

1 HOUSE BILL NO. 416  
2 INTRODUCED BY J. HAMILTON, D. FERN, E. STAFMAN, R. FITZGERALD, J. FITZPATRICK, P. TUSS

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN INCOME TAX CREDIT FOR RENTING A  
5 DWELLING LESS THAN MARKET RATE; PROVIDING THAT THE CREDIT IS AVAILABLE FOR DWELLINGS  
6 RENTED AT ~~130%~~ 125% OR LESS OF FAIR MARKET RENT; PROVIDING THAT THE CREDIT MAY BE  
7 CLAIMED BY INDIVIDUALS, PASS-THROUGHS, OR CORPORATIONS; PROVIDING THAT THE CREDIT  
8 MAY BE CARRIED FORWARD FOR 3 YEARS; PROVIDING DEFINITIONS; AMENDING SECTION 15-30-  
9 2303, MCA; AND PROVIDING AN APPLICABILITY DATE AND A TERMINATION DATE."

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

12  
13 NEW SECTION. **Section 1. Credit for renting dwelling for less than market rate.** (1) A taxpayer or  
14 corporation is allowed a credit against the tax imposed by chapter 30 or 31 for renting a dwelling for less than  
15 market rate. The credit is available to a taxpayer or corporation that charges rent on a dwelling of less than  
16 ~~130%~~ 125% of fair market rent for the county in which the property is located.

- 17 (2) The amount of the credit is equal to:
- 18 (a) 40% of forgone rent in the first year the credit is claimed;
  - 19 (b) 45% of forgone rent in the second and third consecutive years the credit is claimed; ~~and~~
  - 20 (c) 50% in the fourth consecutive year the credit is claimed; and
  - 21 (d) 55% in the fifth and sixth consecutive years the credit is claimed.

22 (3) A dwelling for which the credit is claimed must meet the housing quality standards for the  
23 housing choice voucher program provided for in 24 CFR, part 982.401.

24 (4) The credit allowed under this section may not exceed the taxpayer's income tax liability but  
25 may be carried forward 3 years. The entire amount of the tax credit not used in the year earned must be carried  
26 first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

27 (5) If the credit allowed under this section is claimed by a small business corporation, a pass-  
28 through entity, or a partnership, the credit must be attributed to shareholders, owners, or partners using the

1 same proportion as used to report the entity's income or loss.

2 (6) The credit may not be claimed for a dwelling for which the rent is limited due to participation in  
3 any other program that provides a benefit to the property owner for limiting the rent.

4 (7) The department may disallow the credit when the landlord and tenant have not dealt at arm's  
5 length.

6 (8) A small business corporation, a pass-through entity, or a partnership may not claim the credit  
7 for a dwelling rented to an employee.

8 (9) The taxpayer or corporation shall file with each claim for the credit a receipt or lease agreement  
9 showing rent paid on the dwelling. In addition, a taxpayer or corporation shall, at the request of the department,  
10 supply all additional information necessary to support a claim for the credit.

11 (10) Pursuant to 5-4-104, the purpose of this credit is to incentivize voluntary rent reduction, which  
12 may lower rents more generally.

13 (11) For the purposes of [section 2] and this section, the following definitions apply:

14 (a) "Dwelling" means a single-family dwelling or unit of a multiple-unit dwelling that is subject to  
15 property taxes in Montana.

16 (b) "Fair market rent" means the fair market rent based on the size of the dwelling as published  
17 annually by the U.S. department of housing and urban development.

18 (c) "Forgone rent" means the difference between ~~130%~~ 125% of fair market rent for the county in  
19 which the property is located and the actual rent charged.

20  
21 **NEW SECTION. Section 2. Credit for renting dwelling for less than market rate.** (1) There is a  
22 credit against the tax liability under this chapter for renting a dwelling for less than market rate as provided in  
23 [section 1].

24 (2) A corporation may not claim the credit for a dwelling rented to an employee.  
25

26 **Section 3.** Section 15-30-2303, MCA, is amended to read:

27 **"15-30-2303. Tax credits subject to review by interim committee.** (1) The following tax credits  
28 must be reviewed during the biennium commencing July 1, 2019, and during each biennium commencing 10

1 years thereafter:

2 (a) the credit for contractor's gross receipts provided for in 15-50-207; and

3 (b) the credit for elderly homeowners and renters provided for in 15-30-2337 through 15-30-2341.

4 (2) The following tax credits must be reviewed during the biennium commencing July 1, 2021, and  
5 during each biennium commencing 10 years thereafter:

6 (a) the credit for donations to an educational improvement account provided for in 15-30-2334, 15-  
7 30-3110, and 15-31-158; and

8 (b) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-  
9 30-3111, and 15-31-159.

10 (3) The following tax credits must be reviewed during the biennium commencing July 1, 2023, and  
11 during each biennium commencing 10 years thereafter:

12 (a) the credit for infrastructure use fees provided for in 17-6-316;

13 (b) the credit for contributions to a qualified endowment provided for in 15-30-2327 through 15-30-  
14 2329, 15-31-161, and 15-31-162; and

15 (c) the credit for property to recycle or manufacture using recycled material provided for in Title 15,  
16 chapter 32, part 6.

17 (4) The following tax credits must be reviewed during the biennium commencing July 1, 2025, and  
18 during each biennium commencing 10 years thereafter:

19 (a) the credit for preservation of historic buildings provided for in 15-30-2342 and 15-31-151;

20 (b) the credit for unlocking state lands provided for in 15-30-2380;

21 (c) the job growth incentive tax credit provided for in 15-30-2361 and 15-31-175; ~~and~~ and

22 (d) the credit for trades education and training provided for in 15-30-2359 and 15-31-174; and

23 ~~(e) the credit for renting a dwelling for less than market rate provided for in [sections 1 and 2].~~

24 (5) The following tax credits must be reviewed during the biennium commencing July 1, 2027, and  
25 during each biennium commencing 10 years thereafter:

26 (a) the credit for hiring a registered apprentice or veteran apprentice provided for in 15-30-2357  
27 and 15-31-173;

28 (b) the earned income tax credit provided for in 15-30-2318; ~~and~~

1 (c) the media production and postproduction credits provided for in 15-31-1007 and 15-31-1009;

2 and

3 (d) the credit for renting a dwelling for less than market rate provided for in [sections 1 and 2].

4 (6) The revenue interim committee shall review the tax credits scheduled for review and make  
5 recommendations in accordance with 5-11-210 at the conclusion of the full review to the legislature about  
6 whether to eliminate or revise the credits. The committee shall also review any tax credit with an expiration date  
7 or termination date that is not listed in this section in the biennium before the credit is scheduled to expire or  
8 terminate.

9 (7) The revenue interim committee shall review the credits using the following criteria:

10 (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions  
11 that may have been made regardless of the existence of the tax credit;

12 (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;

13 (c) whether the credit has out-of-state beneficiaries;

14 (d) the timing of costs and benefits of the credit and how long the credit is effective;

15 (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or  
16 elimination outweigh adverse impacts; and

17 (f) the extent to which benefits of the credit affect the larger economy. (Subsection (4)(d)  
18 terminates December 31, 2026--sec. 7, Ch. 248, L. 2021; subsection (4)(c) terminates December 31, 2028--  
19 sec. 24(1), Ch. 550, L. 2021.)"

21 **NEW SECTION. Section 4. Codification instruction.** (1) [Section 1] is intended to be codified as an  
22 integral part of Title 15, chapter 30, part 23, and the provisions of Title 15, chapter 30, part 23, apply to [section  
23 1].

24 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 31, part 1, and the  
25 provisions of Title 15, chapter 31, part 1, apply to [section 2].

27 **NEW SECTION. Section 5. Applicability.** [This act] applies to income tax years beginning after  
28 December 31, 2023.

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NEW SECTION. **Section 6. Termination.** [This act] terminates December 31, ~~2027~~ 2029.

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- END -

AMEND