



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0318	<b>Title:</b>	Renter income tax credit for up to \$250 gross rent paid
<b>Primary Sponsor:</b>	Van Dyk, Kendall	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<b>FY 2014 Difference</b>	<b>FY 2015 Difference</b>	<b>FY 2016 Difference</b>	<b>FY 2017 Difference</b>
<b>Expenditures:</b>				
General Fund	\$62,740	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$12,074,000)	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	(\$12,136,740)	\$0	\$0	\$0

**Description of fiscal impact:** SB 318 allows for an income tax credit of up to \$250 for rent paid for a taxpayer's residence in 2013. The credit is equal to 15% of the gross rent paid up to a maximum credit of \$250. The taxpayer must have rented the residence or residences for at least seven months in 2013 and submit a form to the department claiming the credit. The credit is limited to one credit per household (among all persons living in the residence). The credit is non-refundable and is not subject to carryback or carry forward.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

- The department does not know directly from income tax forms the count of taxpayers that are renters. In order to estimate those eligible to claim the credit proposed in SB 318, data from the Census Bureau's American Community Survey on the number of renter occupied housing units in Montana for 2008 through 2011 served as a starting point. The Census data also provides estimates of rental housing units in which the householder did not pay rent in these years. This information is presented in the following table, as well as the difference which is assumed to be the number of units paying rent.

Year	Renter Occupied	Occupied Units Not Paying Rent	Rent Paying Units
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2008	118,244	12,034	106,210
2009	115,508	13,230	102,278
2010	122,114	14,052	108,062
2011	129,680	12,752	116,928

- Renters who choose to take the elderly homeowner renter’s credit are not eligible for this credit. The following table shows the estimated number of rent paying units, the number of renters who took the elderly renters credit and the difference between the two. This difference is assumed to be the number of individuals that will be eligible for the credit.

Year	Units Paying Rent	Elderly Renter Credit	Eligible Units
2008	106,210	6,961	99,249
2009	102,278	6,962	95,316
2010	108,062	7,044	101,018
2011	116,928	6,923	110,005

- The number of individuals who would have been eligible for the credit grew by an average of 3.64% between 2008 and 2011, and this growth is assumed to continue in 2012 and 2013. Therefore, it is assumed that 118,156 individuals will be eligible for the credit in 2013 ( $110,005 \times 1.0364$ ).
- Because this bill decreases state taxes for renters by up to \$250, there may be a small positive impact on 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. For the purposes of this fiscal note, it is assumed that renters do not itemize deductions.
- Based on TY 2011 income tax filings, 40.87% of individuals who did not itemize their deductions had a tax liability of more than \$250. It is assumed that this proportion will be the same for individuals taking the renters credit, and therefore 48,294 taxpayers are estimated to take the credit ( $118,156 \times 40.87\%$ ).
- It is assumed that these individuals will take the full \$250 credit and the resulting impact to the general fund will be \$12.074 million in FY 2014 ( $48,294 \times \$250$ ).
- It is assumed that implementation of this legislation will cost the department \$62,740.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
<b>Department of Revenue</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Expenditures:</u></b>				
Operating Expenses	\$62,740	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$62,740</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$62,740	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b><u>\$62,740</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$12,074,000)	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b><u>(\$12,074,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$12,136,740)	\$0	\$0	\$0

**Technical Notes:**

1. It is unclear how these credits would be disbursed, whether it be an appropriation in HB 2, a statutory appropriation, or other means. If this bill is funded with a HB 2 appropriation, and more renters claim the full credit than anticipated, the department may need guidance on how to prioritize payments.

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*Sponsor's Initials*

\_\_\_\_\_  
*Date*

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*Budget Director's Initials*

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*Date*