

1 SENATE BILL NO. 394

2 INTRODUCED BY S. O'BRIEN

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING INCREASED PROPERTY TAX RELIEF FOR
5 TAXPAYERS AND RENTERS THAT IS FUNDED BY A REVISION TO THE CAPITAL GAINS INCOME TAX
6 CREDIT; ELIMINATING THE CAPITAL GAINS INCOME TAX CREDIT FOR INCOME ABOVE A CERTAIN
7 LEVEL; REVISING THE ELDERLY HOMEOWNER AND RENTER INCOME TAX CREDIT; INCREASING THE
8 AMOUNT OF HOUSEHOLD INCOME THAT IS USED TO PHASE OUT THE EXEMPTION AND THE
9 AMOUNT OF INCOME CONSIDERED EXEMPT BEFORE THE ELDERLY HOMEOWNER AND RENTER
10 INCOME TAX CREDIT AMOUNT IS REDUCED; INCREASING THE MAXIMUM AMOUNT OF THE ELDERLY
11 HOMEOWNER AND RENTER INCOME TAX CREDIT; AMENDING SECTIONS 15-30-2301, 15-30-2337, AND
12 15-30-2340, MCA; AND PROVIDING AN APPLICABILITY DATE."

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14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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16 **Section 1.** Section 15-30-2301, MCA, is amended to read:

17 **"15-30-2301. Capital gains credit.** (1) An individual taxpayer with adjusted gross income, as
18 provided in 15-30-2110, of less than \$1 million is allowed a credit against the taxes imposed by 15-30-2103 in
19 an amount equal to 4% of the taxpayer's net capital gains for tax years 2005 and 2006 and 2% of the lesser of
20 the taxpayer's net capital gains for tax years beginning after 2006 or taxable income, as shown on the
21 taxpayer's individual income tax return filed pursuant to 15-30-2602. The credit allowed under this section may
22 not exceed the taxpayer's income tax liability.

23 (2) By November 1 of each year, the department shall multiply the adjusted gross income number
24 contained in subsection (1) by the inflation factor for the following tax year and round the result to the nearest
25 \$1,000. The resulting amount is in effect for the following tax year for determining under subsection (1) whether
26 an individual taxpayer qualifies for the credit."

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28 **Section 2.** Section 15-30-2337, MCA, is amended to read:

- 1 **"15-30-2337. Residential property tax credit for elderly -- definitions.** As used in 15-30-2337
2 through 15-30-2341, the following definitions apply:
- 3 (1) "Claim period" means the tax year for individuals required to file Montana individual income tax
4 returns and the calendar year for individuals not required to file returns.
- 5 (2) "Claimant" means a person who is eligible to file a claim under 15-30-2338.
- 6 (3) "Department" means the department of revenue.
- 7 (4) "Gross household income" means all income received by all individuals of a household while they
8 are members of the household.
- 9 (5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by
10 the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with
11 the landlord.
- 12 (6) "Homestead" means:
- 13 (a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in
14 Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its
15 use as a dwelling; or
- 16 (b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal
17 housing authority as provided in Title 7, chapter 15.
- 18 (7) (a) "Household" means an association of persons who live in the same dwelling, sharing its
19 furnishings, facilities, accommodations, and expenses.
- 20 (b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.
- 21 (8) "Household income" means the amount obtained by subtracting ~~\$6,300~~ \$12,700 from gross
22 household income.
- 23 (9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted gross income,
24 without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all
25 nontaxable income, including but not limited to:
- 26 (i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans'
27 disability benefits;
- 28 (ii) the amount of capital gains excluded from adjusted gross income;

- 1 (iii) alimony;
- 2 (iv) support money;
- 3 (v) nontaxable strike benefits;
- 4 (vi) cash public assistance and relief;
- 5 (vii) interest on federal, state, county, and municipal bonds; and
- 6 (viii) all payments received under federal social security except social security income paid directly to a
- 7 nursing home.

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

9 (10) "Property tax billed" means taxes levied against the homestead, including special assessments

10 and fees but excluding penalties or interest during the claim period.

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

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13 **Section 3.** Section 15-30-2340, MCA, is amended to read:

14 **"15-30-2340. Residential property tax credit for elderly -- computation of relief.** The amount of

15 the tax credit granted under the provisions of 15-30-2337 through 15-30-2341 is computed as follows:

16 (1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the

17 amount of property tax billed less the deduction specified in subsection (4).

18 (2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the

19 amount of rent-equivalent tax paid less the deduction specified in subsection (4).

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

21 credit is:

22 (a) the amount of property tax billed on the owned portion of the homestead less the deduction

23 specified in subsection (4); plus

24 (b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the deduction

25 specified in subsection (4).

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

Household income

Amount of reduction

\$0 - \$999	\$0
\$1,000 - \$1,999 <u>\$4,999</u>	\$0
\$2,000 - \$2,999 <u>\$5,000 - \$7,499</u>	the product of .006 times the household income
\$3,000 - \$3,999 <u>\$7,500 - \$9,999</u>	the product of .016 times the household income
\$4,000 - \$4,999 <u>\$10,000 - \$12,499</u>	the product of .024 times the household income
\$5,000 - \$5,999 <u>\$12,500 - \$14,999</u>	the product of .028 times the household income
\$6,000 - \$6,999 <u>\$15,000 - \$17,499</u>	the product of .032 times the household income
\$7,000 - \$7,999 <u>\$17,500 - \$19,999</u>	the product of .035 times the household income
\$8,000 - \$8,999 <u>\$20,000 - \$22,499</u>	the product of .039 times the household income
\$9,000 - \$9,999 <u>\$22,500 - \$24,999</u>	the product of .042 times the household income
\$10,000 - \$10,999 <u>\$25,000 - \$27,499</u>	the product of .045 times the household income
\$11,000 - \$11,999 <u>\$27,500 - \$29,999</u>	the product of .048 times the household income
\$12,000 <u>\$30,000</u> & over	the product of .050 times the household income

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 2 (5) For a claimant whose household income is ~~\$35,000~~ \$30,000 or more but less than \$45,000, the
 3 amount of the credit ~~is equal to the credit~~ calculated under this section is reduced by 1% for each \$150
 4 increment of gross household income in excess of \$30,000. ~~multiplied by the decimal equivalent of a~~

1 ~~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 -- \$44,999	10%
\$45,000 or more	0%

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3 (6) The credit granted may not exceed ~~\$1,000~~ \$1,700.

4 (7) Relief under 15-30-2337 through 15-30-2341 is a credit against the claimant's Montana individual

5 income tax liability for the claim period. If the amount of the credit exceeds the claimant's liability under this

6 chapter, the amount of the excess must be refunded to the claimant. The credit may be claimed even though

7 the claimant has no income taxable under this chapter."

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9 NEW SECTION. Section 4. Applicability. [This act] applies to tax years beginning after December

10 31, 2021.

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