

PERFORMANCE AUDIT
Property Tax Relief
Department of Revenue

AUGUST 2014

14P-02

REPORT SUMMARY

The Department of Revenue administers various property tax relief programs that provide approximately \$20 million in annual benefits to taxpayers; we found weaknesses in the Department of Revenue procedures that resulted in some ineligible taxpayers receiving benefits, while some others received benefits in excess of statutory income and property ownership thresholds. The Department of Revenue should implement changes to ensure property tax relief benefits are administered consistently and also assess the distribution of benefits across the state.

Context

In Montana, there are four programs administered by the Department of Revenue (department) that provide residential property tax relief to individual taxpayers, including the Property Tax Assistance Program (PTAP), the Extended Property Tax Assistance Program (EPTAP), the Disabled American Veterans (DAV) Exemption, and the Elderly Home Owner/Renter Credit (elderly credit). The PTAP, EPTAP, and DAV programs target homeowners and ultimately reduce taxes through a reduction in the taxable value for properties that meet certain criterion. The elderly credit provides an income tax credit for elderly homeowners and renters based on property taxes and rent paid. According to department information, property tax relief programs provided a collective tax benefit of over \$20 million to individual taxpayers in 2012. State law outlines various eligibility requirements for property tax relief programs in the state with thresholds for eligible land and improvements, including factors such as income, age, veteran's disability status, and occupancy.

Audit work examined if the department has controls in place to verify eligibility requirements, to correctly calculate relief based on statutory thresholds for property

and income, and to examine how relief is used and distributed across the state. Audit work determined the department could improve how it verifies applicant eligibility requirements and ensures that relief benefits are calculated on a consistent basis. For example, we noted that it appears individual taxpayers are misreporting income as part of the determination process. Based on income misreporting, we identified approximately \$23,000 in benefits claimed in error by individual taxpayers. As a part of our work, we also concluded the various property tax relief programs administered by the department could be better coordinated. We determined the department should assess their outreach efforts to examine the distribution of benefits statewide.

Results

Audit recommendations address the need for the department to improve how it verifies applicant eligibility, calculates relief benefits, and assesses relief distribution across the state. Audit work also concludes the multiple property tax relief programs administered by the department are fragmented and uncoordinated. Recommendations and conclusions include:

- ◆ Develop and implement management tools to verify occupancy requirements.
- ◆ Develop and implement management tools to verify income requirements and investigate ways to simplify income determinations.
- ◆ Develop and implement a quality control process to ensure taxpayers only receive relief on eligible property and investigate ways to automate the property calculation process.
- ◆ Develop and implement a quality control process to ensure taxpayers only receive relief based on qualifying income and investigate ways to automate the income calculation process.
- ◆ Examine outreach efforts to assess the distribution of relief benefits statewide.

Recommendation Concurrence	
Concur	5
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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