

Increase elderly homeowner/renter tax credit

Social Security payments to Seniors should be excluded entirely or at the very least, only the taxable portion of the benefits reported in **2014 Montana Individual Income Tax Return Form 2**, if any should be included as income.

To expect Elderly citizens, age 62 or older to use "**GROSS Household INCOME**" opposed to "**TAXABLE INCOME**" on Form 2EC, while both Federal and State Tax Returns use **TAXABLE INCOME is unreasonable**.

Using "**GROSS Household INCOME**" denies Seniors the benefits intended to be for them by using Form 2EC. I understand there are those of you, who are concerned about tax breaks the wealthy seniors receive, but those wealthy seniors don't get a penny when filing this form when they make over \$45,000. This \$45,000 figure has not been adjusted for inflation since it was adopted at the beginning and should be increased to \$50,000 or more for inflation over the years.

In 2013, the allowable amount of property tax billed was reduce by 20% (Form 2EC-2, Line 6 – Property Tax Billed, 2nd paragraph instructions) resulting in Seniors getting less of a refund than in previous years(see 2013 Form 2EC).

When I was hired by the State of Montana, the agreement was that our retirement benefits from the State were **not to be taxed** in any form.

Montana violated the agreements by taxing State Retirees Pensions, on my 1099-R received from the State of Montana in box 1 is titled "Gross distribution" and box 2a is titled "Taxable amount" using the Gross amount is unthinkable, seeing the State promised us our small pensions were never to be taxed by the state in any part.

In 2015, State Retirees were forced to pay an additional 37% for their State Health Insurance if they wished to continue with Montana's Insurance program while active employees faced only a 15% increase. Active employees get to go to FREE Clinics while Retirees are not allowed to use them.

To correct these problems mentioned above requires changing the word "GROSS" to "TAXABLE" wherever it occurs in MCA 15-30-2337 and 15-30-2340.

On Page 3EC-2 under "Income Source Worksheet", Line 8 should read: **Taxable** pensions, annuities, IRA distributions, benefits from railroad retirement, public employee's retirement, veteran's disability...

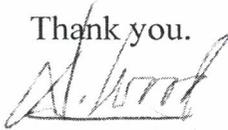
Senator Brian Hoven's bill increases line item (6) from \$1000 to \$1500, I would consider raising this to \$2,000 considering the property re-appraisal bills being considered this session that will increase monies in the general fund.

Additional changes needed, reflecting the above testimony to be made in MCA **15-30-2340** reflecting the times we live in today, not the past, in the following areas:

- "Household Income" figures need updating in this category
- less than ~~\$45,000~~ needs to be increased to not less than \$50,000
- credit granted may not exceed ~~\$1,000~~ needs increased to not less than \$2,000

I've listed the suggested changes below in the existing MCA's for your review.

Thank you.



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15-30-2337. Residential property tax credit for elderly -- definitions. As used in 15-30-2337 through 15-30-2341, the following definitions apply:

(1) "Claim period" means the tax year for individuals required to file Montana individual income tax returns and the calendar year for individuals not required to file returns.

(2) "Claimant" means a person who is eligible to file a claim under 15-30-2338.

(3) "Department" means the department of revenue.

(4) "~~Gross~~ Taxable household income" means all income except Social Security benefits received by all individuals of a household while they are members of the household.

(5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with the landlord.

(6) "Homestead" means:

(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a dwelling; or

(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal housing authority as provided in Title 7, chapter 15.

(7) (a) "Household" means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses.

(b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(8) "Household income" means the amount obtained by subtracting \$6,300 from ~~gross~~ taxable household income.

(9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted ~~gross~~ taxable income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:

(i) the amount of any taxable pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;

(ii) the amount of capital gains excluded from adjusted ~~gross~~ taxable income;

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief;

(vii) interest on federal, state, county, and municipal bonds; and

~~(viii) all payments received under federal social security except social security income paid directly to a nursing home.~~

(b) For the purposes of this subsection (9), income is reduced by the taxpayer's basis.

(10) "Property tax billed" means taxes levied against the homestead, including special assessments and fees but excluding penalties or interest during the claim period.

(11) "Rent-equivalent tax paid" means 15% of the gross rent.

And, **15-30-2340. Residential property tax credit for elderly -- computation of relief.** The amount of the tax credit granted under the provisions of 15-30-2337 through 15-30-2341 is computed as follows:

(1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the amount of property tax billed less the deduction specified in subsection (4).

(2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the amount of rent-equivalent tax paid less the deduction specified in subsection (4).

(3) In the case of a claimant who both owns and rents the homestead for which a claim is made, the credit is:

(a) the amount of property tax billed on the owned portion of the homestead less the deduction specified in subsection (4); plus

(b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the deduction specified in subsection (4).

(4) Property tax billed and rent-equivalent tax paid are reduced according to the following schedule:

Household income Amount of reduction

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\$0 - \$999	\$0
\$1,000 - \$1,999	\$0
\$2,000 - \$2,999	the product of .006 times the household income
\$3,000 - \$3,999	the product of .016 times the household income
\$4,000 - \$4,999	the product of .024 times the household income
\$5,000 - \$5,999	the product of .028 times the household income
\$6,000 - \$6,999	the product of .032 times the household income
\$7,000 - \$7,999	the product of .035 times the household income
\$8,000 - \$8,999	the product of .039 times the household income
\$9,000 - \$9,999	the product of .042 times the household income
\$10,000 - \$10,999	the product of .045 times the household income
\$11,000 - \$11,999	the product of .048 times the household income
\$12,000 & over	the product of .050 times the household income

(5) For a claimant whose household income is \$35,000 or more but less than ~~\$45,000~~ \$50,000, the amount of the credit is equal to the credit calculated under this section multiplied by the decimal equivalent of a percentage figure according to the following table:

Gross household income	Percentage of credit allowed
\$35,000 - \$37,500	40%
\$37,501 - \$40,000	30%
\$40,001 - \$42,500	20%
\$42,501 - \$49,999	10%
\$45,000 \$50,000 or more	0%

(6) The credit granted may not exceed ~~\$1,000~~ \$2,000.

(7) Relief under 15-30-2337 through 15-30-2341 is a credit against the claimant's Montana individual income tax liability for the claim period. If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess must be refunded to the claimant. The credit may be claimed even though the claimant has no income taxable under this chapter.