



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # HB0307

Title: Renter property tax refund

Primary Sponsor: Van Dyk, Kendall

Status: As Introduced-Revised

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	(\$40,970,929)	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$40,970,929)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of Fiscal Impact:

This bill provides a property tax refund of up to \$400 of rent-equivalent property tax paid during 2006 by a renter. The claim for the refund is to be filed with the Department of Revenue by the end of calendar year 2007. The amount needed to disburse these funds is statutorily appropriated in this bill.

FISCAL ANALYSIS

Assumptions:

- Between 2002 and 2006, contract rent increased from \$406 per month to \$463 per month. The table below shows the median rent amounts for each year and the projected rent amounts for 2006 based on the 2002-2005 annual growth.

Year	Data Source	Median Contract Rent
2002	Census Estimate	\$406
2003	Census Estimate	\$423
2004	Census Estimate	\$436
2005	Census Estimate	\$463
2006	Projected	\$478

2. The following table provides the number of rental units as reported by the Census in 2000 to 2005 and the number of occupied rentals on which no rent was paid (no cash rent units). Subtracting the total units from the no-cash units provides the number of units rented for cash. This data is then used to project the number of cash rented units for 2006.

Year	Data Source	# Total Units	# No Cash Rent Units	# Cash rented Units
2000	Census Estimate	103,188	9,474	93,714
2001	Census Estimate	100,625	9,150	91,475
2002	Census Estimate	99,460	9,709	89,751
2003	Census Estimate	106,678	8,956	97,722
2004	Total Units is Census Estimate /No Cash Units is Projected	115,933	9,074	106,860
2005	Total Units is Census Estimate /No Cash Units is Projected	113,810	8,974	104,836
2006	Projected	117,241	8,875	108,366

3. Using the projected median contract rent and the number of cash rentals, the estimated total rental payments by renters in tax year 2006 would be \$621,587,376 (\$478 X 12 month X 108,366 units) with an average per renter amount of \$5,736. Section 3 limits the amount of the refund to a maximum of \$400 per claimant. Section 3 also limits the refund to those who do not claim a credit for the elderly homeowner/renter. Assuming that renters eligible for the elderly homeowner/renters credit will claim that credit, the population who will claim the proposed refund is reduced by 7,470, down to a total of 100,896. Therefore, the estimated refund total would be \$40,358,400 (\$400 X 100,896 units).
4. Refunds are to be claimed on a form that the DOR prescribes no later than the end of calendar year 2007, reducing general fund revenue in FY 2008 by \$40,358,400.
5. Because this bill decreases state taxes for renters by \$400 in FY 2008, there may be a small impact on FY 2009 state income tax revenues from those taxpayers who elect to itemize deductions on both their state and federal tax forms. These taxpayers would have a smaller federal deduction for state taxes, and therefore, pay more federal income tax. This would result in a larger state deduction for federal taxes the next year and higher state taxes. However, few renters itemize deductions on both their federal and state income tax returns. More Montanans take the deductions for property taxes or home mortgage interest on their Montana returns (181,805 in 2005) than itemize deductions on their federal returns (134,708 in 2004). For the purposes of this fiscal note, it is assumed that renters do not itemize deductions.

6. The Department of Revenue anticipates hiring 21 temporary employees for the equivalent of 3 FTE for employment in FY 2008. Personal service costs for these employees are estimated at \$88,866. The estimated total administrative costs associated with these employees are \$523,663, which includes \$300,000 in computer system costs for a total cost of \$612,529. The table at the right provides a more detailed breakdown of the estimated costs.

Department of Revenue Administrative Costs	
Personal Services	\$88,866
Supplies	\$700
Communications	\$5,978
Space Rent	\$16,250
Form Development	\$2,500
Form Printing	\$4,877
Envelopes	\$4,304
Hiring Costs	\$190
Training	\$700
Gentax System Costs	\$300,000
Warrants	\$80,732
1099s	\$59,558
Mailing	\$45,724
Equipment	\$2,150
Total Cost	<u>\$612,529</u>

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$88,866	\$0	\$0	\$0
Operating Expenses	\$521,513	\$0	\$0	\$0
Equipment	\$2,150	\$0	\$0	\$0
Benefits	\$40,358,400	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$40,970,929</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$40,970,929</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$40,970,929</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$40,970,929)	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

- None

Long-Range Impacts:

- None

Sponsor's Initials

Date

Budget Director's Initials

Date