GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**HB0831.01: Increase elderly homeowner and renter income tax credit**		
Primary Sponsor:	George Nikolakakos	Status:	As Introduced

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$0	$0	$0
Revenues				
General Fund (01)	($3,661,000)	($4,059,000)	($4,250,000)	($4,490,000)
Net Impact General Fund Balance	($3,661,000)	($4,059,000)	($4,250,000)	($4,490,000)

Description of fiscal impact

HB 831 makes three changes to the Elderly Homeowner and Renter Credit, which is a refundable income tax credit available to Montana residents 62 and older. It increases the maximum credit from $1,150 to $1,400; increases the income exclusion from $12,600 to $14,100; and increases the steps of the credit phase-out. The maximum credit and income exclusion are indexed for inflation in future years. The credit claims are estimated to increase by $3.661 million starting in FY 2026 with approximately 3,300 more households eligible to claim the credit.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. The Elderly Homeowner and Renter credit is currently available for people who live in Montana for 9 months of the year, are 62 or older, and who earn less than $45,000 per year. The income criteria for this program include certain additions to federal adjusted gross income like social security and retirement distributions. The credit is claimed on a Montana individual income tax filing or separate filing with the department if the claimant meets the requirements and does not have to file an Montana income tax form.
2. The credit is based off property taxes paid or 15% of gross rent paid minus a formula based on household income.
3. The maximum credit is $1,150. HB 831 raises this maximum to $1,400.
4. There is an income deduction as a step in the process of determining credit amount equal to $12,600. HB 831 increases this deduction to $14,100.
5. The credit phases out in $2,500 increments for incomes greater than $35,000 from 40% to 0% by an income of $45,000. HB 831 bumps up the $35,000 phaseout to 60% and keeps the same incremental phaseout structure, resulting in 0% credit for household incomes above $50,000. The table below compares the credit phaseout structure.

Credit Phaseout		
Income Range	Current	HB 831
Up to $35,000	100%	100%
$35,000 - $37,500	40%	60%
$37,500 - $40,000	30%	50%
$40,000 - $42,500	20%	40%
$42,500 - $45,000	10%	30%
$45,000 - $47,500	0%	20%
$47,500 - $49,999	0%	10%
$50,000 or more	0%	0%

6. Credit amounts are estimated based on property ownership information from the Tax Year 2024 rebate. Tax Year 2024 property characteristics were matched onto Tax Year 2023 income tax information.
7. A property owner that took the elderly income exclusion available to taxpayers 65 and older or a property owner with a prior record of claiming the Elderly Homeowner and Renter credit was considered viable under the expanded credit levels of HB 831.
8. Credits estimated under this framework were only 90% of total homeowner credits claimed in Tax Year 2023, implying not every homeowner who claimed the elderly homeowner credit also claimed the rebate. Credit estimates from the sample are increased by 10% to account for this.
9. Renter credits are estimated in proportion to changes in homeowner credits since there is no sample of eligible renters.
10. It is assumed only credits of greater than $20 will be claimed. Any credit qualification for less than this amount is discarded from the results. This is about 300 credit claimants.
11. Homeowner credit amounts are estimated at $10.366 million, which implies an increase of $2.770 million in this group. An additional 2,500 homeowners are expected to qualify for a credit.
12. Renter credits are assumed to increase by a proportionate amount: from $2.443 million to $3.334 million. An increase of $891,000 with an additional 800 new participants.
13. The combined credit increase is about 3,300 new participants with a credit increase of about $3.661 million.
14. HB 831 also ties the maximum credit amount and income exclusion to the inflation factor contained in 15-30-2101, MCA. These inflation factors are estimated to increase the amounts by 4.9% in TY 2026, 8.1% in TY 2027, and 10.4% in TY 2028, relative to current law. The table below shows the income exclusion and credit maximums for the fiscal years of the fiscal note.

Effects of Inflation on Credit				
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**
Income Exclusion	$14,100	$14,800	$15,200	$15,600
Maximum Credit	$1,400	$1,470	$1,510	$1,550

15. It is assumed that incomes will grow by half the rate of inflation mentioned in assumption 14.
16. These assumptions yield estimated additional credit amounts of $4.059 million in FY 2027, $4.250 million in FY 2028, and $4.490 million in FY 2029.
17. The department will absorb the additional applicants expected under HB 831 with existing staff.

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Funding of Expenditures				
Revenues				
General Fund (01)	($3,661,000)	($4,059,000)	($4,250,000)	($4,490,000)
TOTAL Revenues	**($3,661,000)**	**($4,059,000)**	**($4,250,000)**	**($4,490,000)**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($3,661,000)	($4,059,000)	($4,250,000)	($4,490,000)

GN	3/18/25	RO	3/17/2025
Sponsor's Initials	Date	Budget Director's Initials	Date