

# PROPERTY TAX ASSISTANCE PROGRAMS

REVENUE INTERIM COMMITTEE  
MEGAN MOORE - MAY 2024

Property tax assistance programs in Montana include three programs administered through the property tax system and one income tax credit. All are targeted at people who reside in Montana for more than half of the year.

The Property Tax Assistance Program (PTAP) is the broadest program and is available for the primary residence of limited income homeowners. Other property tax assistance is targeted to elderly homeowners and renters, 100% disabled veterans and surviving spouses, or land in long-term ownership that is valued disproportionately higher than the primary residence on the property.

## THREE STATE PROGRAMS REDUCE PROPERTY VALUES

The Property Tax Assistance Program, Disabled Veteran Program, and Intangible Land Value Exemption reduce property values for eligible property owners.

### PROPERTY TAX ASSISTANCE PROGRAM ASSISTS LOW-INCOME HOMEOWNERS

The Property Tax Assistance Program (PTAP), provided for in [15-6-305](#), reduces the taxable value for the primary residence of homeowners with limited or fixed incomes. A primary residence is a dwelling in which the taxpayer lives for at least 7 months of the year.

The taxable value reduction, which applies to \$350,000 of market value, results in lower property tax payments for program participants. The homeowner's and spouse's income determines the reduction in taxable value. Income is federal adjusted gross income excluding capital and income losses.

The qualifying income amounts are adjusted annually for inflation. The \$350,000 market value eligible for the reduction is adjusted for inflation after each 2-year reappraisal cycle.

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

### PTAP INCOME LIMITS AND VALUE SUBJECT TO TAXATION, 2024

Income - Single	Income - Married/Head of Household	Percentage of Value Subject to Taxation <sup>1</sup>
\$0 - \$13,590	\$0 - \$18,310	20%
\$13,591 - \$18,580	\$18,311 - \$27,667	50%
\$18,581 - \$27,621	\$27,668 - \$37,019	70%

<sup>1</sup> Applies only to first \$350,000 of market value. Additional market value is fully taxable.

PTAP USAGE, BENEFIT, REVENUE LOSS, AND TAX SHIFT, 2005-2023

In 2023, 20,500 PTAP participants received an average benefit of \$886 in tax reductions resulting from \$32.4 million in reduced taxable values. The reduction in taxable value shifts taxes to taxpayers not eligible for PTAP and reduces state revenue collected from the 95 mills for school equalization and the 6-mill university levy. PTAP tax shifts totaled \$14.9 million in 2023, and the loss in state revenue was \$3.3 million.

Property Tax Expenditure - PTAP						
<u>Tax Year</u>	<u>Participants</u>	<u>Reduction in Taxable Value</u>	<u>Loss in State Revenue</u>	<u>Tax Shifts</u>	<u>Total Tax Benefit to Participants</u>	<u>Average Tax Benefit</u>
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	22,639	\$27,692,549	\$2,813,852	\$15,720,994	\$18,534,846	\$819
2021	22,474	\$29,075,913	\$2,954,368	\$15,604,819	\$18,559,187	\$826
2022	21,527	\$28,007,306	\$2,845,918	\$15,292,524	\$18,138,442	\$843
2023	20,500	\$32,384,019	\$3,290,398	\$14,879,598	\$18,169,996	\$886

Source: Department of Revenue

MOST PTAP PARTICIPANTS ARE 65 OR OLDER

Because taxpayers aged 65 and older are eligible for an additional income tax deduction, cross referencing income tax records with PTAP data reveals some information about participant ages.

PTAP Participants by Age	
65 and older	59%
Under 65	11%
Non-filers	30%

Source: Department of Revenue

## LEGISLATION INCREASES MARKET VALUE LIMIT AND INCOME THRESHOLDS IN 2024

The 2023 Legislature enacted [House Bill 189](#) to expand the PTAP program beginning in the 2024 property tax year. The bill increases the market value limit from \$200,000 to \$350,000 and adds an inflationary adjustment for each subsequent 2-year reappraisal cycle.

The legislation also expands the income thresholds by setting the high end of the range for taxpayers who receive the greatest benefit at the federal poverty level for 2022. The higher income tiers are increased by the same dollar amount as the difference between the prior high end of the lowest income level and the federal poverty level.

## DISABLED VETERAN PROGRAM OFFERS RELIEF FOR 100% DISABLED VETERANS

The Disabled Veteran Program (DAV), provided for in [15-6-311](#), reduces the taxable value for the primary residence of a 100% disabled veteran or an unmarried surviving spouse. A primary residence is a dwelling in which the taxpayer lives for at least 7 months of the year.

The taxable value reduction results in lower property tax payments for program participants. The homeowner's and spouse's income determines the reduction in taxable value. Income is federal adjusted gross income excluding capital and income losses.

The qualifying income amounts are adjusted annually for inflation. After qualifying for DAV, participants are not required to reapply each year but must verify their income annually by returning a form sent by the Department of Revenue.

## DAV INCOME LIMITS AND VALUE SUBJECT TO TAXATION, 2024

Income - Single	Income - Married/Head of Household	Income - Surviving Spouse	Percentage of Value Subject to Taxation
\$0 - \$45,803	\$0 - \$54,963	\$0 - \$38,169	0%
\$45,804 - \$50,384	\$54,964 - \$59,544	\$38,170 - \$42,750	20%
\$50,385 - \$54,963	\$59,545 - \$64,124	\$42,751 - \$47,330	30%
\$54,964 - \$59,554	\$64,125 - \$68,705	\$47,331 - \$51,911	50%

## DAV USAGE, BENEFIT, REVENUE LOSS, AND TAX SHIFT, 2005-2023

In 2023, 3,243 DAV participants received an average benefit of \$2,337 in tax reductions resulting from \$14.2 million in reduced taxable values. DAV tax shifts totaled \$6.1 million in 2023, and the loss in state revenue was \$1.4 million.

The design of the disabled veteran program provides a larger benefit to more participants than does PTAP because:

1. The DAV benefit applies to the entire market value of the primary residence, not \$350,000 as for PTAP.
2. The income limits for the disabled veteran program are higher than for PTAP.
3. At each income level, the percentage of value subject to taxation is lower for DAV than for PTAP.

Property Tax Expenditure - MDV						
<u>Tax Year</u>	<u>Participants</u>	<u>Reduction in Taxable Value</u>	<u>Loss in State Revenue</u>	<u>Tax Shifts</u>	<u>Total Tax Benefit to Participants</u>	<u>Average Tax Benefit</u>
2005	1,457	\$2,700,858	\$272,787	\$1,136,845	\$1,409,632	\$967
2006	1,546	\$2,915,543	\$294,470	\$1,241,555	\$1,536,024	\$994
2007	1,608	\$3,158,974	\$319,056	\$1,352,451	\$1,671,508	\$1,039
2008	1,711	\$3,237,648	\$327,002	\$1,415,241	\$1,742,243	\$1,018
2009	1,643	\$3,768,883	\$383,125	\$1,711,423	\$2,094,548	\$1,275
2010	1,800	\$4,001,902	\$406,865	\$1,904,963	\$2,311,828	\$1,284
2011	2,037	\$4,061,664	\$412,888	\$1,937,029	\$2,349,917	\$1,154
2012	2,095	\$4,230,522	\$429,951	\$2,024,742	\$2,454,693	\$1,172
2013	2,147	\$4,413,666	\$448,579	\$2,156,731	\$2,605,310	\$1,213
2014	2,199	\$4,562,601	\$463,708	\$2,268,044	\$2,731,752	\$1,242
2015	2,103	\$4,916,616	\$499,854	\$2,495,371	\$2,995,225	\$1,424
2016	2,383	\$5,324,319	\$541,332	\$2,764,896	\$3,306,227	\$1,387
2017	2,427	\$5,920,080	\$601,769	\$3,176,103	\$3,777,872	\$1,557
2018	2,567	\$6,370,030	\$647,417	\$3,528,561	\$4,175,978	\$1,627
2019	2,660	\$7,266,634	\$738,592	\$3,937,860	\$4,676,452	\$1,758
2020	2,824	\$7,944,119	\$807,196	\$4,315,708	\$5,122,904	\$1,814
2021	2,960	\$9,361,039	\$950,985	\$4,778,511	\$5,729,496	\$1,936
2022	3,028	\$9,573,247	\$972,630	\$4,970,760	\$5,943,390	\$1,963
2023	3,243	\$14,177,406	\$1,440,173	\$6,137,639	\$7,577,813	\$2,337

Source: Department of Revenue

### MOST DAV PARTICIPANTS ARE 65 OR OLDER

Cross referencing income tax records with DAV data shows that more than half of DAV participants are 65 or older.

DAV Participants by Age	
65 or older	56%
Under 65	24%
Non-filers	20%

Source: Department of Revenue

## INTANGIBLE LAND VALUE EXEMPTION REDUCES DISPROPORTIONATE VALUE

The Intangible Land Value Exemption, provided for in [15-6-240](#), applies to up to 5 acres of land valued disproportionately higher than the primary residence located on the land. The value of land that is greater than 150% of the appraised value of the primary residence is exempt.<sup>2</sup>

The exemption requires ownership of the land by the applicant or a family member for at least 30 consecutive years.<sup>3</sup> A single-family dwelling occupied by the applicant for at least 7 months of the year qualifies as a primary residence.

### INTANGIBLE LAND USAGE, BENEFIT, REVENUE LOSS, AND TAX SHIFT, 2018-2023

The exemption, first available in 2018, is used by a relatively small number of taxpayers. In 2023, 197 taxpayers received an average benefit of \$3,028 from \$1.5 million of exempt land value.

The loss in state revenue was about \$150,000 and the tax shifts totaled about \$450,000.

Land Value Property Tax Assistance Program Exemption Tax Expenditure Tax Year 2018 to Tax Year 2023						
Tax Year	Exempted Taxable Value	Loss in State Revenue	Tax Shift	Benefit to Participants	Participants	Average Benefit
2018	\$592,904	\$59,909	\$291,587	\$351,496	104	\$3,380
2019	\$594,461	\$60,072	\$285,401	\$345,473	120	\$2,879
2020	\$690,142	\$69,748	\$328,471	\$398,219	152	\$2,620
2021	\$663,594	\$67,081	\$281,932	\$349,013	151	\$2,311
2022	\$703,290	\$71,092	\$294,711	\$365,803	166	\$2,204
2023	\$1,463,532	\$147,903	\$448,612	\$596,515	197	\$3,028

Source: Department of Revenue

<sup>2</sup> The value is equal to the statewide average value of land if 150% of the appraised value of the primary residence and improvements results in a value less than the statewide average value of land.

<sup>3</sup> Family members must be within the third degree of consanguinity. Per ARM [42.19.407](#), this includes an individual's parent, child, sibling, grandparent, grandchild, great-grandparent, great-grandchild, aunt, uncle, niece, or nephew.

## INCOME TAX CREDIT FOR ELDERLY HOMEOWNERS AND RENTERS

The income tax credit for elderly homeowners and renters, provided for in [15-30-2337](#) through [15-30-2341](#), is a refundable income tax credit of up to \$1,150 for homeowners and renters who are 62 or older and who have gross household income of less than \$45,000.

To qualify for the credit, the elderly homeowner or renter must have resided in Montana for at least 9 months of the year and have occupied one or more dwellings as an owner or renter for at least 6 months of the year.

Participants in the three property tax assistance programs may also claim the elderly homeowner and renter income tax credit if they meet the age, income, and occupancy requirements.

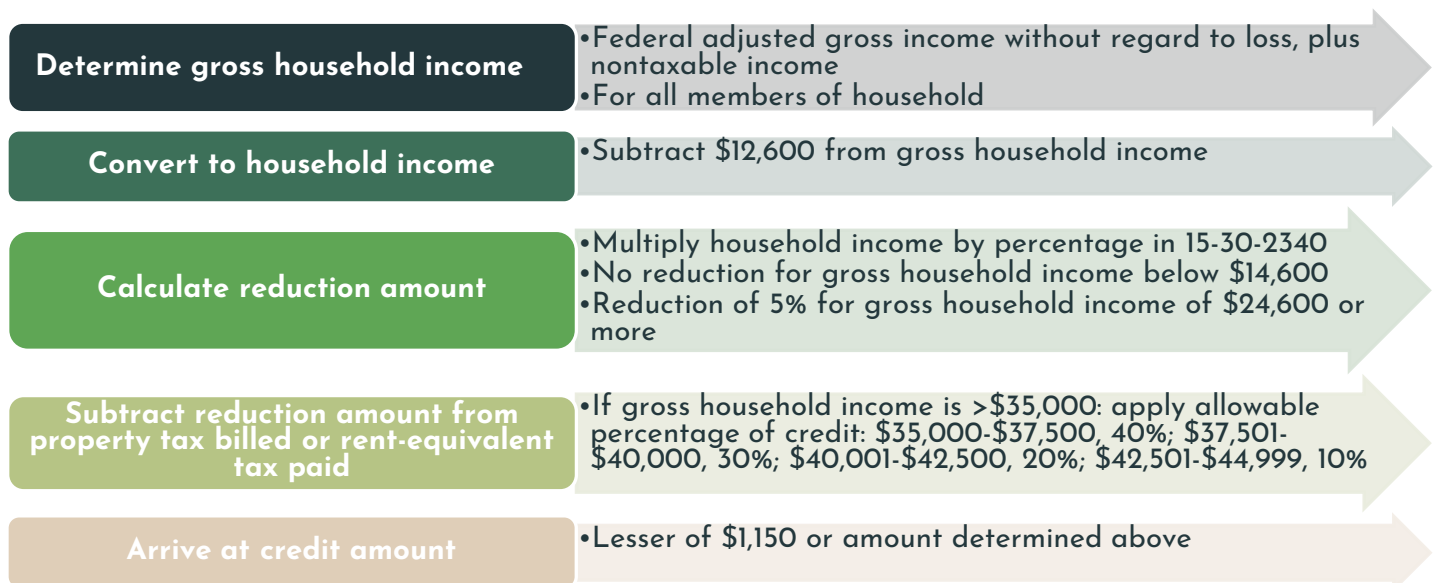
The credit amount is based on gross household income and property tax billed, including special assessments, or 15% of gross rent. The income used to calculate the credit is federal adjusted gross income, without regard to loss, plus all nontaxable income. Nontaxable income includes social security benefits unless they are paid directly to a nursing home. The credit phases out for taxpayers with gross household income above \$35,000 and is not available for gross household income above \$45,000.

Because the income used to calculate the elderly homeowner and renter credit includes nontaxable income, it is likely higher than the income used to determine PTAP or DAV eligibility. However, taxpayers may participate in PTAP or DAV and claim the elderly homeowner and renter credit.

The credit is not available for:

- property taxes or rent paid with a public subsidy program; or
- rented dwellings not subject to property tax, except for a dwelling rented from a county or municipal housing authority.

### STEPS IN CALCULATING ELDERLY HOMEOWNER AND RENTER CREDIT



## ELDERLY HOMEOWNER AND RENTER CREDIT USAGE AND REVENUE LOSS, 2013-2022

As an income tax credit, the elderly homeowner and renter tax credit reduces general fund revenue. Unlike the property tax assistance programs that reduce property values, the credit does not result in property tax shifts.

In 2022, 16,273 elderly homeowners and renters claimed \$10.6 million worth of credits for an average credit amount of \$651.

About 21% of taxpayers claiming the elderly homeowner and renter credit also participated in the property tax assistance program. The average elderly homeowner and renter credit for taxpayers who received both benefits was \$620.<sup>4</sup>

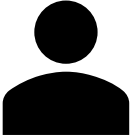

Elderly Homeowner and Renter Credit								
Tax Year 2013 to Tax Year 2022								
	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	17,759	\$8,471,344	-	-	27	\$14,550	17,786	\$8,485,894
2014	16,355	\$7,834,611	*	\$1,026	16	\$5,740	*	\$7,841,377
2015	16,112	\$7,817,883	-	-	22	\$10,962	16,134	\$7,828,845
2016	16,173	\$8,008,009	*	\$1,768	25	\$8,407	*	\$8,018,184
2017	16,261	\$8,294,505	-	-	16	\$5,740	16,277	\$8,300,245
2018	16,195	\$8,372,909	-	-	28	\$17,460	16,223	\$8,390,369
2019	15,229	\$8,051,148	-	-	24	\$9,540	15,253	\$8,060,688
2020	14,615	\$7,837,867	-	-	19	\$9,015	14,634	\$7,846,882
2021	13,052	\$7,038,801	*	\$63	19	\$10,576	*	\$7,049,440
2022	16,242	\$10,579,731	-	-	31	\$15,178	16,273	\$10,594,909

\* Not disclosed due to confidentiality concerns

Source: Department of Revenue

<sup>4</sup> Email from Dylan Cole, Department of Revenue, April 12, 2024.

**EXAMPLE: TAXPAYER ELIGIBLE FOR PTAP AND ELDERLY CREDIT**

	Age: 70		Market Value: \$350,000
	Income: \$21,000 (Social Security)		Mill Levy: 650 mills
Property Tax Assistance Program		Elderly Homeowner & Renter Credit	
	Notes/Calculations		Notes/Calculations
Qualifying income: \$0	Nontaxable social security not included in federal adjusted gross income	Gross household income: \$21,000	Federal adjusted income plus nontaxable income
Value Subject to Taxation: 20%	80% of value exempted	Household income: \$8,400	21,000 - 12,600
Taxable value: \$945	$350,000 * 1.35% * 20%$	Reduction amount: \$328	$8,400 * 0.039$ (from <a href="#">15-30-2340</a> )
Taxes due: \$614 (\$2,457 savings)	$945 * 650/1000$	Credit amount: \$286	Taxes paid: 614 - reduction amount: 328
<b>Total property taxes paid less Elderly Homeowner and Renter credit: \$328</b> <b>Total PTAP and Elderly Homeowner and Renter Credit Benefit: \$2,743</b>			