

HJ 36: PROPERTY TAX ASSISTANCE, ABATEMENTS, AND EXEMPTIONS

This document provides information on property tax assistance programs, abatements, and exemptions for the House Joint 36 study of residential property taxes. These assistance programs, abatements, and exemptions often reduce state revenue and shift taxes to taxpayers within local taxing jurisdictions. This report summarizes features of the assistance programs, abatements, and exemptions, and quantifies the impact on state revenue and the tax shifts.

PROPERTY TAX ASSISTANCE PROGRAMS

This section includes information on Montana's existing property tax assistance programs for residential taxpayers and property tax relief programs proposed during the 2021 Legislative Session.

EXISTING PROPERTY TAX ASSISTANCE PROGRAMS

Montana has four property tax assistance programs for residential taxpayers: two income-based homestead credits, a circuit breaker, and an exemption for high-value land. All programs require the claimant to live in the residence for at least 6 months of the claim year.

The Property Tax Assistance Program (PTAP) and Disabled American Veterans Program (DAV) are income-based homestead credits.

The Elderly Homeowner and Renter Tax Credit (2EC) is a circuit breaker: a form of property tax relief based on household income, with the amount of relief increasing as household income decreases.

The fourth program, the Intangible Land Value Property Exemption (LVAP), is an exemption for land that is valued more than 1.5 times more than a residence.

TABLE 1: EXISTING PROPERTY TAX ASSISTANCE PROGRAMS

	Overview and Calculation of Relief	Use of Program	State Revenue Impact	Local Tax Shifts
<u>Property Tax Assistance Program (PTAP)</u>	<ul style="list-style-type: none"> Reduction in the first \$200,000 of appraised value of a primary residence to 20%, 50%, or 70% of value, based on income 2022 income limits: \$23,385 single, \$31,181 married/HOH Requires occupancy for 7 months of the year 	TY 2021: <ul style="list-style-type: none"> 22,474 claimants had reduction in TV of \$29.076 million Benefit to claimants of \$18.559 million (\$826 average) 	-\$2.954 million	\$15.605 million
<u>Disabled American Veterans Program (DAV)</u>	<ul style="list-style-type: none"> Appraised value of a primary residence is reduced to 0%, 20%, 30%, or 50% of value, based on income 2022 income limits: \$54,067 single, \$62,385 married/HOH, \$47,136 surviving spouse Requires occupancy for 7 months of the year 	TY 2021: <ul style="list-style-type: none"> 2,960 claimants had reduction in TV of \$9.361 million Benefit to claimants of \$5.729 million (\$1,936 average) 	-\$950,985	\$4.779 million
<u>Elderly Homeowner & Renter Credit (2EC)</u>	<ul style="list-style-type: none"> Refundable income tax credit of up to \$1,150 for property taxes paid or rent-equivalent property taxes (15% of gross rent) by a taxpayer age 62 or older with household income below \$45,000 Requires residence in Montana for 9 months of the year (6 months as an owner or renter) Calculation: gross household income less \$12,600 and less an income reduction Credit phases out for gross household incomes above \$35,000 	TY 2020: <ul style="list-style-type: none"> 14,634 claimants received \$7.847 million in credits (\$536 average) 	-\$7.847 million	None
<u>Intangible Land Value Property Exemption (LVAP)</u>	<ul style="list-style-type: none"> Exemption for up to 5 acres of land value that is 150% or more higher than the value of the primary residence and improvements Requires occupancy for 7 months of the year Land must be owned by family for 30 consecutive years 	TY 2021: <ul style="list-style-type: none"> 151 claimants had exempt land value of \$663,594 Benefit to claimants of \$349,013 (\$2,311 average) 	-\$67,081	\$281,932

PROPERTY TAX RELIEF PROGRAMS INTRODUCED IN 2021

During the 2021 legislative session, legislators introduced 16 bills aiming to provide property tax relief. The most common type of property tax relief bills introduced were circuit breakers. Legislators introduced two bills to revise existing circuit breaker programs and four bills to enact new or replacement circuit breakers. The Revenue Interim Committee requested one of the replacement circuit breaker bills, [Senate Bill 10](#).

Other categories of bills and the number of introduced bills in each category were: tax swaps (3), homestead credits (3), local revenue diversification¹ (2), homestead exemptions (1), and rate reductions (1).

The Legislature enacted three of the bills: one that increases an existing circuit breaker, one that revises the inflation adjustment on an existing income-based homestead credit, and one tax swap that uses marijuana tax revenue to reduce school property taxes. Most of the failed bills did not pass out of the first committee that considered the bill.

¹ This analysis only includes local revenue diversification bills that directed a portion of the new revenue to property tax relief.

TABLE 2: PROPERTY TAX RELIEF PROPOSED IN 2021 LEGISLATIVE SESSION

Overview and Calculation of Relief		Estimated Use of Program	State Revenue Impact from Property Changes	Tax Shifts
Circuit Breakers – Revise Existing				
<u>HB 191</u> Hopkins Enacted	Revises the calculation of 2EC to double the income exclusion to \$12,600 and increase the maximum credit from \$1,000 to \$1,150	Not specified in fiscal note	-\$2.944 million (FY22)	None
<u>SB 394</u> O'Brien Missed Transmittal	<ul style="list-style-type: none"> Revises 2EC by increasing the income exclusion to \$12,700; modifying the income reduction; revising the phase-out to reduce credit by 1% for every \$150 of income above \$30,000; increasing max credit to \$1,700 Limits capital gains credit to taxpayers with MAGI below \$1 million and credit is lower of net capital gains or Montana taxable income 	Not specified in fiscal note	-\$6.104 million (FY23)	+\$18.578 million (FY23) from capital gains credit change
Circuit Breakers – New/Replace Existing				
<u>HB 638</u> Fern Tabled H Tax	<ul style="list-style-type: none"> Refundable income tax credit for half the amount by which a benefit base exceeds 6% of income Benefit base is residential property tax/rent that does not exceed \$2,050/\$2,650/\$3,250 (based on filing status and dependents) Maximum credit: \$750 for claimants under 62; \$1,150 for 62 or older May claim this credit or 2EC Uses lodging sales tax revenue and revenue from sales of unclaimed property to fund credit 	17,877 property owners claiming \$6.504 million in credits (\$363 average) 5,489 renters claiming \$952,136 in credits (\$173 average)	-\$9.505 million (FY24)	None
<u>HB 672</u> Hamilton Tabled H Approps	<ul style="list-style-type: none"> Refundable income tax credit for residential property taxes/rent paid (Property tax or rent * 0.75) – threshold amount See Scenario 2 on p. 5 of <u>HJ35-02: Circuit Breaker Bill</u> for example May claim this credit or 2EC and one of following: PTAP, DAV, LVAP Reduces capital gains credit for AGI above \$750,000 to fund credit 	28,558 property owners claiming \$30.211 million (\$1,058 average) 12,640 renters claiming \$6.087 million (\$482 average)	-\$40.168 million (FY25)	+\$11.884 million (FY25) from capital gains credits change

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<p><u>SB 10</u> Cohenour Tabled S Tax</p>	<ul style="list-style-type: none"> • Refundable income tax credit for residential property taxes/rent paid to replace 2EC, PTAP, DAV, and LVAP • (Property tax or rent * 0.75) – threshold amount • See example on p. 3 of HJ35-02: Circuit Breaker Bill 	<p>37,230 property owners claiming \$36.467 million (\$980 average) 20,021 renters claiming \$9.339 million in credits (\$466 average)</p>	<p>-\$35.184 million (FY23)</p>	<p>PTAP, DAV, and LVAP repeal increases property values and decreases local mills</p>
<p><u>SB 386</u> Flowers Tabled S Tax</p>	<ul style="list-style-type: none"> • Refundable income tax credit for residential property taxes/rent paid • (Property tax or rent * 0.75) – threshold amount • See Scenario 1 on p. 5 of HJ35-02: Circuit Breaker Bill • May claim this credit or 2EC and one of following: PTAP, DAV, LVAP • Funds credit with new top marginal income tax rate of 8.9% for income above \$500,000 	<p>24,567 property owners claiming \$26.363 million in credits (\$1,073 average) 10,179 renters claiming \$4.940 million in credits (\$485 average)</p>	<p>-\$31.303 million (FY23)</p>	<p>+\$43.292 million (FY23) from income tax rate increase</p>
<p>Homestead Credits</p>				
<p><u>HB 357</u> Hamilton Enacted</p>	<p>Revises the inflation adjustment for PTAP and DAV so that qualifying income cannot decrease</p>	<p>1,408 additional claimants</p>	<p>-\$234,000 (FY22)</p>	<p>Local governments could increase mills to offset lower TVs</p>

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<p><u>HB 682</u> Noland Tabled H Approps</p>	<ul style="list-style-type: none"> • Provides taxpayers with household income of \$75,000 or less with a property tax relief credit on residences valued at \$400,000 or less • Credit is equal to 35% of property taxes paid for the 95 mills • Requires occupation of a qualified residence for 9 months of the tax year • Disallowed for taxpayers who claim PTAP, DAV, LVAP, or 2EC 	<p>85,346 taxpayers claiming \$6.722 million (\$78.76 average)</p>	<p>-\$7.702 million (FY23)</p>	<p>None</p>
<p><u>SB 375</u> K. Regier Tabled S Tax</p>	<ul style="list-style-type: none"> • Adjusts the tax rate on residential property owned by a taxpayer 80 years old or older to exempt property taxes that exceed the amount paid in the year before applying (base year) • New base year is established if interior square footage is increased or certain outbuildings constructed • Requires residence in the property at least 7 months of the year 	<p>15,620 taxpayers claiming \$3.725 million in exemptions (\$238 average)</p>	<p>-\$706,000 (FY23)</p>	<p>-\$3.108 million in local property taxes unlikely to be recovered due to timing</p>
<p>Tax Swaps</p>				
<p><u>HB 165</u> Trebas Tabled H Tax</p>	<ul style="list-style-type: none"> • Uses increased motor vehicle fees to provide exemption from county property taxes for residential property • Increases vehicle registration fees by \$50 initially, \$1 each succeeding year, and increases vehicle age eligible for permanent registration from 11 to 15 years 	<p>Counties receive \$48.1 million (FY22) to provide residential property exemptions</p>	<p>\$0</p>	<p>Residential property taxes shifted to vehicle owners paying annual registration fees</p>
<p><u>HB 663</u> Ler Enacted</p>	<p>Uses revenue from the marijuana tax to increase guaranteed tax base aid and reduce school property taxes</p>	<p>N/A</p>	<p>-\$10.245 million (FY22)</p>	<p>Reduces school property taxes statewide by \$10.236 million (FY22)</p>

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<p><u>SB 73</u> K. Regier Tabled S Tax</p>	<p>Distributes 75% of lodging sales tax revenue to cities and counties, two-thirds of which must be used by the city/county to reduce their property tax levy for all taxpayers</p>	<p>N/A</p>	<p>-\$30.589 million (FY22)</p>	<p>Swaps lodging sales tax from GF for local property taxes</p>
<p>Local Revenue Diversification</p>				
<p><u>HB 154</u> Fern Tabled H Tax</p>	<ul style="list-style-type: none"> Increases population limits for communities that may levy a resort tax Cities with resort taxes are required to use at least 5% of revenue to reduce the municipal property tax levy 	<p>N/A</p>	<p>\$0</p>	<p>May shift city property taxes to payers of resort tax</p>
<p><u>SB 313</u> Pope Tabled S Tax</p>	<p>Provides for a city local option tax of up to 4% and requires 25% of proceeds to reduce the city property tax levy</p>	<p>N/A</p>	<p>\$0</p>	<p>May shift city property taxes to payers of local option tax</p>
<p>Homestead Exemptions</p>				
<p><u>HB 690</u> Galloway Tabled H Tax</p>	<ul style="list-style-type: none"> Exempts the market value of a residential property that exceeds market value in 2021 Requires occupancy for 7 months of the year Does not apply to property sold to a non-family member, new construction, or remodeled or reclassified property 	<p>326,707 eligible properties</p>	<p>-\$12.050 million (FY24)</p>	<p>Increase in local mills of estimated 27.06 mills</p>
<p>Rate Reductions</p>				
<p><u>HB 636</u> Nave Tabled H Tax</p>	<ul style="list-style-type: none"> Revises tax rates for residential, commercial, and agricultural property to 1.2%, 1.704%, and 2.14%, respectively to provide for taxable value neutrality DOR calculates taxable value neutral rates and <u>reports to RIC</u> 	<p>N/A</p>	<p>-\$24.180 million, state mills -\$6.368 million, increased GTB</p>	<p>Increase in local mills of estimated 32.76 mills</p>

PROPERTY TAX ABATEMENTS

This section includes information on property tax abatements, which are generally temporary reductions in taxable value for a purpose specified in state law. The abatements summarized in the table below vary in who grants the abatement (the state or a local government) and whether the abatement applies to all property taxes levied against the property or only certain mill levies. Three exemptions related to local economic development organizations are included in this section because they are granted by local governments rather than the state.

Because the abatements are often granted locally, usage and fiscal impact data is limited. [This report](#) prepared for the House Joint 35 Study Committee last interim includes county-by-county data for three abatements for tax years 2010 through 2019.

TABLE 3: PROPERTY TAX ABATEMENTS

Abatement	Description	Usage	State Revenue Impact	Local Impact
Energy Production or Development Tax Abatement	<ul style="list-style-type: none"> State and local abatement of 50% of value for certain energy production and development facility and equipment during the construction period and the first 15 years of operation (up to 19 years total) DEQ determines eligibility upon application 	4 claimants with a reduction in value of \$2.148 million for a total tax benefit of \$991,843	-\$217,171 (TY21)	Local tax shifts of \$774,672 (TY21)
New or Expanding Industry Abatement	<ul style="list-style-type: none"> Local abatement for new industry or expansion of existing industry 75% or 50% of value is exempt in first 5 years after start of construction and is phased down equally over next 5 years Abatement applies only to local school mills and mills levied by city and/or county approving abatement 	Unknown	\$0	Unknown
Remodeling Abatement	<ul style="list-style-type: none"> Local abatement applied to increased taxable value from remodeling or reconstruction of property during construction and 4 years following construction Required increase in TV to qualify: 5%, commercial property; 2.5%, non-commercial Property is exempt during construction and the value phases in 20% each year Abatement applies only to local school mills and mills levied by city and/or county approving abatement 	Unknown	\$0	Unknown

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Abatement	Description	Usage	State Revenue Impact	Local Impact
<u>Business Incubator Exemption</u> <u>Industrial Park Exemption</u> <u>Local Economic Development Organization Exemption</u>	<ul style="list-style-type: none"> Exemption for business incubator or industrial park operated by a local economic development organization or a building/land owned by a local economic development organization that it intends to sell/lease to a profit-oriented, employment-stimulating business Exemption applies to mill levies of city, county, and/or school district approving the exemption and to the 101 state mills if the county approves the exemption Exemption terminates the year after the sale or lease of the property to an entity other than a local economic development organization or a unit of local, state, or federal government 	Likely included in general exemption estimates (likely in charitable organizations category)		
<u>Gray Water System Abatement</u>	<ul style="list-style-type: none"> Abatement for an individual dwelling or multiple dwelling project with a gray water system Property is taxed at 91% of market value during construction and for 10 years after completion of construction DOR determines eligibility upon application 	One application granted in 2014	Unknown	Unknown

EXEMPT PROPERTY

The Legislature provides exemptions from property taxes for a variety of property types in [Title 15, chapter 6, part 2](#). Most exemptions require ownership and use of the property for the exempt purpose. Exempt properties may still be subject to special assessments and fees.

The Department of Revenue does not generally value exempt property. The following table prepared by the Department does, however, estimate the value of exempt property, state revenue losses, and local tax shifts. The numbers provided are likely an underestimate of the value of exempt property.

TABLE 4: PROPERTY TAX EXEMPTIONS BY CATEGORY

TY 2021 Estimated Tax Expenditures for Generally Exempt Property				
<u>Exemption Type</u>	<u>Properties</u>	<u>Market Value</u>	<u>Tax Shift</u>	<u>Tax Expenditure</u>
Governmental Exemptions	31,871	11,562,339,472	80,911,312	15,473,551
Non-Profit Health Care	488	1,694,535,556	19,379,510	3,256,262
Religious Exemptions	3,648	1,638,573,474	17,157,081	3,075,597
Charitable Exemptions	1,073	685,310,095	7,294,932	1,281,103
Educational Exemptions	324	570,108,641	6,264,439	1,084,860
Low Income Housing	210	456,090,066	5,293,799	858,603
Developmentally Disabled Org/Mentally Impaired	320	149,690,276	1,657,354	268,377
Community Service Building/Fraternal	368	141,160,409	1,527,109	269,430
Low Value Mobile Home	17,028	107,427,912	753,996	147,281
Retired/Aged/Chronically Ill	49	98,873,903	1,231,733	189,226
Art Galleries/Observatories/Zoos/Museums	101	63,347,874	624,861	119,533
Cemetery, Mausoleums, Crematories	149	44,950,030	512,401	85,669
Veteran's Clubhouse	89	20,731,023	228,140	39,246
Non-Profit Water Association	77	10,029,316	86,313	18,269
Non-Profit International Athletic Facility	3	6,479,430	78,298	12,454
Natural Disaster	49	3,729,157	23,263	5,146
Horticulture/Agricultural Societies	2	3,207,301	28,700	6,123
Historic Abatement	3	301,530	3,052	576
<u>Missing</u>	<u>3,917</u>	<u>\$174,869,311</u>	<u>\$1,605,998</u>	<u>\$299,960</u>
Total	<u>59,769</u>	<u>\$17,431,754,776</u>	<u>\$144,662,291</u>	<u>\$26,491,266</u>

Source: Department of Revenue