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Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## MEMORANDUM

To: Revenue and Transportation Interim Committee

From: Lee Baerlocher, Administrator *LB*

Date: September 18, 2015

Subject: Elderly Homeowner and Renter Credit Program

### Introduction

November 20, 2014, the Revenue and Transportation Interim Committee (RTIC) conducted a meeting where the Department of Revenue (Department) provided information on its compliance and educational activities for the elderly homeowner and renter credit program. The Department addressed its compliance efforts and its steps to educate the taxpayers on the eligibility and overall understanding of the credit.

The report also provided an update regarding the Department's compliance and outreach efforts regarding tax exempt facilities.

The RTIC has requested another update from the Department on the elderly homeowner and renter credit program. Specifically RTIC requested an overview, legislative history, administration, and costs of the credit. Megan Moore has provided the overview and legislative history. This memo will address administrative matters and the costs of the credit.

### Administration

As mentioned in prior RTIC meetings the Department became aware that in 2013 a number of residents of tax exempt facilities were claiming and receiving the elderly homeowner and renter credit (credit). Upon review of the statute it was determined that the residents of tax exempt facilities do not qualify for the credit. Based on that review the Department began to analyze these credit claims with the following results:

- Of the approximate 21,000 taxpayers claiming the credit in tax year 2013, 695 were residents of tax exempt facilities and 493 were denied.
- Of the approximate 21,600 taxpayers claiming the credit in tax year 2014, 155 were residents of tax exempt facilities and 66 were denied.

Since the prior RTIC meetings the Department has continued to take steps to educate individuals and impacted parties about the credit program. Some of these efforts include the following:

- Updating the Form 2EC instructions by including information to further clarify that rent paid for an apartment or a facility that is exempt from property tax does not qualify.
- Sending letters to the previous year's claimants that applied for the credit filing only the Form 2EC (as opposed to reporting the credit on the income tax return). The letter included information that reminds claimants that they do not qualify if they live in a tax exempt facility.
- Continuing education and communication efforts. The Department communicated extensively with impacted parties including tax exempt facilities and tax preparers reminding them of the tax exempt facility issue.
- Continuing to include 2EC information in the Department's State Tax Updates presented by the Department's income tax specialist, Brian Olsen. Brian speaks to many groups across the state such as local chapters of the Montana Society of CPAs, Montana Society of Public Accountants and trainers for the Volunteer Income Tax Assistance program.

#### Costs of the Credit

For the tax years 2005 to 2013 the average annual amount awarded for the elderly homeowner and renter credit was approximately \$10.35 million. Tax years 2012 and 2013 awarded the least amounts, \$9,641,545 and \$8,487,894, respectively. The Department believes compliance activities are responsible for this decrease.

#### Future Department Actions

The Department will continue to use compliance activities and education to increase the understanding of the elderly homeowner and renter credit.