

Residential Property Tax Relief

The Department of Revenue

14P-11 Performance Audit

Introduction

- Property taxes are an annual local government tax on real property based on a tax rate established by the Legislature.
- The department is responsible for the appraisal, assessment, and equalization of the value of all real property for the purposes of taxation.
- As a result of perceived inequities, many states have implemented programs to alleviate the property tax burden.

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2012 Total Tax Benefits for Property Tax Relief Programs

Program Name	Program Benefits
Elderly Homeowner/Renter Credit (elderly credit)	\$9,641,545
Property Tax Assistance Program (PTAP)	7,673,698
Disabled American Veterans Exemption (DAV)	2,458,900
Extended Property Tax Assistance Program (EPTAP)	820,993
Total	\$20,595,136

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- While these programs share overall similarities, the intent and eligibility requirements are unique between each program.
- Each program targets relief to a specific population, including seniors, low-income individuals, and disabled veterans.
- PTAP, EPTAP, and DAV reduce taxes through a reduction in the taxable value of eligible property, while the elderly credit provides an income tax credit based on property taxes or rent paid.

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2013 Key Eligibility Characteristics for the Property Tax Relief Program, The Disabled American Veterans Exemption, and the Elderly Home Owner/Renter Credit

Program Name	Target Audience	Age Requirement	Income Requirement	Land Limit	Occupancy Requirement	Maximum Benefit
Property Tax Assistance Program	Low Income	NA	Less than \$27,745	5 acres	7 months	NA
Disabled American Veterans Exemption	Disabled veterans or surviving spouses	NA	Less than \$55,229	5 acres	7 months	NA
The Elderly Homeowner/Renter Credit	Elderly	62	Less than \$45,000	1 acre	6 months	\$1,000

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- Programs are administered by two different department divisions, namely the Property Assessment Division and the Business and Income Taxes Division.
- Due to considerations of eligibility complexity, decentralized administration, and distribution questions, we focused on PTAP, DAV, and the elderly credit.
- Audit work examined benefit distribution in 2012 and PTAP and DAV activities in 2013.

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Findings and Recommendations

- Audit work examined how the department administers property tax relief programs, including how relief is distributed.
 - Verify occupancy requirements.
 - Verify income requirements.
 - Ensure taxpayers receive relief on eligible property.
 - Ensure taxpayers receive relief based on qualifying income.
 - Examine relief distribution.

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Occupancy Verification

- PTAP and DAV applicants are required to own and occupy the residence for at least seven months annually.
- The department generally relies on applicants to self-affirm occupancy and a review of supporting documentation.
- In 2013, 23 PTAP and 26 DAV granted applicants did not occupy their properties for the required term resulting in nearly \$50,000 in benefits granted in error.

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Income Verification

- Participants provide supporting income documentation which the department reviews and determines reportable income.
- However, income documentation is inconsistently reviewed and interpreted.
- There are significant discrepancies in the amount of income reported by taxpayers within the department.

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Income Verification

2013 Selected Examples of Property Tax Assistance Program Income Disparities

Taxpayer	PAD Income	BITD Income	Tax Rate Based on PAD Income	Tax Rate Based on BITD Income	Benefit Error
A	\$4,743	\$76,406	0.51	2.54	\$1,287.90
B	\$921	\$77,632	0.51	2.54	\$1,110.52
C	\$11,725	\$26,875	0.51	2.54	\$1,073.99
D	\$8,278	\$39,773	0.51	2.54	\$1,064.20
E	\$1	\$128,491	0.51	2.54	\$943.91
F	\$2,394	\$40,435	0.51	2.54	\$868.25
G	\$8,220	\$17,938	0.51	1.78	\$640.61
H	\$15,155	\$28,178	1.78	2.54	\$382.81
I	\$9,790	\$12,000	0.51	1.27	\$324.56
J	\$6,920	\$11,975	0.51	1.27	\$246.68

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Qualifying Property

- State law places limits on the type and amount of property eligible for relief.
- PTAP limits relief to \$100,000 of a property's TMV and five acres; DAV limits relief to five acres.
- Audit work identified nearly \$30,000 in benefits received by taxpayers on ineligible property.

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Qualifying Income

- Based on a series of qualifying income tiers, the department selects a reduced tax rate.
- The department does not consistently ensure that taxpayers are receiving the correct reduced tax rate based on their qualifying income.
- Audit work identified 325 PTAP and 15 DAV granted applicants in 2013 who did not receive the appropriate tax rate reduction totaling nearly \$100,000 in benefit errors.

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Relief Distribution

- Are there taxpayers accessing multiple property tax relief programs?
- How is property tax relief used and distributed across the state?
- How does participation in relief programs compare with certain population data for participants?

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Relief Distribution

2012 Number of Individuals Who Accessed Property Tax Relief From Multiple Programs

Population Definition	Elderly Credit	PTAP	EPTAP	DAV	Total Program Applicants
2012 total granted applicants	20,324	13,054	2,389	1,963	37,730
2012 granted applicants who accessed the elderly credit in concert with one or more PAD programs*	2,204	1,680	511	13	4,408
2012 granted applicants who accessed multiple PAD programs only	NA	322	323	21	666

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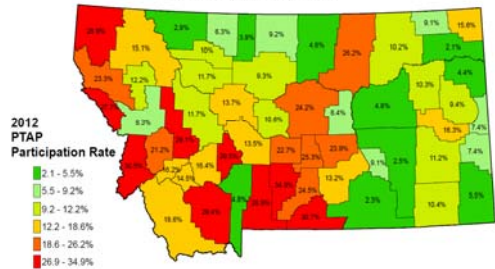
Relief Distribution

- Should property tax programs be more closely coordinated?
- Are taxpayers obtaining relief in excess of their property tax liability?
- Property tax relief efforts in Montana are generally fragmented and uncoordinated, with disparate and often confusing eligibility requirements making it challenging for individual taxpayers to interpret and the Department of Revenue to administer

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Relief Distribution

The Property Tax Relief Program Participant Distribution Relative to Adults in Poverty for 2012



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Relief Distribution

- It is currently unclear what factors impact participation.
- The department has a role to secure a fair, just, and equitable of all taxable property between taxpayers.
- Property tax relief provides assistance to those individuals whom the current valuation process may disproportionately impact.

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Questions?

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