EXHIBIT 1
DATE 3-11-09
HB 640

Tax Expenditure Housing Subsidy

Tax expenditures are defined as provisions of the tax code that provide for special exclusions, exemptions, deductions, credits, deferrals, or preferential tax rates that result in foregone revenue.
The purpose of tax expenditures is to provide financial assistance to certain groups of taxpayers, or to provide an economic incentive that encourages specific taxpayer behavior.

The home mortgage interest deduction (currently allowable on interest on mortgages up to a combined $1 Million for first and second homes) is a tax expenditure. In Montana, taxpayers receive both a federal and state tax deduction for their allowable home mortgage interest. Originally, the home mortgage interest deduction was developed as an inducement to encourage home ownership. The Montana home mortgage interest deduction is the primary state of Montana general fund housing subsidy.

The state of Montana general fund does not otherwise provide any direct subsidy of affordable housing needs in Montana including housing for families with low incomes, seniors, or persons with disabilities.

HB 640 Housing Fairness Act –Introduced by Art Noonan

A BILL FOR AN ACT ENTITLED: "HOUSING FAIRNESS ACT" REVISING CERTAIN PROVISIONS TO ALLOWABLE DEDUCTIONS TO MONTANA INDIVIDUAL INCOME TAXES RELATED TO LIMITING MAXIMUM QUALIFIED RESIDENCE INTEREST DEDUCTION; AMENDING SECTION 15-30-121 MCA (DEDUCTIONS ALLOWED IN COMPUTING NET INCOME); AND DIVERTING $2 MILLION OF THESE GENERAL FUND TAX EXPENDITURE SAVINGS TO THE HOUSING MONTANA FUND (90-6-134 MCA); AND PROVIDING EFFECTIVE DATES AND APPLICABILITY DATES."

Key Provisions:

1) ***QUALIFIED RESIDENCE INTEREST EXCEEDING*** $20,000 single, $30,000 head of household, and $40,000 married filing jointly will no longer be tax deductible in regards Montana state income taxes. (Annual inflationary adjustment)

2) **$2 million** of annual General Fund tax expenditure savings that results from this limit on the state of Montana Qualified Residence Interest (Mortgage interest) tax deduction benefit will be annually directed to fund the **HOUSING MONTANA FUND** (90-6-134 MCA). (Annual inflationary adjustment)

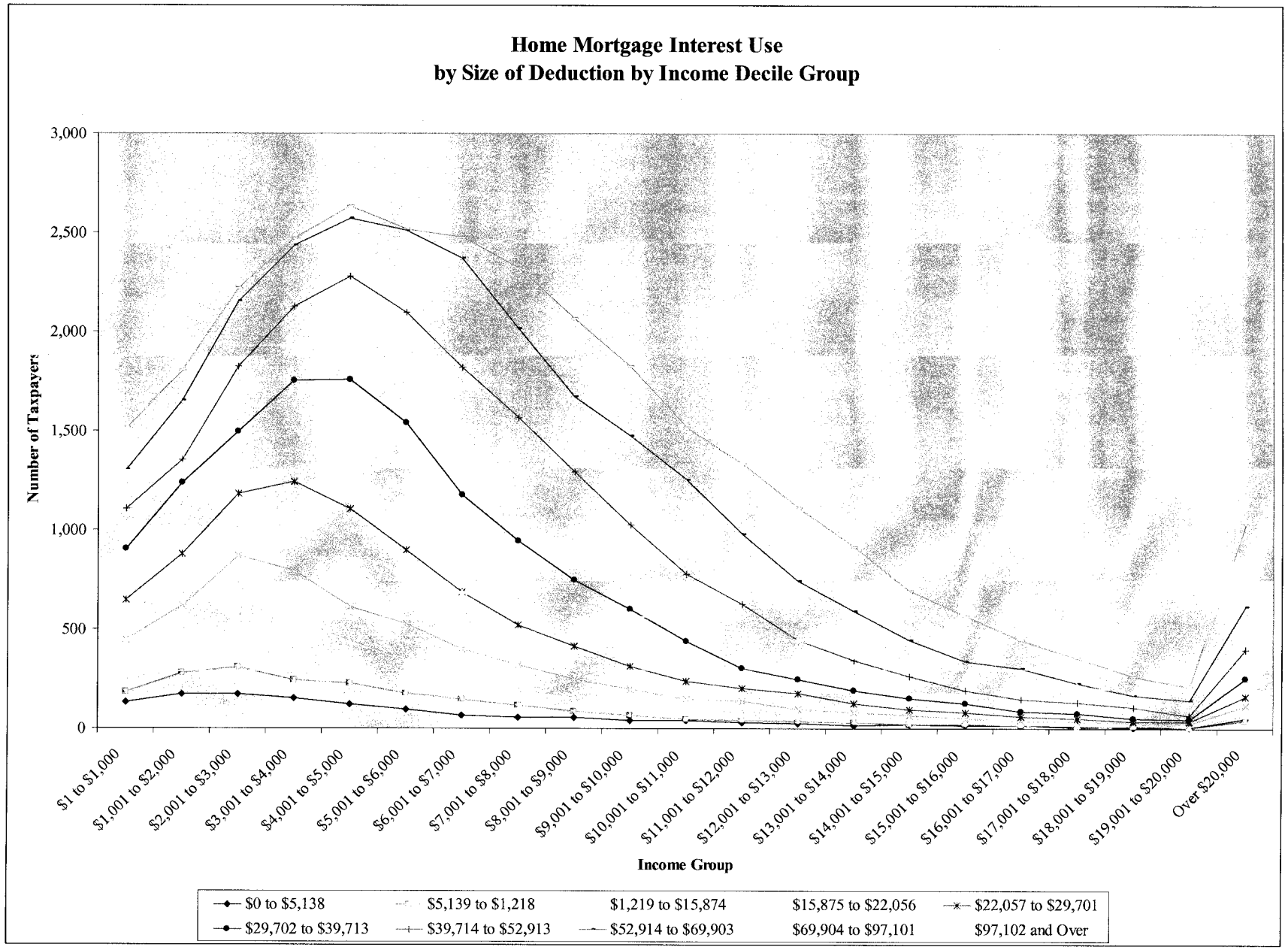
Following Data –Montana Department of Revenue

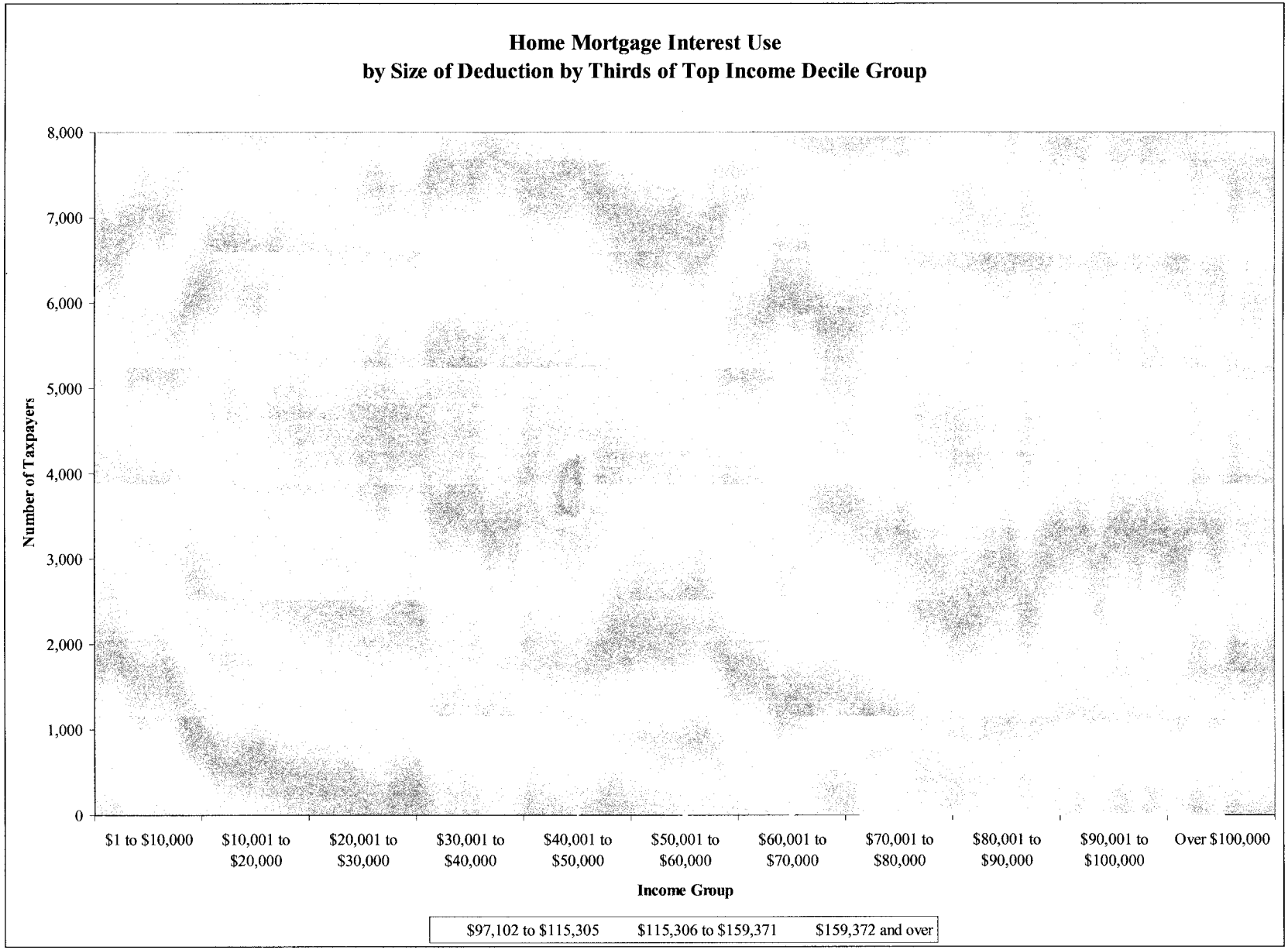
Home Mortgage Interest Deduction Taken On 2007 Full Year Resident Returns

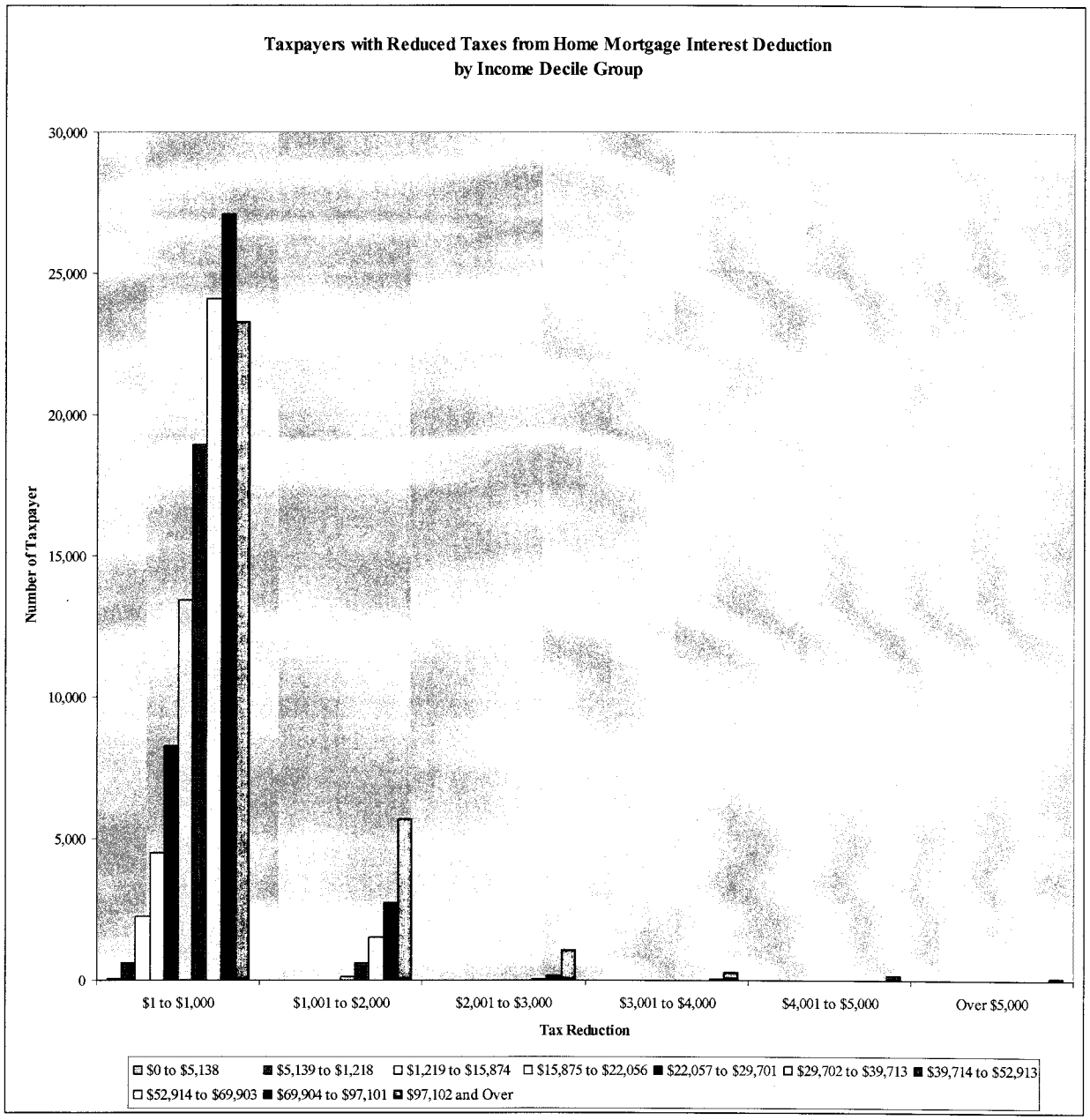
Income Range	Returns in Decile Group	Returns Taking Deduction	% of Returns in Decile Group Taking Deduction	% of Returns Taking Deduction in Decile Group	Deductions Taken on Returns in Decile Group	% of Total Deductions Taken by Returns in Decile Group	Increase in Tax Liability from Disallowing Deduction	% of Tax Reduction in Decile Group
$0 to $5,138	42,910	1,240	2.9%	0.9%	$7,925,117	0.7%	$230	0.0%
$5,139 to $1,218	42,910	2,039	4.8%	1.4%	$11,197,333	1.0%	$15,840	0.0%
$1,219 to $15,874	42,910	3,840	8.9%	2.7%	$21,570,730	2.0%	$129,509	0.2%
$15,875 to $22,056	42,910	5,698	13.3%	4.0%	$32,239,470	3.0%	$514,189	0.8%
$22,057 to $29,701	42,911	8,930	20.8%	6.3%	$51,296,486	4.7%	$1,687,869	2.6%
$29,702 to $39,713	42,910	13,860	32.3%	9.8%	$82,220,415	7.5%	$3,977,110	6.2%
$39,714 to $52,913	42,910	19,671	45.8%	14.0%	$128,205,510	11.8%	$7,376,839	11.5%
$52,914 to $69,903	42,910	25,589	59.6%	18.2%	$182,147,720	16.7%	$11,643,136	18.1%
$69,904 to $97,101	42,910	29,842	69.5%	21.2%	$231,984,543	21.3%	$15,816,724	24.6%
$97,102 and over	42,911	30,248	70.5%	21.5%	$340,244,820	31.2%	$23,224,022	36.1%
	429,102	140,957	32.8%	100.0%	$1,089,032,144	100.0%	$64,385,468	100.0%
$97,102 to $115,305	14,304	10,521	73.6%	7.5%	$92,867,063	8.5%	$6,401,821	9.9%
$115,306 to $159,371	14,303	10,335	72.3%	7.3%	$105,738,235	9.7%	$7,290,702	11.3%
$159,372 and over	14,304	9,392	65.7%	6.7%	$141,639,522	13.0%	$9,531,498	14.8%

2007 Full Year Resident Returns Claiming Home Mortgage Interest Deduction

		Returns with Home Mortgage Interest Deduction						Returns with Tax Reduction from Mortgage Interest Deduction					
Income Range	Returns in Decile Group	Number	Mean Deduction	Minimum Deduction	Maximum Deduction	Median Deduction	Mode of Deductions	Number	Mean Tax Reduction	Minimum Tax Reduction	Maximum Tax Reduction	Median Tax Reduction	Mode of Tax Reductions
$0 to $5,138	42,910	1,288	$6,282	$2	$118,605	$4,135	$2,800	40	$6	$0	$14	$6	n/a
$5,139 to $1,218	42,910	2,100	$5,486	$1	$65,336	$4,154	$160	630	$25	$0	$114	$17	$7
$1,219 to $15,874	42,910	3,943	$5,606	$3	$290,995	$4,088	$761	2,260	$57	$0	$300	$42	$9
$15,875 to $22,056	42,910	5,829	$5,680	$4	$73,157	$4,280	$3,991	4,498	$114	$0	$585	$87	$13
$22,057 to $29,701	42,911	9,149	$5,774	$1	$84,381	$4,544	$2,000	8,282	$204	$0	$1,108	$169	$26
$29,702 to $39,713	42,910	14,117	$5,995	$1	$86,528	$4,953	$2,262	13,580	$293	$0	$1,664	$250	$203
$39,714 to $52,913	42,910	19,980	$6,589	$1	$96,770	$5,591	$3,400	19,573	$377	$0	$2,282	$324	$230
$52,914 to $69,903	42,910	25,956	$7,202	$1	$1,438,664	$6,140	$3,056	25,677	$453	$0	$3,446	$392	$172
$69,904 to $97,101	42,910	30,267	$7,857	$1	$145,209	$6,803	$1,923	30,035	$527	$0	$4,071	$458	$446
$97,102 and over	42,911	30,723	$11,333	$1	$221,091	$8,775	$6,115	30,544	$760	$0	$15,255	$592	$266
	429,102	143,352	$7,791	$1	$1,438,664	$6,116	$4,000	135,119	$477	$0	$15,255	$365	$342
$97,102 to $115,305	14,304	10,653	$8,901	$1	$97,137	$7,548	$97	10,588	$605	$0	$5,877	$515	$434
$115,306 to $159,371	14,303	10,473	$10,314	$1	$118,194	$8,478	$2,742	10,402	$701	$0	$5,801	$578	$225
$159,372 and over	14,304	9,597	$15,145	$1	$221,091	$11,261	$7,497	9,554	$998	$0	$15,255	$736	$390


Home Mortgage Interest Use
by Size of Deduction by Income Decile Group
Number of Taxpayers
3,000
2,500
2,000
1,500
1,000
500
0
$1 to $1,000
$1,001 to $2,000
$2,001 to $3,000
$3,001 to $4,000
$4,001 to $5,000
$5,001 to $6,000
$6,001 to $7,000
$7,001 to $8,000
$8,001 to $9,000
$9,001 to $10,000
$10,001 to $11,000
$11,001 to $12,000
$12,001 to $13,000
$13,001 to $14,000
$14,001 to $15,000
$15,001 to $16,000
$16,001 to $17,000
$17,001 to $18,000
$18,001 to $19,000
$19,001 to $20,000
Over $20,000
Income Group
$0 to $5,138
$5,139 to $1,218
$1,219 to $15,874
$15,875 to $22,056
$22,057 to $29,701
$29,702 to $39,713
$39,714 to $52,913
$52,914 to $69,903
$69,904 to $97,101
$97,102 and Over


Home Mortgage Interest Use
by Size of Deduction by Thirds of Top Income Decile Group
Number of Taxpayers
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
$1 to $10,000
$10,001 to $20,000
$20,001 to $30,000
$30,001 to $40,000
$40,001 to $50,000
$50,001 to $60,000
$60,001 to $70,000
$70,001 to $80,000
$80,001 to $90,000
$90,001 to $100,000
Over $100,000
Income Group
$97,102 to $115,305
$115,306 to $159,371
$159,372 and over



2010 Projected Impact HB 640 Mortgage Interest Deduction Caps--filers with benefits limited

	Returns	Difference in Tax Liability
Single	752	-$449,570
Married, Joint Return	542	-$643,314
Married, Separate Returns on Same Form	3,079	-$1,940,209
Married Filing Separate , Spouse Filing on Separate Form	91	-$69,330
Married Filing Separate, Spouse Not Filing	19	-$9,648
Head of Household	78	-$63,152
Total	4,561	-$3,175,224