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HJ 35 Tax Study

66th Montana Legislature

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To: Members of the HJ 35 Tax Study Committee

From: Sen. Dick Barrett

Date: July 1, 2020

RE: Percent Reduction in Property Tax from Circuit Breaker Credit

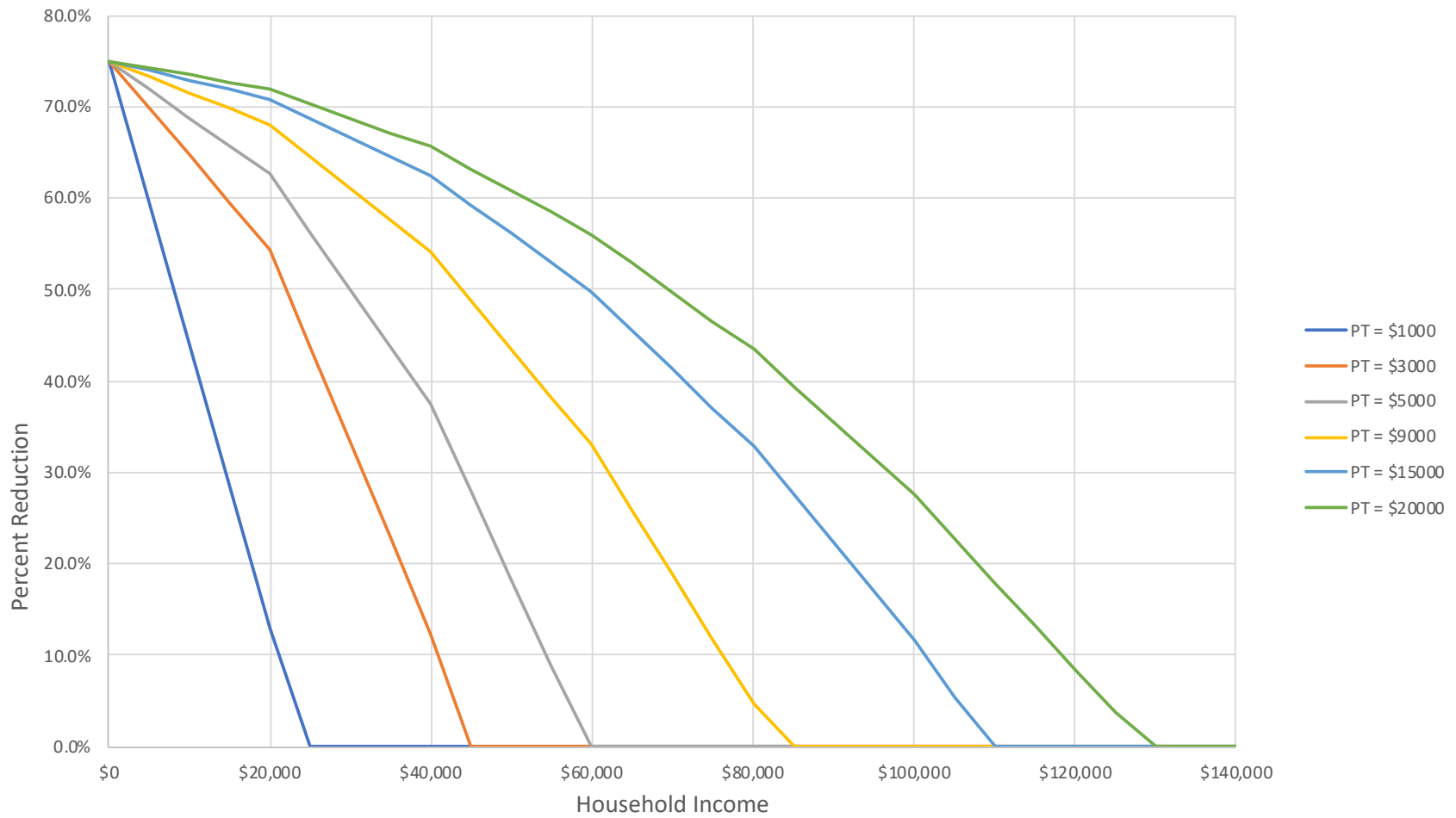
These charts show the percent reduction in an individual household's net property tax burden resulting from the receipt of a circuit breaker credit, as a function of household income and the gross property tax, i.e. the property tax before the credit is received. Each chart shows these relationships for a particular scenario of threshold bracket rates and General Fund cost (See the document "HJ35-02: Circuit Breaker Bill," pages 5 and 6, for more details about these scenarios.)

These charts demonstrate that (a) for a given level of income, the percent reduction in property taxes resulting from the credit will be greater, the higher the initial level of the tax, (b) for a given initial level of the property tax, the percent reduction in the property tax resulting from the credit will be greater, the lower the level of income and (c) larger percentage reductions in property tax come at higher General Fund Cost.

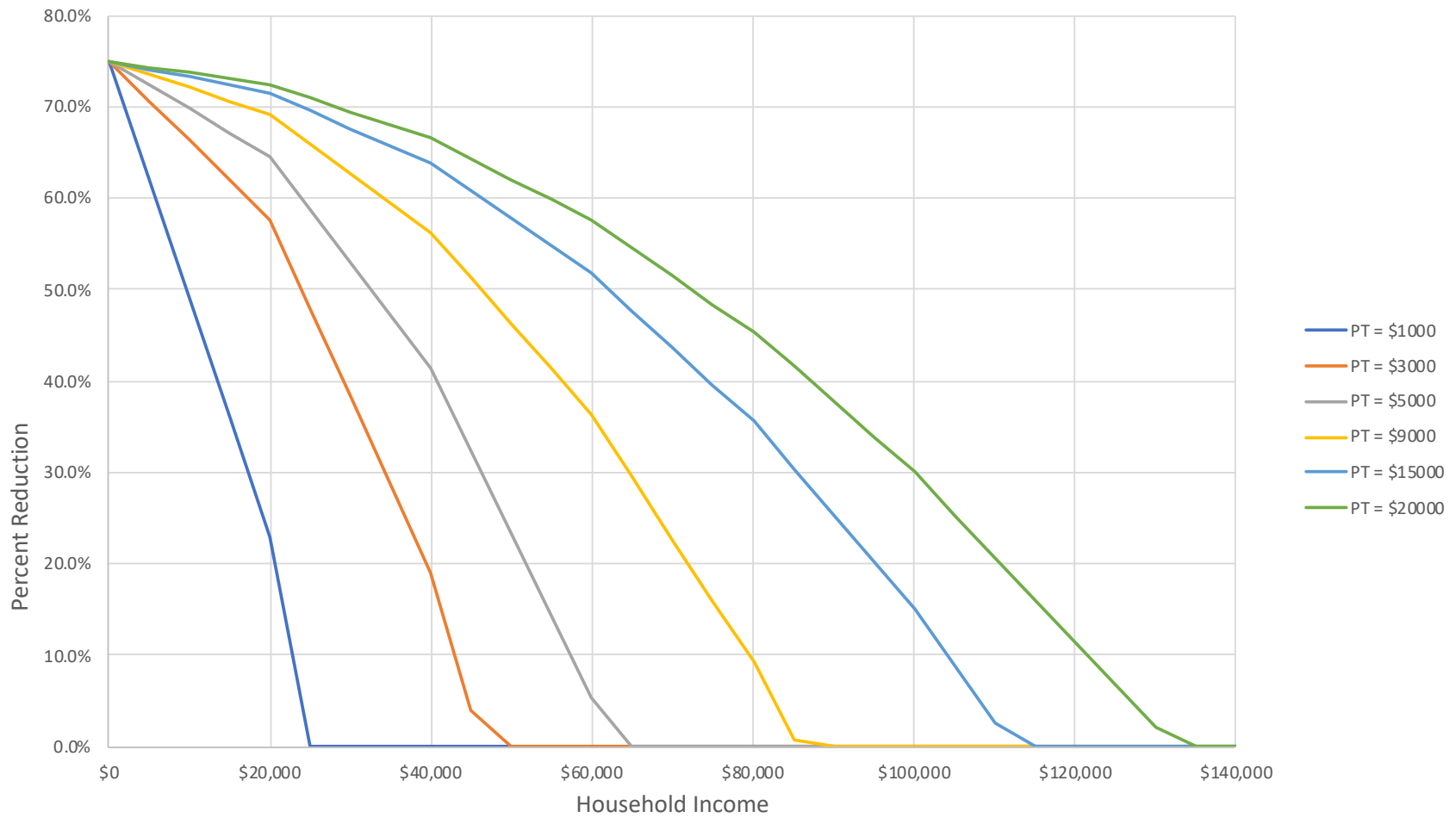
All scenarios assume that the co-pay rate is 25 percent. A lower co-pay rate would shift these curves up, implying a larger percent reduction in property taxes resulting from the credit. A higher co-pay rate would have the opposite effect.

Note that as income rises, the percent reduction in property taxes resulting from the credit, for a given initial property tax bill, tends to decline rapidly. In actuality, this decline is overstated. That is because in general, as income rises, so does the property tax bill.

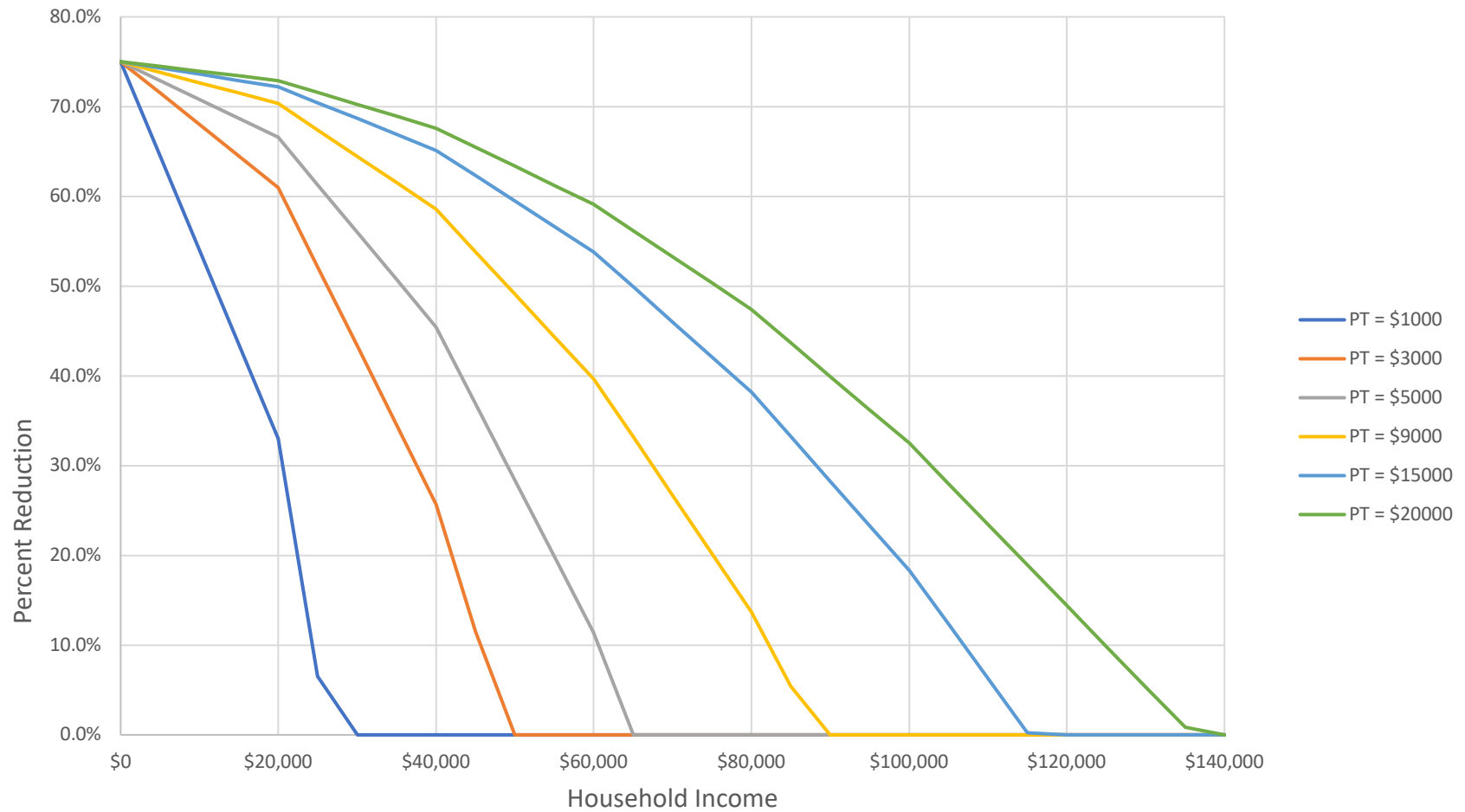
Percent Reduction in Property Tax from Circuit Breaker Credit; By Household Income and Total Property Tax, Base Case-2; GF Cost = \$22.2 Million



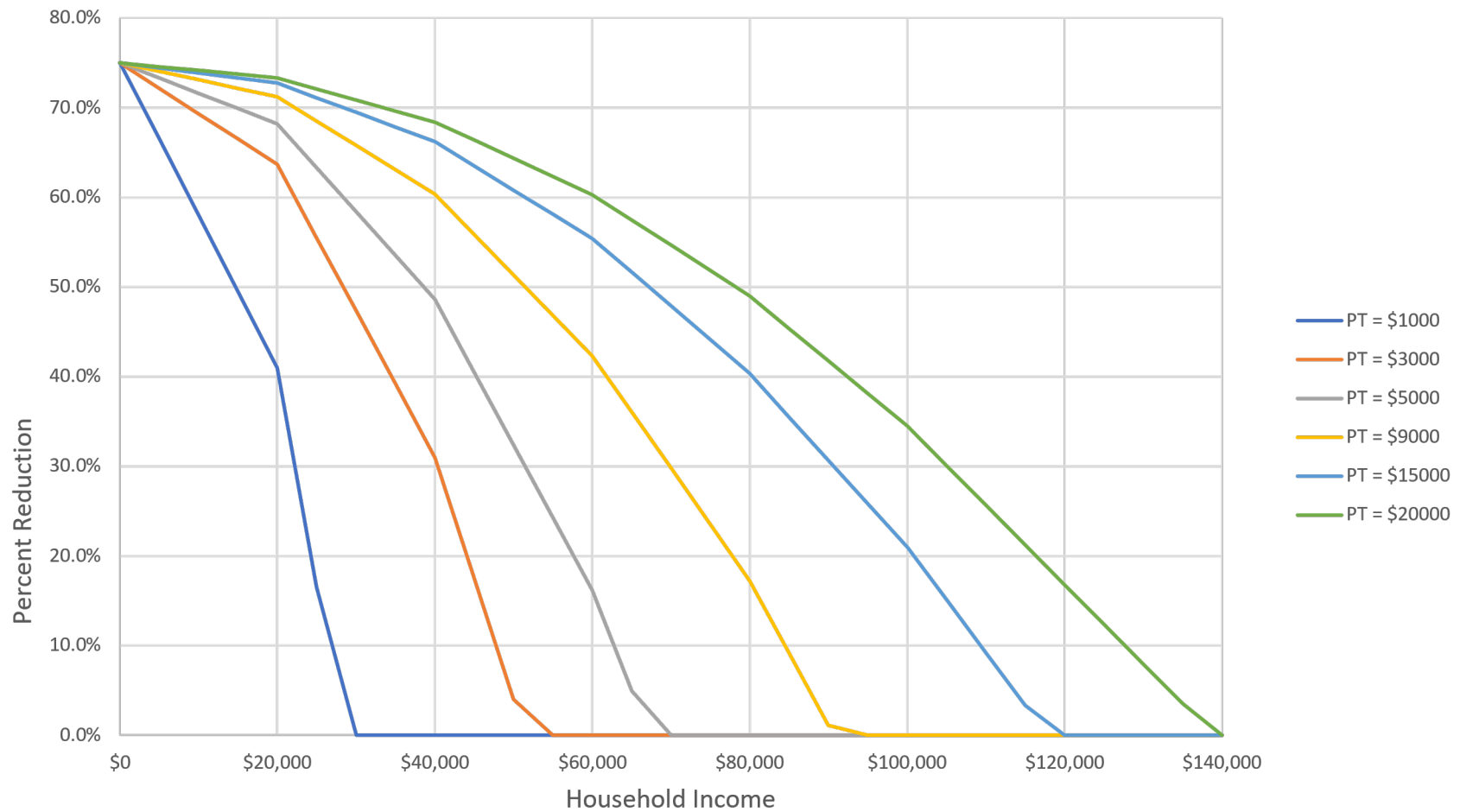
Percent Reduction in Property Tax from Circuit Breaker Credit; By Household Income and Total Property Tax, Base Case-1; GF Cost = \$26.8 Million



Percent Reduction in Property Tax from Circuit Breaker Credit; By Household Income and Total Property Tax, Base Case; GF Cost = \$32.2 Million



Percent Reduction in Property Tax from Circuit Breaker Credit; By Household Income and Total Property Tax, Base Case+1; GF Cost = \$37.2 Million



Percent Reduction in Property Tax from Circuit Breaker Credit; By Household Income and Total Property Tax, Base Case+2; GF Cost = \$49.3 Million

