SENATE BILL NO. 169

INTRODUCED BY Christiaens Tveit Eck Forrester

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN INDIVIDUAL INCOME TAX CREDIT AGAINST PROPERTY TAXES PAID ON THE TAXPAYER'S PRINCIPAL RESIDENCE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Homeowners' tax credit -- definitions.** As used in [sections 1 through 8], the following definitions apply:

(1) "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.

(2) "Claimant" means an individual who is eligible under [section 2] to file a claim.

(3) "Homestead" means a single-family residence owned on the last day of the claim period by a Montana resident or being purchased under a contract for deed by a Montana resident. The residence may not have been leased or rented by the owner or purchaser for more than 3 months.

(4) (a) "Household" means an association of individuals who live in the same dwelling and who share its furnishings, facilities, accommodations, and expenses.

(b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(5) "Property taxes" means general ad valorem taxes levied against the homestead, exclusive of special assessments, penalties, or interest.

NEW SECTION. **Section 2. Homeowners' tax credit -- eligibility.** In order to be eligible to make a claim under [sections 1 through 8], an individual:

(1) must have resided in Montana for at least 9 months of the claim period; and

(2) must have occupied the homestead as the owner or contractor for deed for at least 9 months of the claim period.

NEW SECTION. **Section 3. Homeowners' tax credit -- filing date.** (1) Except as provided in subsection (2), a claim must be submitted at the same time that the claimant's individual income tax return is due. For a claimant not required to file a tax return, the claim must be submitted on or before April 15 of the year following the year for which the credit is claimed.

(2) The department of revenue may grant a reasonable extension for filing a claim whenever, in its judgment, good cause exists. The department shall keep a record of each extension and the reason for granting the extension.

(3) If an individual who would have a claim under [sections 1 through 8] dies before filing the claim, the personal representative of the estate of the decedent may file the claim.

NEW SECTION. **Section 4. Homeowners' tax credit -- form of relief.** (1) The credit under [sections 1 through 8] is a credit against the claimant's Montana individual income tax liability for the claim period.

(2) (a) If the amount of credit exceeds the claimant's tax liability under this chapter by $1 or more, the amount of the excess must be refunded to the claimant. If the excess is less than $1, the department of revenue may not make a refund.

(b) The credit may be claimed even though the claimant does not have income taxable under this chapter.

NEW SECTION. **Section 5. Homeowners' tax credit.** The amount of the tax credit granted under the provisions of [sections 1 through 8] is the amount that results from multiplying the lesser of the market value of the homestead, exclusive of the market value of the land, or $15,000 by the tax rate applicable to property described in 15-6-134(1)(b), (1)(c), or (1)(e) and by multiplying the resulting product by the total mill levy applied to the homestead, as shown on the November tax statement for the claim period.

NEW SECTION. **Section 6. Homeowners' tax credit -- limitations.** (1) Only one claimant per household is entitled to a credit in a claim period.

(2) A claim is not allowed for a homestead that is not subject to property taxes in Montana during the claim period.

NEW SECTION. **Section 7. Homeowners' credit -- proof of claim.** A copy of the November tax statement for the claim period must be filed with each claim. In addition, each claimant shall, at the request of the department of revenue, supply all additional information necessary to support the claim.

NEW SECTION. **Section 8. Homeowners' tax credit -- denial of claim -- penalty -- interest.** If a false or fraudulent claim has been paid, the amount paid may be recovered as any other debt owed the state. An additional 10% may be added to the amount due as a penalty. The unpaid debt bears interest, at the rate of 1% a month or fraction of a month, from the date of the original payment of the claim until the debt is paid.

NEW SECTION. **Section 9. Codification instruction.** [Sections 1 through 8] are 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 [sections 1 through 8].

NEW SECTION. **Section 10. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1994.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0169, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act providing an individual income tax credit against property taxes paid on the taxpayer's principal residence; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:
1. The proposal applies beginning with tax year (calendar year) 1995.
2. The credit provided here is determined by multiplying the lesser of market value of the homestead property or $15,000 by the taxable valuation rate for the property and by the total number of mills levied.
3. To receive the credit provided for in this proposal, the taxpayer must have owned and lived in the homestead (single family residence) for not less than nine months during the claim period.
4. All taxpayers eligible for the credit will apply for and receive the credit. There will be 222,000 applications in FY96, and 224,000 applications in FY97.
5. The total cost of the credit is $44,500,000 in FY96 and $44,900,000 in FY97 (DOR).
6. This proposal results in additional administrative expenditures of $153,129 in FY96, and $218,804 in FY97.

FISCAL IMPACT:
Expenditures: (Department of Revenue)

	FY96 Difference	FY97 Difference
Personal Services	$ 59,069	$101,465
Operating Expenses	61,115	117,339
Equipment	32,945	0
Total Expense	$153,129	$218,804

Revenues:

	FY96 Difference	FY97 Difference
Individual Income Tax	$(44,500,000)	$(44,900,000)

Net Impact: (General Fund)

	FY96 Difference	FY97 Difference
	$(44,653,129)	$(45,118,804)

Dave Lewis 1-21-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

CHRIS CHRISTIAENS, PRIMARY SPONSOR DATE
Fiscal Note for SB0169, as introduced

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