

House BILL NO. 591

INTRODUCED BY

Cleworth

A BILL FOR AN ACT ENTITLED: "AN ACT REFORMING, STREAMLINING, AND SIMPLIFYING THE APPLICATION FOR THE ELDERLY HOMEOWNER PROPERTY TAX CREDIT BY PROVIDING FOR A DEDUCTION BASED ON PROPERTY TAXES LEVIED AND A STANDARD PENSION DEDUCTION; AMENDING SECTIONS 15-30-171, 15-30-172, 15-30-176, 15-30-177, AND 15-30-178, 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 15-30-171, 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) "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 natural~~ a person who is eligible to file a claim under 15-30-172.

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

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

(5) "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.

(6) "Homestead" means:

(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to ~~ad valorem~~ property 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; or

(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal housing authority as provided in Title 7, chapter 15.

(7) "Household" means an association of persons who live in the same dwelling, sharing its

1 furnishings, facilities, accommodations, and expenses. The term does not include bona fide lessees,
2 tenants, or roomers and boarders on contract.

3 (8) "Household income" means ~~\$0 or~~ the amount obtained by subtracting ~~the greater of \$4,000~~
4 ~~or 50% of total retirement benefits~~ \$6,300 from gross household income, ~~whichever is greater.~~

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

8 (a) the gross amount of any pension or annuity, ~~{including Railroad Retirement Act benefits and~~
9 ~~veterans' disability benefits};~~

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

11 (c) alimony;

12 (d) support money;

13 (e) nontaxable strike benefits;

14 (f) cash public assistance and relief;

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

16 (h) all payments received under federal social security except social security income paid directly
17 to a nursing home.

18 (10) "Property tax ~~paid~~ assessed" means ~~general ad valorem~~ the product of 0.9 times the property
19 taxes levied against the homestead, exclusive of including special assessments, but excluding penalties,
20 or interest and paid during the claim period.

21 (11) "Rent-equivalent tax paid" means 15% of the gross rent."
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23 **Section 2.** Section 15-30-172, MCA, is amended to read:

24 **"15-30-172. Residential property tax credit for elderly -- eligibility.** (1) In order to be eligible to
25 make a claim under 15-30-171 through 15-30-179, an individual:

26 (a) must have reached age 62 or older during the claim period for which relief is sought;

27 (b) must have resided in Montana for at least 9 months of that period; ~~and~~

28 (c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at
29 least 6 months of the claim period; and

30 (d) must have less than \$35,000 of gross household income.

1 (2) A person is not disqualified as a claimant if the person changes residences during the claim
 2 period, provided that ~~he~~ the person occupies one or more dwellings in Montana as an owner, renter, or
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8 (1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the
 9 amount of property tax ~~paid~~ assessed less the deduction specified in subsection (4).

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

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

14 (a) the amount of property tax ~~paid~~ assessed on the owned portion of the homestead less the
 15 deduction specified in subsection (4); plus

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

18 (4) Property tax ~~paid~~ assessed and rent-equivalent tax paid are reduced according to the following
 19 schedule:

Household income	Amount of reduction
20 \$ 0-999	\$0
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22 2,000-2,999	the product of .006 times the household income
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4 (5) ~~In no case may the~~ The credit granted may not exceed \$1,000."

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8 household in a claim period under the provisions of 15-30-171 through 15-30-179 is entitled to relief.

9 (2) Except as provided in subsection (3), ~~no~~ a claim for relief may not be allowed for any portion
10 of property taxes ~~paid~~ assessed or rent-equivalent taxes paid that is derived from a public rent or tax
11 subsidy program.

12 (3) Except for dwellings rented from a county or municipal housing authority, ~~no~~ a claim for relief
13 may not be allowed on rented lands or rented dwellings that are not subject to ~~ad-valorem taxation in~~
14 Montana property taxes during the claim period."

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16 **Section 5.** Section 15-30-178, MCA, is amended to read:

17 **"15-30-178. Residential property tax credit for elderly -- proof of claim.** A receipt showing
18 property tax ~~paid~~ assessed or a receipt showing gross rent paid, whichever is appropriate, must be filed
19 with each claim. In addition, each claimant ~~must~~ shall, at the request of the department, supply all
20 additional information necessary to support ~~his~~ a claim."

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22 NEW SECTION. **Section 6. Retroactive applicability.** [Sections 1 and 4] apply retroactively, within
23 the meaning of 1-2-109, to tax years beginning after December 31, 1996.

24

25 NEW SECTION. **Section 7. Effective date.** [This act] is effective on passage and approval.

26

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0591, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act reforming, streamlining, and simplifying the application for the elderly homeowner property tax credit by providing for a deduction based on property taxes levied and a standard pension deduction; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. This proposal is effective for tax years 1997 and later.
2. In tax year 1995, the elderly claimed \$8,362,515 for property tax relief under the elderly homeowner/renter credit.
3. Currently, the credit form requests the amount of property tax paid, which is the ad valorem taxes levied against the homestead excluding special assessments, penalties, or interest. Property tax paid is, on average, approximately 90% of property tax assessed. Therefore, the property tax used to calculate the credit under this proposal (90% of property tax assessed) is virtually the same as the property tax used to calculate the credit under current law.
4. Total household income must be less than \$35,000.
5. A deduction of \$6,300 is subtracted from gross household income.
6. The maximum credit is \$1,000.
7. Using tax year 1995 data and the above parameters (the \$35,000 cap on income and the \$6,300 deduction) results in a proposed law credit of \$7,263,789. This is \$1,098,726 less than the current law credit. Therefore, this proposal is revenue generating.
8. Assuming the elderly homeowner/renter credit grows at a rate of 5% each year, the proposed law credit will equal \$8 million in FY98 and \$8.4 million in FY99.
9. The current law credit is estimated to be \$9.1 million in FY98 and \$9.8 million in FY 99 (DOR Biennial Report, 1994-1996). The proposed law credit will be \$1.1 million less than the current law credit in FY98 and \$1.4 million less than the current law credit in FY99.
10. Administrative costs include one-time programming costs, the cost of adding a line to individual income tax forms, and storage costs.

FISCAL IMPACT:

	<u>FY 98</u>	<u>FY 99</u>
<u>Expenditures:</u> (Department of Revenue)		
Income tax		
One-time programming	7,100	
Line cost	7,318	
<u>Storage costs</u>	<u>254</u>	<u>254</u>
Total	\$14,672	\$254
<u>Revenues:</u>		
Income Tax	\$1,100,000	\$1,400,000
<u>Net Impact:</u>		
General Fund	\$1,085,328	\$1,399,746

Dave Lewis 2-26-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

PEGGY ARNOTT, PRIMARY SPONSOR DATE

Fiscal Note for HB0591, as introduced
HB 591

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0591, as amended

DESCRIPTION OF PROPOSED LEGISLATION:

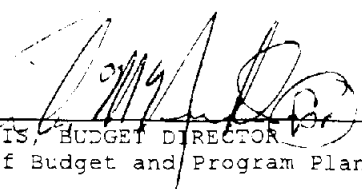
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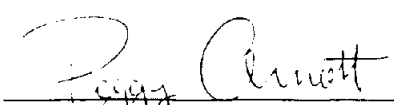
1. This proposal is effective for tax years 1997 and later.
2. In tax year 1995, the elderly claimed \$8,362,515 for property tax relief under the elderly homeowner/renter credit.
3. Property taxes reported on the 2EC form would be 100% of property taxes assessed.
4. Total household income must be less than \$35,000.
5. A deduction of \$6,300 is subtracted from gross household income.
6. The maximum credit is \$1,000.
7. Using tax year 1995 data and the above parameters (the \$35,000 cap on income and the \$6,300 deduction) results in a proposed law credit of \$8,387,587.
8. Assuming the elderly homeowner/renter credit grows at a rate of 5% each year, the proposed law credit will equal \$9.2 million in FY98 and \$9.7 million in FY99.
9. The current law credit is estimated to be \$9.1 million in FY98 and \$9.8 million in FY 99 (DOR Biennial Report, 1994-1996). The proposed law credit will be \$100,000 more than the current law credit in FY98 and \$100,000 less than the current law credit in FY99. In other words, HB 591 (as amended) is revenue neutral for the biennium.
10. Administrative costs include one-time programming costs, the cost of adding a line to individual income tax forms, and storage costs.

FISCAL IMPACT:

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<u>Expenditures:</u> (Department of Revenue)		
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One-time programming	7,100	
Line cost	7,318	
<u>Storage costs</u>	<u>254</u>	<u>254</u>
Total	\$14,672	\$254
<u>Revenues:</u>		
Income Tax	(\$100,000)	\$100,000
<u>Net Impact:</u>		
General Fund	(\$114,672)	\$99,746



 DAVE LEWIS, BUDGET DIRECTOR DATE 3/6/97
 Office of Budget and Program Planning



 PEGGY ARNETT, PRIMARY SPONSOR DATE

Fiscal Note for HB0591, as amended

AM HB 591 - #2

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16 returns and the calendar year for individuals not required to file returns.

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

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9 (2) Except as provided in subsection (3), ~~no~~ a claim for relief may not be allowed for any portion
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HOUSE BILL NO. 591

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A BILL FOR AN ACT ENTITLED: "AN ACT REFORMING, STREAMLINING, AND SIMPLIFYING THE APPLICATION FOR THE ELDERLY HOMEOWNER PROPERTY TAX CREDIT BY PROVIDING FOR A DEDUCTION BASED ON PROPERTY TAXES LEVIED AND A STANDARD PENSION DEDUCTION; AMENDING SECTIONS 15-30-171, 15-30-172, 15-30-176, 15-30-177, AND 15-30-178, 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 15-30-171, 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) "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 natural~~ a person who is eligible to file a claim under 15-30-172.

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

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

(5) "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.

(6) "Homestead" means:

(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to ~~ad-valorem~~ property 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; or

(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal housing authority as provided in Title 7, chapter 15.

(7) "Household" means an association of persons who live in the same dwelling, sharing its

1 furnishings, facilities, accommodations, and expenses. The term does not include bona fide lessees,
2 tenants, or roomers and boarders on contract.

3 (8) "Household income" means ~~\$0 or~~ the amount obtained by subtracting ~~the greater of \$4,000~~
4 ~~or 50% of total retirement benefits~~ \$6,300 from gross household income, ~~whichever is greater.~~

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

8 (a) the gross amount of any pension or annuity, ~~{including Railroad Retirement Act benefits and~~
9 ~~veterans' disability benefits};~~

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

11 (c) alimony;

12 (d) support money;

13 (e) nontaxable strike benefits;

14 (f) cash public assistance and relief;

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

16 (h) all payments received under federal social security except social security income paid directly
17 to a nursing home.

18 (10) "Property tax ~~paid~~ ~~assessed~~ BILLED" means ~~general ad valorem the product of 0.9 times~~
19 ~~the property~~ taxes levied against the homestead, ~~exclusive of including~~ special assessments, AND FEES
20 but excluding penalties, or interest ~~and paid~~ during the claim period.

21 (11) "Rent-equivalent tax paid" means 15% of the gross rent."
22

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

24 **"15-30-172. Residential property tax credit for elderly -- eligibility.** (1) In order to be eligible to
25 make a claim under 15-30-171 through 15-30-179, an individual:

26 (a) must have reached age 62 or older during the claim period for which relief is sought;

27 (b) must have resided in Montana for at least 9 months of that period; ~~and~~

28 (c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at
29 least 6 months of the claim period; and

30 (d) must have less than \$35,000 of gross household income.

1 (2) A person is not disqualified as a claimant if the person changes residences during the claim
 2 period, provided that ~~he~~ the person occupies one or more dwellings in Montana as an owner, renter, or
 3 lessee for at least 6 months during the claim period."

4
 5 **Section 3.** Section 15-30-176, MCA, is amended to read:

6 **"15-30-176. Residential property tax credit for elderly -- computation of relief.** The amount of the
 7 tax credit granted under the provisions of 15-30-171 through 15-30-179 is computed as follows:

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

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

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

14 (a) the amount of property tax ~~paid-assessed~~ BILLED on the owned portion of the homestead less
 15 the deduction specified in subsection (4); plus

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

18 (4) Property tax ~~paid-assessed~~ BILLED and rent-equivalent tax paid are reduced according to the
 19 following schedule:

20 Household income	Amount of reduction
21 \$ 0-999	\$0
22 1,000-1,999	\$0
23 2,000-2,999	the product of.006 times the household income
24 3,000-3,999	the product of.016 times the household income
25 4,000-4,999	the product of.024 times the household income
26 5,000-5,999	the product of.028 times the household income
27 6,000-6,999	the product of.032 times the household income
28 7,000-7,999	the product of.035 times the household income
29 8,000-8,999	the product of.039 times the household income
30 9,000-9,999	the product of.042 times the household income

- 1 10,000-10,999 the product of .045 times the household income
- 2 11,000-11,999 the product of .048 times the household income
- 3 12,000 & over the product of .050 times the household income

4 (5) ~~In no case may the~~ The credit granted may not exceed \$1,000."

5

6 **Section 4.** Section 15-30-177, MCA, is amended to read:

7 **"15-30-177. Residential property tax credit for elderly -- limitations.** (1) Only one claimant per
8 household in a claim period under the provisions of 15-30-171 through 15-30-179 is entitled to relief.

9 (2) Except as provided in subsection (3), ~~no~~ a claim for relief may not be allowed for any portion
10 of property taxes ~~paid assessed~~ BILLED or rent-equivalent taxes paid that is derived from a public rent or
11 tax subsidy program.

12 (3) Except for dwellings rented from a county or municipal housing authority, ~~no~~ a claim for relief
13 may not be allowed on rented lands or rented dwellings that are not subject to ~~ad valorem taxation in~~
14 Montana property taxes during the claim period."

15

16 **Section 5.** Section 15-30-178, MCA, is amended to read:

17 **"15-30-178. Residential property tax credit for elderly -- proof of claim.** A receipt showing
18 property tax ~~paid assessed~~ BILLED or a receipt showing gross rent paid, whichever is appropriate, must be
19 filed with each claim. In addition, each claimant ~~must~~ shall, at the request of the department, supply all
20 additional information necessary to support ~~his~~ a claim."

21

22 **NEW SECTION. Section 6. Retroactive applicability.** [Sections 1 and 4] apply retroactively, within
23 the meaning of 1-2-109, to tax years beginning after December 31, 1996.

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25 **NEW SECTION. Section 7. Effective date.** [This act] is effective on passage and approval.

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