



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0191

Title: Revise residential property tax credit for elderly

Primary Sponsor: Hopkins, Mike

Status: As Amended in House Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$2,944,000)	(\$2,839,000)	(\$2,734,000)	(\$2,629,000)
Net Impact-General Fund Balance:	<u>(\$2,944,000)</u>	<u>(\$2,839,000)</u>	<u>(\$2,734,000)</u>	<u>(\$2,629,000)</u>

Description of fiscal impact: As amended, HB 191 increases the Elderly Homeowner/Renter credit income exclusion from \$6,300 to \$12,600, while also increasing the maximum claimable credit from \$1,000 to \$1,150. The proposed bill would reduce general fund revenue by \$2,944,213 in FY 2022. The revenue loss decreases to \$2,628,769 by FY 2025.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, individuals who are at least 62 years old, with a total annual household income of less than \$45,000 and occupy a Montana residence for at least nine months during the year, may qualify for an income tax credit that is a portion of the property tax, or rent equivalent, paid by the taxpayer. The credit is currently capped at \$1,000 for each taxpayer household.
- As amended, HB 191 increases the income exclusion allowed from \$6,300 to \$12,600, when calculating the credit. The amended bill also increases the maximum credit from \$1,000 to \$1,150.
- In TY 2019, there were 15,250 taxpayer households that claimed approximately \$8 million in an Elderly Homeowner/Renter credits.
- Using the information provided in the Elderly Homeowner/Renter Credit Schedule provided by the 15,250 households claiming the credit, the department estimates that increasing the maximum exclusion and credit amount would have increased the total amount of credits claimed to approximately \$11.2 million in TY 2019.

- Applying the HJ 2 and LFD extended forecast growth rate assumptions for the credit results in the following tax year impacts:

Elderly Homeowner Renter Credit Amounts				
Tax Year	Current Law	Growth Rate	Proposed Law	Change in Revenue
2019	\$8,058,386		\$11,212,894	\$0
2020	\$7,789,780	-3.3%	\$10,839,140	\$0
2021	\$7,521,173	-3.4%	\$10,465,386	(\$2,944,213)
2022	\$7,252,567	-3.6%	\$10,091,632	(\$2,839,065)
2023	\$6,983,961	-3.7%	\$9,717,878	(\$2,733,917)

- It is assumed that taxpayers will not change their withholding or estimated payments.
- Taxpayers file tax year returns in the subsequent fiscal year (TY 2021 returns are filed in FY 2022), the amended bill reduces income tax revenue by \$2,944,000 in FY 2022, \$2,839,000 in FY 2023, \$2,734,000 in FY 2024 and \$2,629,000 in FY 2025.

DOR Administrative Costs

- The changes made by HB 191 can be made as part of the department’s annual change process. The department does not expect to incur any significant additional costs because of this bill.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$2,944,000)	(\$2,839,000)	(\$2,734,000)	(\$2,629,000)
TOTAL Revenues	<u>(\$2,944,000)</u>	<u>(\$2,839,000)</u>	<u>(\$2,734,000)</u>	<u>(\$2,629,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,944,000)	(\$2,839,000)	(\$2,734,000)	(\$2,629,000)

Technical Notes:

Department of Revenue

- There are extra leading decimal points in the household income reduction schedule on starting on page 3 of the bill, line 9.

<u>MH</u>	<u>2/26/21</u>	<u>KA</u>	<u>2/26/21</u>
Sponsor's Initials	Date	Budget Director's Initials	Date