRINTING REPORT.
MARCH 29, 1989	SECOND READING, DO PASS.
MARCH 30, 1989	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 97; NOES, 1.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 31, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 11, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 12, 1989	SECOND READING, CONCURRED IN AS AMENDED.
APRIL 13, 1989	THIRD READING, CONCURRED IN. AYES, 46; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 18, 1989

RECEIVED FROM SENATE.

-  
SENT TO ENROLLING.

-  
REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 280  
 2 INTRODUCED BY Vincent Rany  
 3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PHASE-IN THE  
 5 EXCLUSION OF PAYMENTS RECEIVED UNDER SOCIAL SECURITY,  
 6 RAILROAD RETIREMENT BENEFITS, AND VETERANS' DISABILITY  
 7 BENEFITS FROM THE INCOME LIMITATIONS APPLICABLE TO THE  
 8 RESIDENTIAL PROPERTY TAX REDUCTION PROVISIONS FOR PROPERTY  
 9 IN CLASS FOUR AND CLASS TWELVE AND TO THE RESIDENTIAL  
 10 PROPERTY TAX RELIEF CREDIT AVAILABLE TO THE ELDERLY;  
 11 AMENDING SECTIONS 15-6-134, 15-6-142, AND 15-30-171, MCA;  
 12 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
 13 APPLICABILITY DATE."

14  
 15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

17 "15-6-134. Class four property -- description --  
 18 taxable percentage. (1) Class four property includes:

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

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

23 (c) the first \$80,000 or less of the market value of  
 24 any improvement on real property and appurtenant land not  
 25 exceeding 5 acres owned or under contract for deed and

1 actually occupied for at least 10 months a year as the  
 2 primary residential dwelling of any person whose total  
 3 income from--all--sources, as defined in 15-30-171 and  
 4 including otherwise tax-exempt income of all types, is not  
 5 more than \$10,000 for a single person or \$12,000 for a  
 6 married couple, as adjusted according to subsection  
 7 (2)(b)(ii);

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

11 (2) Class four property is taxed as follows:

12 (a) Except as provided in 15-24-1402 or 15-24-1501,  
 13 property described in subsections (1)(a) and (1)(b) is taxed  
 14 at 3.86% of its market value.

15 (b) (i) Property described in subsection (1)(c) is  
 16 taxed at 3.86% of its market value multiplied by a  
 17 percentage figure based on income and determined from the  
 18 following table:

Income	Income	Percentage
Single Person	Married Couple	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%

1	5,001 - 6,000	6,001 - 7,200	50%
2	6,001 - 7,000	7,201 - 8,400	60%
3	7,001 - 8,000	8,401 - 9,600	70%
4	8,001 - 9,000	9,601 - 10,800	80%
5	9,001 - 10,000	10,801 - 12,000	90%

6 (ii) The income levels contained in the table in  
7 subsection (2)(b)(i) must be adjusted for inflation annually  
8 by the department of revenue. The adjustment to the income  
9 levels is determined by:

10 (A) multiplying the appropriate dollar amount from the  
11 table in subsection (2)(b)(i) by the ratio of the PCE for  
12 the second quarter of the year prior to the year of  
13 application to the PCE for the second quarter of 1986; and

14 (B) rounding the product thus obtained to the nearest  
15 whole dollar amount.

16 (iii) "PCE" means the implicit price deflator for  
17 personal consumption expenditures as published quarterly in  
18 the Survey of Current Business by the bureau of economic  
19 analysis of the U.S. department of commerce.

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

23 (3) After July 1, 1986, no adjustment may be made by  
24 the department to the taxable percentage rate for class four  
25 property until a revaluation has been made as provided in

1 15-7-111.

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

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

9 "15-6-142. Class twelve property -- description --  
10 taxable percentage. (1) Class twelve property includes:

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

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

15 (ii) specifically included in another class;

16 (b) the first \$80,000 or less of the market value of a  
17 trailer or mobile home used as a residence and actually  
18 occupied for at least 10 months a year as the primary  
19 residential dwelling of any person whose total income from  
20 all-sources, as defined in 15-30-171 and including otherwise  
21 tax-exempt income of all types, is not more than \$10,000 for  
22 a single person or \$12,000 for a married couple, as adjusted  
23 according to 15-6-134(2)(b)(ii).

24 (2) Class twelve property is taxed as follows:

25 (a) Property described in subsection (1)(a) that is

not of the type described in subsection (1)(b) is taxed at 3.86% of its market value.

(b) Property described in subsection (1)(b) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the table established in subsection (2)(b)(i) 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:

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

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

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief; and

(vii) payments and interest on federal, state,

county, and municipal bonds; and

~~(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, 1989, and ending December 31, 1989, 25% of all payments received under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits;~~

~~(ii) for the taxable period beginning January 1, 1990, and ending December 31, 1990, 50% of all payments received under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits;~~

~~(iii) for the taxable period beginning January 1, 1991, 75% of all payments received under federal social security, Railroad Retirement Act benefits, or veterans' disability benefits; and~~

~~(iv) for the taxable period beginning January 1, 1992, and for all taxable years 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 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 to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. **Section 5. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies to taxable years beginning after December 31, 1988.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB280, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to phase-in the exclusion of payments received under social security, railroad retirement benefits, and veteran's disability benefits from the income limitations applicable to the residential property tax reduction provisions for property in class four and class twelve and to the residential property tax relief credit available to the elderly; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:


1. The taxable value of the state will be \$1,899,969,000 in FY90, and \$1,869,831,000 in FY91 (REAC).
2. Individual income revenues under current law will be \$239,124,000 in FY90, and \$254,428,000 in FY91 (REAC).
3. The total average mill levy applied to low-income residential housing is 342.64 mills distributed as follows: universities 6 mills; foundation program 45 mills; local governments 291.64 mills (actual 1988 average mills).
4. Approximately 13,794 households will be affected by the proposal.
5. The average property tax for these households will be reduced \$51.58 in FY90, and \$126.84 in FY91.
6. The average homeowner/renter income tax credit claimed for these households will increase \$8.01 in FY90, and \$5.73 in FY91.

FISCAL IMPACT:Revenue Impact: Individual Income Tax

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Ind. Income Tax	\$239,124,000	\$239,014,000	(\$110,000)	\$254,428,000	\$254,349,000	(\$79,000)
<u>Fund Information:</u>						
General Fund	\$139,170,168	\$139,106,148	(\$64,020)	\$148,077,096	\$148,031,118	(\$45,978)
Foundation Program	76,041,432	76,006,452	(34,980)	80,908,104	80,882,982	(25,122)
Sinking Fund	23,912,400	23,901,400	(11,000)	25,442,800	25,434,900	(7,900)
Total	\$239,124,000	\$239,014,000	(\$110,000)	\$254,428,000	\$254,349,000	(\$79,000)
<u>Revenue Impact: Property Tax</u>						
University Levy	\$11,399,814	\$11,387,356	\$( 12,458)	\$11,218,986	\$11,188,350	\$( 30,636)
Foundation Program	84,498,605	84,405,164	( 93,441)	84,142,395	83,912,616	(229,779)
Total	\$95,898,419	\$95,792,520	\$(105,899)	\$95,361,381	\$95,100,966	\$(260,415)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE:

The proposal is estimated to decrease local government revenue \$605,596 in FY1990, and \$1,489,216 in FY1991.

  
 RAY SHACKLEFORD, BUDGET DIRECTOR  
 OFFICE OF BUDGET AND PROGRAM PLANNING  
 DATE 1/25/89

  
 JOHN VINCENT, PRIMARY SPONSOR  
 DATE 1/26/89

Fiscal Note for HB280, as introduced

HB 280

Fiscal Note Request, HB280 as introduced

Form BD-15

Page 2

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

As the amount of pension income that may be excluded is phased in, property taxes will continue to decrease. Total property taxes are estimated to fall a total of \$7.2 million in the 1993 biennium.

The substantial decrease in property tax liability will, in turn, begin to decrease the amount of homeowner/renter credit claimed. This is estimated to increase income tax collections \$1.6 million in the 1993 biennium.

HB 280

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 280

INTRODUCED BY VINCENT, RANEY

A BILL FOR AN ACT ENTITLED: "AN ACT TO PHASE-IN ALLOW THE PARTIAL EXCLUSION OF PAYMENTS RECEIVED AS AN ANNUITY OR PENSION, INCLUDING PAYMENTS RECEIVED UNDER SOCIAL SECURITY, RAILROAD RETIREMENT BENEFITS, AND VETERANS' DISABILITY BENEFITS, FROM THE INCOME LIMITATIONS APPLICABLE TO THE RESIDENTIAL PROPERTY TAX REDUCTION PROVISIONS FOR PROPERTY IN CLASS FOUR--AND--CLASS--TWELVE--AND--TO--THE--RESIDENTIAL PROPERTY---TAX RELIEF CREDIT AVAILABLE TO THE ELDERLY; AMENDING SECTIONS 15-6-134, 15-6-142, AND SECTION 15-30-171, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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 \$80,000 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, as defined in 15-30-171 and including otherwise tax exempt income of all types, is not more than \$10,000 for a single person or \$12,000 for a married couple, as adjusted according to subsection (2)(b)(ii);

(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 linear 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 3.86% of its market value;

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

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$---0---\$-17,000	\$---0---\$-17,200	0%
-17,001-----27,000	-17,201-----27,400	10%
-27,001-----37,000	-27,401-----37,600	20%
-37,001-----47,000	-37,601-----47,800	30%

1     -4,001-----5,000     -4,001-----6,000     40%

2     -5,001-----6,000     -6,001-----7,200     50%

3     -6,001-----7,000     -7,201-----8,400     60%

4     -7,001-----8,000     -8,401-----9,600     70%

5     -8,001-----9,000     -9,601-----10,800     80%

6     -9,001-----10,000     10,801-----12,000     90%

7     (i) The income levels contained in the table in

8     subsection (2)(b)(i) must be adjusted for inflation annually

9     by the department of revenue. The adjustment to the income

10    levels is determined by:

11    (A) multiplying the appropriate dollar amount from the

12    table in subsection (2)(b)(i) by the ratio of the PEE for

13    the second quarter of the year prior to the year of

14    application to the PEE for the second quarter of 1986, and

15    (B) rounding the product thus obtained to the nearest

16    whole dollar amount;

17    (iii) "PEE" means the implicit price deflator for

18    personal consumption expenditures as published quarterly in

19    the Survey of Current Business by the bureau of economic

20    analysis of the U.S. department of commerce;

21    (c) Property described in subsection (1)(d) is taxed

22    at one-half the taxable percentage rate established in

23    subsection (2)(a);

24    (3) After July 1, 1986, no adjustment may be made by

25    the department to the taxable percentage rate for class four

1     property until a revaluation has been made as provided in

2     15-7-111.

3     (4) Within the meaning of comparable property as

4     defined in 15-1-101, property assessed as commercial

5     property is comparable only to other property assessed as

6     commercial property, and property assessed as other than

7     commercial property is comparable only to other property

8     assessed as other than commercial property."

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

10    "15-6-142. Class twelve property description

11    taxable percentage. (1) Class twelve property includes:

12    (a) a trailer or mobile home used as a residence

13    except when:

14    (i) held by a distributor or dealer of trailers or

15    mobile homes as his stock in trade; or

16    (ii) specifically included in another class;

17    (b) the first \$80,000 or less of the market value of a

18    trailer or mobile home used as a residence and actually

19    occupied for at least 10 months a year as the primary

20    residential dwelling of any person whose total income from

21    all sources, as defined in 15-30-171 and including otherwise

22    tax-exempt income of all types, is not more than \$10,000 for

23    a single person or \$12,000 for a married couple, as adjusted

24    according to 15-6-134(2)(b)(i);

25    (2) Class twelve property is taxed as follows:

1       ~~{a}--Property--described--in--subsection--(1){a}--that--is~~  
 2       ~~not--of--the--type--described--in--subsection--(1){b}--is--taxed--at~~  
 3       ~~3.86%--of--its--market--value;~~

4       ~~{b}--Property--described--in--subsection--(1){b}--is--taxed~~  
 5       ~~at--3.86%--of--its--market--value--multiplied--by--a--percentage~~  
 6       ~~figure--based--on--income--and--determined--from--the--table~~  
 7       ~~established--in--subsection--(2){b}(i)--of--15-6-134;"~~

8       **Section 1.** Section 15-30-171, MCA, is amended to read:  
 9       "15-30-171. Residential property tax credit for  
 10      elderly -- definitions. As used in 15-30-171 through  
 11      15-30-179, the following definitions apply:

12      (1) "Income" means federal adjusted gross income,  
 13      without regard to loss, as that quantity is defined in the  
 14      Internal Revenue Code of the United States~~77~~,

15      ~~{a}~~ plus all nontaxable income, including but not  
 16      limited to:

17      ~~{a}{i}(A)~~ the gross amount of any pension or annuity  
 18      ~~{including--Railroad--Retirement--Act--benefits--and--veterans'~~  
 19      ~~disability--benefits}~~ {INCLUDING RAILROAD RETIREMENT ACT  
 20      BENEFITS AND VETERANS' DISABILITY BENEFITS};

21      ~~{b}{i}(B)~~ the amount of capital gains excluded from  
 22      adjusted gross income;

23      ~~{c}{i}(C)~~ alimony;

24      ~~{d}{i}(D)~~ support money;

25      ~~{e}{i}(E)~~ nontaxable strike benefits;

1       ~~{f}{vi}(F)~~ cash public assistance and relief; and

2       ~~{g}{vii}(G)~~ payments and interest on federal, state,  
 3       county, and municipal bonds; and AND

4       ~~{h}{b}(H)~~ excluding all payments received under  
 5       federal social security~~77~~--all--payments--received--as--Railroad  
 6       Retirement--Act--benefits~~77~~--and--all--payments--received--as  
 7       veterans'-disability-benefits~~77~~--as--follows:

8       ~~{i}--for--the--taxable--period--beginning--January--17--1989~~77~~~~  
 9       and--ending--December--31~~77~~--1989~~77~~--25%--of--all--payments--received  
 10      under--federal--social--security~~77~~--Railroad--Retirement--Act  
 11      benefits~~77~~--or--veterans'-disability-benefits~~77~~

12      ~~{ii}--for--the--taxable--period--beginning--January--17--1990~~77~~~~  
 13      and--ending--December--31~~77~~--1990~~77~~--50%--of--all--payments--received  
 14      under--federal--social--security~~77~~--Railroad--Retirement--Act  
 15      benefits~~77~~--or--veterans'-disability-benefits~~77~~

16      ~~{iii}--for--the--taxable--period--beginning--January--17--1991~~77~~~~  
 17      75%--of--all--payments--received--under--federal--social--security~~77~~  
 18      Railroad--Retirement--Act--benefits~~77~~--or--veterans'-disability  
 19      benefits~~77~~--and

20      ~~{iv}--for--the--taxable--period--beginning--January--17--1992~~77~~~~  
 21      and--for--all--taxable--years--thereafter~~77~~--all--payments--received  
 22      under--federal--social--security~~77~~--Railroad--Retirement--Act  
 23      benefits~~77~~--or--veterans'-disability-benefits~~77~~

24      (2) "Claim period" means the tax year for individuals  
 25      required to file Montana individual income tax returns and

1 the calendar year for individuals not required to file  
2 returns.

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

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

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

13 (6) "Household income" means \$0 or the amount obtained  
14 by subtracting THE GREATER OF \$4,000 OR 50% OF TOTAL  
15 RETIREMENT BENEFITS from gross household income, whichever  
16 is greater.

17 (7) "Homestead" means a single-family dwelling or unit  
18 of a multiple-unit dwelling that is subject to ad valorem  
19 taxes in Montana and as much of the surrounding land, but  
20 not in excess of 1 acre, as is reasonably necessary for its  
21 use as a dwelling.

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

23 (9) "Gross rent" means the total rent in cash or its  
24 equivalent actually paid during the claim period by the  
25 renter or lessee for the right of occupancy of the homestead

1 pursuant to an arm's length transaction with the landlord.

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

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

8 NEW SECTION. Section 2. Extension of authority. Any  
9 existing authority to make rules on the subject of the  
10 provisions of [this act] is extended to the provisions of  
11 [this act].

12 NEW SECTION. Section 3. Effective date -- retroactive  
13 applicability. [This act] is effective on passage and  
14 approval and applies to taxable years beginning after  
15 December 31, 1988.

-End-

## HOUSE BILL NO. 280

INTRODUCED BY VINCENT, RANEY

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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, as defined in 15-30-171 and including otherwise tax exempt income of all types, is not more than \$10,000 for a single person or \$12,000 for a married couple, as adjusted according to subsection (2)(b)(i);

(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:

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

Income	Income	Percentage
Single Person	Married Couple	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%

1     -4,001-----5,000     -4,001-----6,000             40%

2     -5,001-----6,000     -6,001-----7,200             50%

3     -6,001-----7,000     -7,201-----8,400             60%

4     -7,001-----8,000     -8,401-----9,600             70%

5     -8,001-----9,000     -9,601-----10,800            80%

6     -9,001-----10,000    10,801-----12,000            90%

7     (iii)--The--income--levels--contained--in--the--table--in

8     subsection--(2)(b)(i)--must--be--adjusted--for--inflation--annually

9     by--the--department--of--revenue--The--adjustment--to--the--income

10    levels--is--determined--by:

11    (A)--multiplying--the--appropriate--dollar--amount--from--the

12    table--in--subsection--(2)(b)(i)--by--the--ratio--of--the--PEB--for

13    the--second--quarter--of--the--year--prior--to--the--year--of

14    application--to--the--PEB--for--the--second--quarter--of--1986;--and

15    (B)--rounding--the--product--thus--obtained--to--the--nearest

16    whole--dollar--amount;

17    (iii)--"PEB"--means--the--implicit--price--deflator--for

18    personal--consumption--expenditures--as--published--quarterly--in

19    the--Survey--of--Current--Business--by--the--bureau--of--economic

20    analysis--of--the--U.S.--department--of--commerce;

21    (c)--Property--described--in--subsection--(1)(d)--is--taxed

22    at--one--half--the--taxable--percentage--rate--established--in

23    subsection--(2)(a);

24    (d)--After--July--1,--1986,--no--adjustment--may--be--made--by

25    the--department--to--the--taxable--percentage--rate--for--class--four

1     property--until--a--revaluation--has--been--made--as--provided--in

2     15-7-111;

3     (4)--Within--the--meaning--of--comparable--property--as

4     defined--in--15-1-101,--property--assessed--as--commercial

5     property--is--comparable--only--to--other--property--assessed--as

6     commercial--property,--and--property--assessed--as--other--than

7     commercial--property--is--comparable--only--to--other--property

8     assessed--as--other--than--commercial--property."

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

10    "15-6-142. Class twelve property--description--

11    taxable percentage--(1) Class twelve property includes:

12    (a)--a--trailer--or--mobile--home--used--as--a--residence

13    except--when:

14    (i)--held--by--a--distributor--or--dealer--of--trailers--or

15    mobile--homes--as--his--stock--in--trade;--or

16    (ii)--specifically--included--in--another--class;

17    (b)--the--first--\$80,000--or--less--of--the--market--value--of--a

18    trailer--or--mobile--home--used--as--a--residence--and--actually

19    occupied--for--at--least--10--months--a--year--as--the--primary

20    residential--dwelling--of--any--person--whose--total--income--from

21    all--sources,--as--defined--in--15-30-171--and--including--otherwise

22    tax-exempt--income--of--all--types,--is--not--more--than--\$10,000--for

23    a--single--person--or--\$12,000--for--a--married--couple,--as--adjusted

24    according--to--15-6-134(2)(b)(ii);

25    (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  
3.86%--of--its--market--value;~~

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

**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~~;~~,

~~{a}~~ plus all nontaxable income, including but not limited to:

~~{a}{i}{i}{i}{(A)}~~ the gross amount of any pension or annuity ~~{including--Railroad--Retirement--Act--benefits--and--veterans'--disability--benefits}~~ {INCLUDING RAILROAD RETIREMENT ACT BENEFITS AND VETERANS' DISABILITY BENEFITS};

~~{b}{i}{i}{i}{(B)}~~ the amount of capital gains excluded from adjusted gross income;

~~{c}{i}{i}{i}{(C)}~~ alimony;

~~{d}{i}{i}{i}{(D)}~~ support money;

~~{e}{i}{i}{i}{(E)}~~ nontaxable strike benefits;

~~{f}{i}{i}{i}{(F)}~~ cash public assistance and relief; and  
~~{g}{i}{i}{i}{(G)}~~ payments and interest on federal, state, county, and municipal bonds; and AND

~~{h}{i}{i}{i}{(H)}~~ 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}{i}{i}{(i)}~~ for--the--taxable--period--beginning--January--1,--1989,--and--ending--December--31,--1989,--25%--of--all--payments--received under--federal--social--security,--Railroad--Retirement--Act benefits,--or--veterans'--disability--benefits;

~~{i}{i}{i}{(ii)}~~ for--the--taxable--period--beginning--January--1,--1990,--and--ending--December--31,--1990,--50%--of--all--payments--received under--federal--social--security,--Railroad--Retirement--Act benefits,--or--veterans'--disability--benefits;

~~{i}{i}{i}{(iii)}~~ for--the--taxable--period--beginning--January--1,--1991,--75%--of--all--payments--received--under--federal--social--security,--Railroad--Retirement--Act--benefits,--or--veterans'--disability--benefits;--and

~~{i}{i}{i}{(iv)}~~ for--the--taxable--period--beginning--January--1,--1992,--and--for--all--taxable--years--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

1 the calendar year for individuals not required to file  
2 returns.

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

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

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

13 (6) "Household income" means \$0 or the amount obtained  
14 by subtracting THE GREATER OF \$4,000 OR 50% OF TOTAL  
15 RETIREMENT BENEFITS from gross household income, whichever  
16 is greater.

17 (7) "Homestead" means a single-family dwelling or unit  
18 of a multiple-unit dwelling that is subject to ad valorem  
19 taxes in Montana and as much of the surrounding land, but  
20 not in excess of 1 acre, as is reasonably necessary for its  
21 use as a dwelling.

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

23 (9) "Gross rent" means the total rent in cash or its  
24 equivalent actually paid during the claim period by the  
25 renter or lessee for the right of occupancy of the homestead

1 pursuant to an arm's length transaction with the landlord.

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

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

8 NEW SECTION. **Section 2.** Extension of authority. Any  
9 existing authority to make rules on the subject of the  
10 provisions of [this act] is extended to the provisions of  
11 [this act].

12 NEW SECTION. **Section 3.** Effective date -- retroactive  
13 applicability. [This act] is effective on passage and  
14 approval and applies to taxable years beginning after  
15 December 31, 1988.

-End-

OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING



STAN STEPHENS, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 444-3616

HELENA, MONTANA 59620

M E M O R A N D U M

TO: President Jack Galt  
Montana State Senate

FROM: Dave Lewis, Director *Dave Lewis*  
Office of Budget and Program Planning

RE: Fiscal Impact of HB 280, third reading version, as  
amended by the Senate Taxation Committee

DATE: April 11, 1989

ASSUMPTIONS:

1. House Joint Resolution 13 (HJR13) revenue estimates of individual income tax collections are the basis of comparison.
2. In calendar year 1987, there were 14,398 homeowner/renter credits claimed. This number is assumed constant over the biennium.
3. The average credit claimed will increase \$51.16 under the provisions of this bill (Department of Revenue simulation using a random sample of 140 homeowner/renter credit returns).
4. There is no impact on Department of Revenue expenditures.

FISCAL IMPACT:

Revenue Impact:

(Decrease In FY 90 & FY 91)

Individual Income Tax (\$ 736,600)

Fund Information:

General Fund	(\$ 428,701)
Foundation Program	(\$ 234,239)
Debt Service	(\$ 73,660)
Total	(\$ 736,600)

HB 280 Rev.  
publications & graphics

SENATE STANDING COMMITTEE REPORT

April 11, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 280 (third reading copy -- blue), respectfully report that HB 280 be amended and as so amended be concurred in:

Sponsor: Vincent (Eck)

1. Page 7, line 14.

Strike: "THE GREATER OF"

Following: "\$4,000"

Insert: ", adjusted by the inflation factor as defined in 15-30-101,"

2. Page 7, lines 14 and 15.

Strike: "OR" on line 14 through "BENEFITS" on line 15

AND AS AMENDED BE CONCURRED IN

Signed: \_\_\_\_\_

*Bob Brown*

Bob Brown, Chairman

SENATE  
HB 280

**SENATE COMMITTEE OF THE WHOLE AMENDMENT**

April 12, 1989 12:55 pm

Mr. Chairman: I move to amend HB 280 (third reading copy -- blue) as follows:

Strike: The Senate Committee on Taxation amendments to HB 280 (third reading copy -- blue) dated April 11, 1989, in their entirety

**ADOPT**

**REJECT**

Signed: \_\_\_\_\_

*Dorothy Eck*

Senator Eck

**SENATE**  
**HB 280**

## HOUSE BILL NO. 280

INTRODUCED BY VINCENT, RANEY

A BILL FOR AN ACT ENTITLED: "AN ACT TO PHASE-IN ALLOW THE PARTIAL EXCLUSION OF PAYMENTS RECEIVED AS AN ANNUITY OR PENSION, INCLUDING PAYMENTS RECEIVED UNDER SOCIAL SECURITY, RAILROAD RETIREMENT BENEFITS, AND VETERANS' DISABILITY BENEFITS, FROM THE INCOME LIMITATIONS APPLICABLE TO THE RESIDENTIAL PROPERTY TAX REDUCTION PROVISIONS FOR PROPERTY IN CLASS FOUR--AND--CLASS--TWELVE--AND--TO--THE--RESIDENTIAL PROPERTY--TAX RELIEF CREDIT AVAILABLE TO THE ELDERLY; AMENDING SECTIONS 15-6-134, 15-6-142, AND SECTION 15-30-171, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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--\$80,000--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,--as--defined--in--15-30-171--and including--otherwise--tax--exempt--income--of--all--types, is--not more--than--\$10,000--for--a--single--person--or--\$12,000--for--a married--couple,--as--adjusted--according--to--subsection (2)(b)(ii);

(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--linear--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--3.86%--of--its--market--value;

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

	Income	Income	Percentage
	Single Person	Married Couple	Multiplier
22	\$---0---\$17,000	\$---0---\$17,200	0%
23	17,001---27,000	17,201---27,400	10%
24	27,001---37,000	27,401---37,600	20%
25	37,001---47,000	37,601---47,800	30%

1     -4,001-----5,000     -4,001-----6,000             40%

2     -5,001-----6,000     -6,001-----7,200             50%

3     -6,001-----7,000     -7,201-----8,400             60%

4     -7,001-----8,000     -8,401-----9,600             70%

5     -8,001-----9,000     -9,601-----10,800            80%

6     -9,001-----10,000     10,801-----12,000           90%

7     (iii)-The--income--levels--contained--in--the--table--in

8     subsection-(2)(b)(i)-must-be-adjusted-for-inflation-annually

9     by--the--department-of-revenue.-The-adjustment-to-the-income

10    levels-is-determined-by:

11    (A)--multiplying-the-appropriate-dollar-amount-from-the

12    table-in-subsection-(2)(b)(i)-by-the-ratio-of--the--PCE--for--

13    the--second--quarter--of--the--year--prior--to--the--year--of

14    application-to-the-PCE-for-the-second-quarter-of--1986;--and

15    (B)--rounding--the-product-thus-obtained-to-the-nearest

16    whole-dollar-amount;

17    (iii)-"PCE"--means--the--implicit--price--deflator--for

18    personal--consumption-expenditures-as-published-quarterly-in

19    the-Survey-of-Current-Business-by--the--bureau--of--economic

20    analysis-of-the-U.S.-department-of-commerce;

21    (c)--Property--described--in-subsection-(1)(d)-is-taxed

22    at-one-half--the--taxable--percentage--rate--established--in

23    subsection-(2)(a);

24    (3)--After--July--1, 1986, no-adjustment-may-be-made-by

25    the-department-to-the-taxable-percentage-rate-for-class-four

1     property-until-a-revaluation-has-been-made--as--provided--in

2     15-7-111.

3     (4)--Within--the--meaning--of--comparable--property--as

4     defined--in--15-1-1017--property--assessed--as--commercial

5     property--is--comparable--only-to-other-property-assessed-as

6     commercial-property,--and-property--assessed--as--other--than

7     commercial--property--is--comparable--only-to-other-property

8     assessed-as-other-than-commercial-property."

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

10    "15-6-142. Class--twelve--property--description--

11    taxable-percentage.--(1)--Class-twelve-property--includes:

12    (a)--a-trailer-or--mobile--home--used--as--a--residence

13    except-when:

14    (i)--held-by-a--distributor--or-dealer-of-trailers-or

15    mobile-homes-as-his-stock-in-trade; or

16    (ii)--specifically-included-in-another-class;

17    (b)--the-first-\$80,000-or-less-of-the-market-value-of-a

18    trailer-or-mobile-home-used--as--a--residence--and--actually

19    occupied--for--at--least--10--months--a--year-as-the-primary

20    residential-dwelling-of-any-person-whose-total--income--from

21    all-sources, as-defined-in-15-30-171 and including otherwise

22    tax-exempt-income-of-all-types, is not more than \$10,000 for

23    a-single-person-or-\$12,000-for-a-married-couple, as-adjusted

24    according-to-15-6-134(2)(b)(i);

25    (2)--Class-twelve-property-is-taxed-as follows:

1       (a)--Property--described--in--subsection-(1)(a)-that-is  
2       not-of-the-type-described-in-subsection-(1)(b)-is--taxed--at  
3       3.86%-of-its-market-value.

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

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

9       "15-30-171. Residential property tax credit for  
10       elderly -- definitions. As used in 15-30-171 through  
11       15-30-179, the following definitions apply:

12       (1) "Income" means federal adjusted gross income,  
13       without regard to loss, as that quantity is defined in the  
14       Internal Revenue Code of the United States;

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

17       (a)(i)(A) the gross amount of any pension or annuity  
18       including Railroad Retirement Act benefits and veterans'  
19       disability benefits (INCLUDING RAILROAD RETIREMENT ACT  
20       BENEFITS AND VETERANS' DISABILITY BENEFITS);

21       (b)(i)(B) the amount of capital gains excluded from  
22       adjusted gross income;

23       (c)(i)(C) alimony;

24       (d)(i)(D) support money;

25       (e)(v)(E) nontaxable strike benefits;

1       (f)(vi)(F) cash public assistance and relief; and  
2       (g)(vii)(G) payments and interest on federal, state,  
3       county, and municipal bonds; and AND

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

8       (i) for the taxable period beginning January 1, 1989,  
9       and ending December 31, 1989, 25% of all payments received  
10       under federal social security, Railroad Retirement Act  
11       benefits, or veterans' disability benefits;

12       (ii) for the taxable period beginning January 1, 1990,  
13       and ending December 31, 1990, 50% of all payments received  
14       under federal social security, Railroad Retirement Act  
15       benefits, or veterans' disability benefits;

16       (iii) for the taxable period beginning January 1, 1991,  
17       75% of all payments received under federal social security,  
18       Railroad Retirement Act benefits, or veterans' disability  
19       benefits; and

20       (iv) for the taxable period beginning January 1, 1992,  
21       and for all taxable years thereafter, all payments received  
22       under federal social security, Railroad Retirement Act  
23       benefits, or veterans' disability benefits.

24       (2) "Claim period" means the tax year for individuals  
25       required to file Montana individual income tax returns and

1 the calendar year for individuals not required to file  
2 returns.

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

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

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

13 (6) "Household income" means \$0 or the amount obtained  
14 by subtracting ~~THE--GREATER--OF~~ THE GREATER OF \$4,000~~7~~  
15 ~~ADJUSTED-BY-THE-INFLATION-FACTOR-AS-DEFINED-IN-15-30-1017 OR~~  
16 ~~50%-OF-TOTAL-RETIREMENT-BENEFITS OR 50% OF TOTAL RETIREMENT~~  
17 ~~BENEFITS~~ from gross household income, whichever is greater.

18 (7) "Homestead" means a single-family dwelling or unit  
19 of a multiple-unit dwelling that is subject to ad valorem  
20 taxes in Montana and as much of the surrounding land, but  
21 not in excess of 1 acre, as is reasonably necessary for its  
22 use as a dwelling.

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

24 (9) "Gross rent" means the total rent in cash or its  
25 equivalent actually paid during the claim period by the

1 renter or lessee for the right of occupancy of the homestead  
2 pursuant to an arm's length transaction with the landlord.

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

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

9 NEW SECTION. **Section 2.** Extension of authority. Any  
10 existing authority to make rules on the subject of the  
11 provisions of [this act] is extended to the provisions of  
12 [this act].

13 NEW SECTION. **Section 3.** Effective date -- retroactive  
14 applicability. [This act] is effective on passage and  
15 approval and applies to taxable years beginning after  
16 December 31, 1988.

-End-