

February 4, 2005

EXHIBIT 6
DATE 2.4.05
HB 509

To: Rep. Karl Waitschies and Members of House Taxation Committee

From: John Gazzo

Representative Waitschies and members of the committee for the record my name is John Gazzo. I have been a tax preparer for Tax Aide, a program of AARP and the IRS for the last eight years. Each year, I prepare income taxes for about 700 people in Great Falls who claim the elderly homeowner/ renter's tax credit.

I am here today in support of HB 509 because it helps low-income elderly in Montana. With the passage of this bill, people who qualify for the credit will receive a substantial increase in their refund. For example, the average income for people in Montana is around \$26,000 per year. Under existing law, an elderly homeowner who earns \$26,000 would receive a \$265 credit. With the new law, the credit would increase to \$529.*

Residents in Great Falls who own a home worth \$140,000 would pay about \$1900 per year in taxes.

By raising the caps on income, more people will be able to take advantage of this credit. However, in my experience most of the people who take advantage of this credit do not reach the current cap of \$45,000. In fact, raising the cap may be unnecessary because at \$45,000 you need to pay a minimum tax of \$1875. The current cap of \$45,000 is adequately reaching the low-income seniors in the state.

* Current Law:

$$\begin{aligned} \$26,000 - \$6300 &= \$19,700 * .05 = 985 \\ \$1250 - 985 &= \$265 \end{aligned}$$

HB 509:

$$\begin{aligned} \$26,000 - \$7500 &= \$18,500 * .039 = 722 \\ \$1250 - 722 &= \$529 \end{aligned}$$

Assuming a \$90,000 home with a \$1250 tax base