

HJ 36: PROPERTY TAX ASSISTANCE PROGRAM

PTAP REDUCES VALUE FOR LIMITED INCOME

The property tax assistance program (PTAP), provided for in [15-6-305](#), reduces the taxable value for the primary residence of citizens with limited or fixed incomes. The reduced taxable value results in lower property tax payments for program participants.

The reduction in taxable value applies to the first \$200,000 in market value and is based on adjusted gross income excluding capital and income losses.

PROPERTY TAX ASSISTANCE PROGRAM INCOME LIMITS¹, 2022

Income – Single	Income – Married or Head of Household	Reduction in Property Value
\$0 - \$9,354	\$0 - \$12,472	80%
\$9,355 - \$14,344	\$12,473 - \$21,829	50%
\$14,345 - \$23,385	\$21,828 - \$31,181	30%

To qualify, a participant must own and reside in the property for at least 7 months of the year.

After qualifying for PTAP, participants are not required to reapply each year but must verify their annual income by returning a form sent by the Department of Revenue.

REQUEST FOR INCREASE IN VALUE LIMIT

At the Revenue Interim Committee's January 2022 meeting, the committee received [public comment](#) from a Helena resident requesting that the Legislature increase the market value to which PTAP applies from \$200,000 to \$500,000.

¹ The qualifying income levels are adjusted annually for inflation.



The testimony cited the taxpayer's 1989 purchase price of \$105,000, a 2021 value of \$279,400 and a 2022 value of \$347,400 (a \$68,000 increase).

The commenter also suggested annually adjusting the market value limit for inflation like the income limits.

PROPERTY LIMIT ADJUSTED IN 2015, BUT NOT EXACTLY AN INCREASE

The 2015 Legislature adjusted the market value limit for PTAP to \$200,000 as part of [Senate Bill 157](#), which revised the reappraisal cycle from 6 years to 2 years for residential, commercial, and agricultural property. However, the change in value for PTAP cannot necessarily be interpreted as an increase because of other changes in the bill.

The shortened reappraisal cycle put an end to the practice of phasing in one-sixth of the property value increase each year of the reappraisal cycle. In addition, the bill removed an exemption that reduced the taxable value of all residential and commercial property.²

SB 157 changed PTAP from applying to "the first \$100,000 or less of the taxable market value"³ to "the first \$200,000 in appraisal value," which remains current law. In 2014, the taxable market value of a residential property with a market value of \$200,000 would be \$106,000 because of the 47% homestead exemption. (Any increase in value would be fully phased in by 2014 because it was the last year of the reappraisal cycle.)

The use of "taxable market value" for determining PTAP property reductions came about in 1999 when the Legislature enacted the homestead exemption and began phasing-in property values.⁴ Before the 1999 legislation inserted the word "taxable" in front of "market value," PTAP applied to \$100,000 of market value.

The 1995 Legislature set the market value limit for PTAP at \$100,000, an increase from \$80,000 used in prior years.⁵

ABOUT 40% OF PTAP PARTICIPANTS HAVE VALUES ABOVE \$200,000

Data provided by the Department of Revenue for tax year 2021 indicate 39% of PTAP participants (8,850 of 22,575) have property values greater than \$200,000. The median value of the properties valued above \$200,000 is \$272,800.⁶

² Tax rates were reduced for residential and commercial property to account for the repeal of the exemptions.

³ See the former [15-6-134\(1\)\(c\)](#). [SB 197](#) moved the property tax assistance program law into a new section (section 12 of the bill).

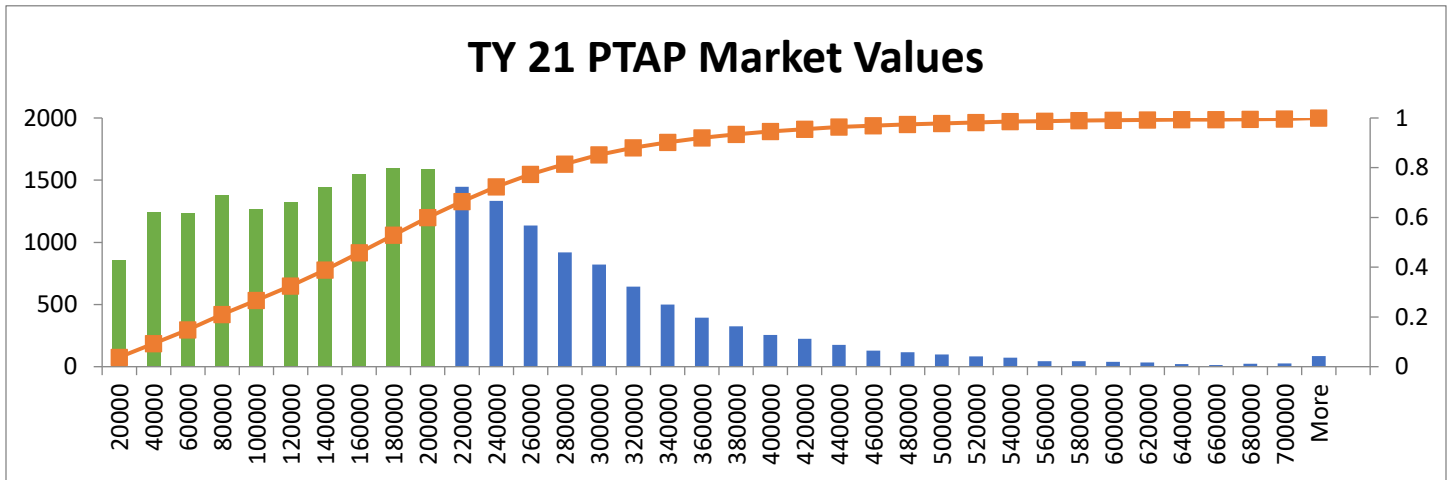
⁴ Ch. 584, L. 1999.

⁵ Ch. 574, L. 1995.

⁶ Email from Bryce Kaatz, Department of Revenue, March 3, 2022.

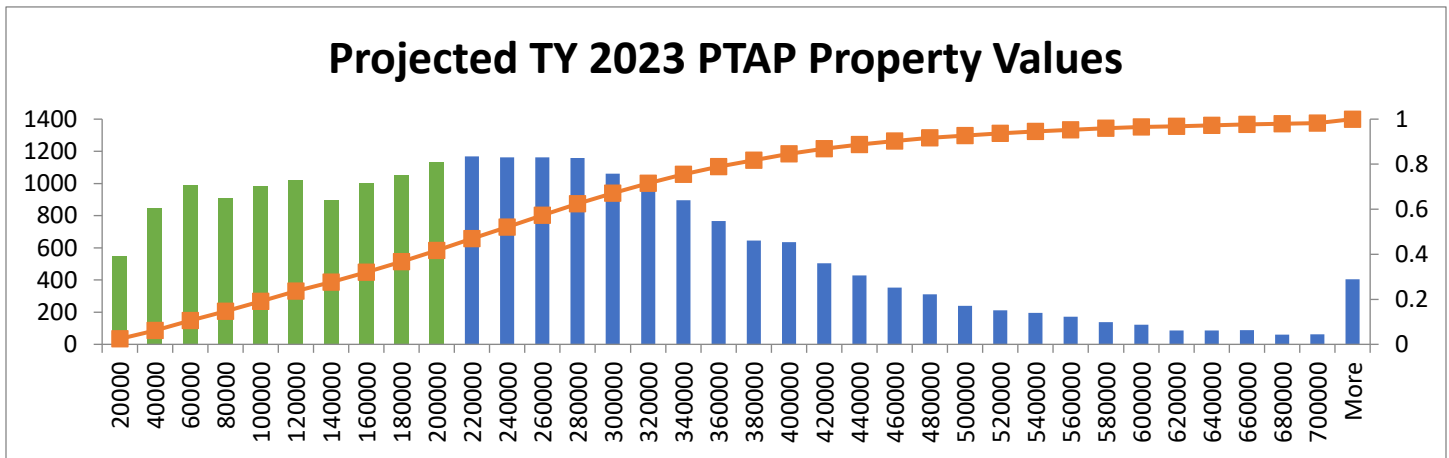
The following graph shows on the left axis the number of 2021 PTAP participants by the market value of their residence. The green bars represent participants with a market value of less than \$200,000 and the blue bars show those with market values greater than \$200,000.

The right axis and orange line show the cumulative percentage of PTAP participants with market values at or under a given market value. In 2021, about 60% of participants have market values at or below \$200,000.



Source: Dylan Cole, Department of Revenue

The second graph shows the same information projected forward to tax year 2023 assuming a 35% growth in market value.⁷ Under this scenario, about 40% of participants would have market values at or below \$200,000.



Source: Dylan Cole, Department of Revenue

⁷ The 35% growth rate is a preliminary figure provided by the Office of Budget and Program Planning. More recent forecast data show a growth rate closer to 31%.

PTAP PROVIDES \$18.5 MILLION BENEFIT TO PARTICIPANTS

In tax year 2020, 22,650 PTAP participants received a total benefit of \$18.5 million, or an average benefit of \$819. The benefit is from a total reduction in property value of \$27.7 million.

The reduced property tax value shifted \$15.7 million in property taxes to other taxpayers within the county, city, school district, and special districts. PTAP reduced state revenues collected from the 95 mills for K-12 education, the 6-mill university levy, and the 1.5 mill vocational-technical levy by \$2.8 million.

Property Tax Expenditure - PTAP

Tax Year	Participants	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants	Avg. Tax Benefit
2005	8,568	\$4,316,852	\$436,002	\$1,817,049	\$2,253,051	\$263
2006	8,192	\$4,130,616	\$417,192	\$1,758,981	\$2,176,173	\$266
2007	7,729	\$3,856,960	\$389,553	\$1,651,280	\$2,040,833	\$264
2008	7,399	\$3,508,914	\$354,400	\$1,533,817	\$1,888,217	\$255
2009	10,716	\$10,088,764	\$1,024,553	\$4,715,210	\$5,739,763	\$536
2010	11,583	\$10,691,795	\$1,086,019	\$5,139,997	\$6,226,016	\$538
2011	13,115	\$11,925,684	\$1,211,511	\$5,769,721	\$6,981,233	\$532
2012	14,013	\$13,130,717	\$1,333,840	\$6,450,295	\$7,784,135	\$555
2013	18,302	\$17,035,076	\$1,730,774	\$8,604,113	\$10,334,886	\$565
2014	19,446	\$18,075,495	\$1,836,544	\$9,333,585	\$11,170,129	\$574
2015	20,397	\$20,491,472	\$2,082,193	\$10,828,944	\$12,911,136	\$633
2016	22,551	\$22,768,947	\$2,313,681	\$12,278,536	\$14,592,217	\$647
2017	22,381	\$24,404,373	\$2,479,756	\$13,622,589	\$16,102,346	\$719
2018	23,021	\$25,488,134	\$2,589,729	\$14,603,900	\$17,193,630	\$747
2019	23,479	\$27,615,293	\$2,805,878	\$15,482,499	\$18,288,377	\$779
2020	22,650	\$27,696,111	\$2,814,211	\$15,725,362	\$18,539,573	\$819

Source: Montana Department of Revenue Biennial Report, July 1, 2018 – June 30, 2020, p. 448.