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Montana Department of Revenue

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Overview of Property Tax Assistance Programs

Property Tax Assistance Program (PTAP), Extended Property Tax Assistance Program (EPTAP), and Disabled American Veteran Program (DAV)

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Property Tax Assistance Program (PTAP)

Overview

The Property Tax Assistance Program (PTAP) is established in *MCA 15-6-134* to provide property tax relief to low income homeowners. The PTAP applies to residential real property, manufactured/ mobile home owners, and up to five acres of land. The taxpayers must reside in the residential dwelling for at least seven months of the year.

The program works by reducing the normal tax rate applied to the property. The reduction applies to the first $100,000 of taxable market value – that's the value after application of the 33.2% homestead exemption.

Application for the Program

To receive a reduction to the real property taxes, a person must apply to the department by March 15th of each year. In January of each year, the department mails a new application form to all homeowners who received the benefit in the prior year. In addition, notices are posted in newspapers and public service announcements are broadcast on local radio stations informing the public of the availability of the program and the need to apply for the benefit. Staff also provides information about the program by attending service organization meetings.

Income Eligibility and Tax Rate Reduction

The reduction in tax rate is based on the income of the individual. The income used in the calculation includes most normal sources of income. Those sources include wages, bonuses, capital gains, ordinary income, interest and dividends, business and partnership income, rents, royalties, pensions and annuities, alimony and public assistance, unemployment, and tax refunds.

Depending on the married status and income of the homeowner, the tax rate is reduced to 20%, 50% or 70% of the normal rate. The base year (1995) income ranges are established in *MCA 15-6-134-2(b)* and are updated each year for inflation. The following table shows the 2007 inflation adjusted income ranges and property tax rate reduction.

Income Schedules for the Property Tax Assistance Program

Single Person	Married Couple	% Multiplier	2007 Tax Rate
	Class 4 PTAP		
$0 - $7,521	$0 - $10,027	20% X 3.07%	= 0.61%
$7,522 - $11,532	$10,028 - $17,548	50% X 3.07%	= 1.54%
$11,533 - $18,801	$17,549 - $25,068	70% X 3.07%	= 2.15%

Types of Property Affected

The department identifies the individual components of the property ownership. Typically those components include land and improvements. For purposes of the PTAP, the land component includes all contiguous land in the applicants' name, up to the five-acre limit. Any land in excess of the five acres is assessed and taxed at full value. Improvements include the residence and one attached or detached garage. Any additional improvements, such as an additional garage or other buildings located on the property, are assessed and taxed at full value. Manufactured/mobile homes can be classified and assessed as either real or personal property. For purposes of the PTAP, mobile homes do not have to be classified as real property. In other words, they do not need to be permanently affixed to the land, with the land and the mobile home having the same owner. Personal property mobile homes also receive the 33.2% residential homestead exemption.

Effect on Property Taxes

Property taxes are calculated in a multiple step process. The phase-in assessed value of a property is reduced by a "homestead" exemption established in *MCA 15-6-201*. The homestead exemption on residential property was 33.2% of its assessed value in 2007. After deducting the homestead amount, the taxable market value of the property is multiplied by a tax rate resulting in the taxable value of the property. The tax rate in 2007 was 3.07%. The property tax liability is determined by multiplying the taxable value by the mill levy of the taxing jurisdiction where the property is located.

Under the PTAP, applying a reduced tax rate to the taxable market value of the property reduces the property tax liability. The example in the table on the next page demonstrates the effect of the program on tax liability. For this example, market value includes the combined value of the land and improvements. The mill levy used in the example is the 2007 statewide average mill levy. The PTAP tax rate is calculated by multiplying the Class 4 tax rate of 3.07% by the percent multiplier (PTAP factor).

As shown in the following example, the tax liability increases as the income of the applicant approaches the threshold of $25,068. Even though the property tax portion of a tax bill is reduced through use of the PTAP, the homeowner is still responsible for full payment of any fees or special levies that are due on the property. Some times that can be substantially more than the property tax obligation.

Example of the Effect of the PTAP on Tax Liability

Tax Year 2007	Without PTAP	Property Tax Assistance Program		
		Married Couple		
Income		$8000	$15,000	$20,000
Assessed Value	$100,000	$100,000	$100,000	$100,000
Less Homestead Exemption	$33,200	$33,200	$33,200	$33,200
Net Assessed Value	$66,800	$66,800	$66,800	$66,800
Multiply by the Tax Rate	x 3.07%	0.61%	1.54%	2.15%
Taxable Value	2,051	407	1,029	1,436
Multiply by the Mill Levy	x 500	x 500	x 500	x 500
Tax Liability	$1,025.50	$203.50	$514.50	$718.00
Tax Savings from PTAP	0	$822.50	$511.00	$307.50
% Reduction in Tax	0%	80%	50%	30%

Participation

The table below shows participation in the PTAP since 2001. The figures include all properties that received the PTAP reductions each year. Participation in the program has been in decline for the past two years.

Number of Owners Receiving the PTAP

Year	Participants
2001	9,405
2002	8,900
2003	8,863
2004	9,074
2005	9,187
2006	9,151
2007	7,915

On a statewide basis, properties that received a PTAP reduction in 2007 had their taxable value reduced by $3.69 million - a 41% decrease in taxable value. Of the total

$3.69 million taxable value reduction, the property owners eligible for the 80% tax rate reduction received 24% of the taxable value reduction; 36% of the homeowners received the 50% reduction; and 40% received the 30% taxable value reduction.

Taxpayer Education

- Each year taxpayers that received the PTAP benefit in the previous year are mailed an application.
- Newspaper advertisements are placed in all local newspapers twice, once in January and the second time at the end of February, since the applications are due March 15.
- In addition Public Service Announcements are aired on radio stations statewide, notifying the taxpayers to contact their local offices about the program.
- Applications are posted on the Department of Revenue's web-site, along with the information about the program requirements and benefits.
- The Department of Revenue adopted administrative rules that make allowances for taxpayers that are late filing their applications.

Extended Property Tax Assistance (EPTAP)

Overview

The 2003 Legislature, in Senate Bill 461, enacted the Extended Property Tax Assistance Program (EPTAP) to provide property tax relief to qualifying homeowners beginning in tax year 2003. The benefits of the program are specific to residential properties that experienced extraordinary valuation increases due to the 2003 reappraisal. The Extended Property Tax Assistance Program allows additional property tax assistance for owners who meet certain property tax increases and income requirements.

Application for the Program

Property owners must apply and qualify annually by April 15. Only properties that met the following criteria in 2003 and subsequent years are eligible to qualify for the program benefits:

- The property can not have been sold since December 31, 2002
- The property can not have had any new construction or remodeling that increased the reappraisal value by more than 25% over the 2003 value
- The property must have experienced an increase in taxable value of at least 24% in 2003
- The property must have had a tax liability increase of $250 or more in 2003
- The property owner's income must be below $75,000

Income Eligibility and Tax Rate Reduction

Under the income requirements set in the bill, the following taxable value caps apply:

- If the eligible residence's household income is $25,000 or less per year, the taxable value increase is capped at 24% over six years.
- If the eligible residence's household income is greater than $25,000 but less than $50,000 per year, the taxable value increase is capped at 30% over six years.
- If the eligible residence's household income is greater than $50,000 but less than or equal to $75,000 per year, the taxable value increase is capped at 36% over six years.

Example of the Effect of the EPTAP on Tax Liability

The following table provides an example of the impact of the Extended Property Tax Assistance Program. The top portion of the table shows a homestead owned by a taxpayer with a household income greater than $75,000; therefore, this property was not eligible for the EPTAP benefit. From tax year 2002 to tax year 2008, the reappraisal value grew by 124% and taxable value and taxes grew by 86%. Tax liability in 2008 is $2,223, assuming a total levy of 500 mills.

Example of Tax Liability for a Sample Property

Tax Liability Without EPTAP

Sample Property	TY2002	TY 2008	Change	Percent Change
Reappraisal Value	$100,000	$223,819	$123,819	124%
Homestead Exemption Rate	31%	34%		
Taxable Market Value	$69,000	$147,720	$78,720	114%
Tax Rate	3.46%	3.01%		
Taxable Value	$2,387	$4,446	$2,059	86%
Mill Levy	0.5	0.5		
Tax Liability	$1,194	$2,223	$1,026	86%

Tax Liability with EPTAP

Household Income Test	2008 Tax Liability Without EPTAP Benefit	EPTAP Tax Liability Cap	2008 Tax Liability with EPTAP Benefit
Income is $25,000 or less	$2,223	24%	$1,480
Income is > $25,000 but < $50,000	$2,223	30%	$1,552
Income is >$50,000 but <= $75,000	$2,223	36%	$1,612
Income is greater than $75,000	$2,223	0%	$2,223

The lower portion of the table above shows the change in tax liability had the property owner qualified for EPTAP. If the homeowner had qualified for the program each year and had household income of less then $25,000, the increase in tax liability would be capped at 24% over the six-year reappraisal period, with a tax liability in 2008 of $1,480. With household income between $25,000 and $50,000, the tax liability for the property owner under EPTAP would be $1,552 in 2008; with household income between $50,000 and $75,000, the tax liability for the property owner under EPTAP would be $1,612.

Average Benefit

In 2003, the first year of the program, 10,046 eligible properties were identified statewide. Of those properties, the Department of Revenue received applications for consideration from 3,718 property owners. Of the 3,718 applications submitted, 1,975 properties received an EPTAP benefit.

For those that qualified under this program in tax year 2003, the average reduction in the tax rate was approximately 0.2%, reducing the tax rate from 3.40% to 3.20%. This translated into an average tax savings of $75 in taxes.

As the following table indicates, there were 6,822 eligible properties in 2007, 1228 applications were received, and 826 of those applications were granted. The average tax savings in 2007 was $253. For the 2008 tax year, the Department anticipates that there are 6,329 properties that may be eligible for EPTAP.

EPTAP Participants and Taxes

Year	Eligible Properties	Applications Returned	Applications Granted	Average Tax Rate	Tax Savings
2003	10,046	3,718	1,975	3.20%	$75
2004	8,832	2,076	1,343	2.97%	$115
2005	7,923	1,723	1,140	2.89%	$130
2006	7,465	1,397	984	2.81%	$142
2007	6,822	1,228	826	2.58%	$253
2008	6,329				

As previously stated, only taxpayers that were eligible in 2003 for this program can apply for the benefit in subsequent years. Those that lose their eligibility due to the sale of the property or changes to the property are no longer eligible. The law does allow taxpayers that qualify one year based on income and then lose eligibility the next year by exceeding the income threshold, to re-qualify if their income situation changes the following year.

Taxpayer Education

- Each year taxpayers that received the EPTAP benefit in the previous year are mailed an application, as well as those that didn't qualify the previous year due to exceeding the $75,000 income threshold.
- In addition Public Service Announcements are aired on radio stations statewide, notifying the taxpayers to contact their local offices about the program.
- Information about the program requirements and benefits are posted on the Department of Revenue's web-site.

Disabled American Veterans (DAV)

Overview

An additional property tax exemption is granted for the residence of a disabled or deceased veteran as defined in MCA 15-6-211. A property owner who qualifies under the statute is entitled to a property tax rate reduction similar to the reduction granted under the PTAP program. However, the income limits are higher and the reduction is in place for as long as the property is the primary residence of the veteran.

Senate Bill 65 (SB65), passed by the 2003 Legislature, changed the language defining eligibility and also required an income test for veterans receiving a 100% property tax rate reduction. The new law was effective on January 1, 2004. In 2007, the Legislature changed the language defining qualifying land from one to five acres.

Application for the Program

For all veterans receiving the benefit of a reduced property tax rate, an annual application for the benefit is required and must be received by April 15 along with a letter from the Veterans Administration (VA) indicating the veteran's disability rating. Once the veteran has been rated as permanently 100% disabled by the VA, a copy of the VA letter is kept on file by the department and they need not resubmit the VA letter. The application and income verification must continue to be filed annually. For those veterans that are temporarily rated or paid (not necessarily rated) at "permanent" 100% disabled by the VA, an application and VA letter must be submitted annually to the department for review. Current law also asks that the following qualifications be met to receive the benefit:

If the veteran is living, the veteran:

- must have been honorably discharged from active service;
- must currently be rated 100% disabled or is paid at the 100% disabled rate by the United States Department of Veterans Affairs (VA);
- and, must own and occupy the dwelling as a primary residence.

In addition to veterans being eligible for the exemption, a veteran's surviving spouse can receive the exemption if the veteran was killed while on active duty or died as a result of a service connected disability. To receive the exemption, the surviving spouse must meet the following eligibility requirements:

- is the owner/occupant of the home;
- is unmarried;
- has obtained a letter from the VA indicating the veteran was 100% disabled at the time of death, or died on active duty or as the result of a service-connected disability.

Income Eligibility and Tax Rate Reduction

The reduction in tax rate is based on the income of the individual. Depending on the marital status and income of the homeowner, the tax rate is reduced to 0%, 20%, 30%, or 50% of the normal tax rate. The income ranges are established in MCA 15-6-211 and are updated each year for inflation. The reduction in tax rate applies to up to five acres of land, the residence, and one attached or detached garage. Any additional land or buildings are assessed and taxed at full value. The following table shows the 2007 inflation adjusted income ranges and property tax reduction.

Income Schedules for the Disabled American Veteran Program

Single Person	Married Couple	Surviving Spouse	% Multiplier	2007 Tax Rate	DAV Tax Rate
$0 - $33,245	$0 - $39,894	$0 - $27,704	0%	3.07%	0.00%
$33,246 - $36,569	$38,592 - $43,218	$27,705 - $31,029	20%	3.07%	0.61%
$36,570 - $39,894	$43,219 - $46,543	$31,030 - $34,353	30%	3.07%	0.92%
$39,895 - $43,218	$46,544 - $49,867	$34,354 - $37,678	50%	3.07%	1.54%

Example of the Effect of the DAV on Tax Liability

While the property owners that are approved for the DAV property tax benefit are exempt from all or a reduced portion of their property taxes, depending on the income of the applicant, they must continue to pay any fees or special levies that are due on the property.

The table below shows the statewide effect on the taxable value of the properties receiving the DAV exemption. The statewide reduction in taxable value is approximately $3,156,491.

Statewide Effect on Taxable Value for DAV Exemptions (Tax Year 2007)

Description	2007 Assessed Value*	2007 Taxable Value	2007 Taxable Value w/o DAV
StatewideTotal	$107,264,455	$72,169	$3,228,660

*The value of the homestead exemption is deducted from the assessed value.

When the statewide average mill of 500 mills is applied to the taxable value of these properties, the estimated property tax savings is approximately $1,578,000.

Disabled American Veteran (DAV) Program Participation

The table below shows the number of DAV participants that have received the property tax benefit over the past seven years.

Year	Participants
2001	960
2002	1,002
2003	1,081
2004	1,339
2005	1,487
2006	1,551
2007	1,643

Taxpayer Education

- Each year taxpayers that received the DAV benefit in the previous year are mailed an application.
- Newspaper advertisements are placed in all local newspapers twice, once in January and the second time at the end of February, since the applications are due April 15.
- In addition Public Service Announcements are aired on radio stations statewide, notifying the taxpayers to contact their local offices about the program.
- Applications are posted on the Department of Revenue's web-site, along with the information about the program requirements and benefits.