

SENATE BILL NO. 173

INTRODUCED BY D. FERN

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX RELIEF FOR RESIDENTIAL PROPERTY TAXES PAID; PROVIDING FOR A WORKFORCE RENTER'S TAX CREDIT FOR RENT-EQUIVALENT TAXES PAID; PROVIDING THAT A QUALIFYING TEACHER MAY EXCLUDE CERTAIN INCOME WHEN CALCULATING THE CREDIT; PROVIDING ELIGIBILITY REQUIREMENTS; INCREASING THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY; PROVIDING AN INFLATIONARY ADJUSTMENT FOR THE INCOME AT WHICH THE CREDITS PHASE OUT; AMENDING SECTIONS 15-30-2303, 15-30-2337, 15-30-2340, AND 53-4-1103, MCA; REPEALING SECTIONS 4, 5, 9, AND 10, CHAPTER 476, LAWS OF 2021; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Workforce renter's tax credit -- certain income of teacher exempt.

(1) There is a workforce renter's credit against the taxes imposed by this chapter for a person under 62 years of age with gross household income of less than \$45,000 who pays rent-equivalent property taxes as provided in this section.

(2) Except as provided in subsection (3), the eligibility, application, and limitation provisions of 15-30-2338, 15-30-2339, and 15-30-2341 that apply to renters, excluding the age requirement, apply to the workforce renter's credit.

(3) To qualify for the credit under this section:

(a) a claimant's gross rent must equal 30% or more of earned income; and

(b) the claimant may not reside in a deed-restricted apartment or a rented dwelling that is not subject to Montana property taxes.

(4) Except as provided in subsection (5), the credit is calculated as provided in 15-30-2340, except the maximum credit amount is:

1 (a) if gross rent is 40% or less of earned income, \$1,200; and

2 (b) if gross rent is more than 40% of earned income, \$1,750.

3 (5) When calculating the credit under 15-30-2340, a qualifying teacher may exclude from federal
4 adjusted gross income any earned income from employment other than as a qualifying teacher.

5 (6) If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the
6 excess must be refunded to the claimant. The credit may be claimed even though the claimant has no income
7 taxable under this chapter.

8

9 **Section 2.** Section 15-30-2303, MCA, is amended to read:

10 **"15-30-2303. Tax credits subject to review by interim committee.** (1) The following tax credits
11 must be reviewed during the biennium commencing July 1, 2021, and during each biennium commencing 8
12 years thereafter:

13 (a) the credit for donations to innovative educational programs provided for in 15-30-2334, 15-30-
14 3110, and 15-31-158;

15 (b) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-
16 30-3111, and 15-31-159; and

17 (c) the adoption tax credit provided for in 15-30-2321.

18 (2) The following tax credits must be reviewed during the biennium commencing July 1, 2023, and
19 during each biennium commencing 8 years thereafter:

20 (a) the credit for infrastructure use fees provided for in 17-6-316;

21 (b) the credit for contributions to a qualified endowment provided for in 15-30-2327 through 15-30-
22 2329, 15-31-161, and 15-31-162;

23 (c) the credit for property to recycle or manufacture using recycled material provided for in Title 15,
24 chapter 32, part 6; and

25 (d) the credit for preservation of historic buildings provided for in 15-30-2342 and 15-31-151.

26 (3) The following tax credits must be reviewed during the biennium commencing July 1, 2025, and
27 during each biennium commencing 8 years thereafter:

28 (a) the residential property tax credit for the elderly provided for in 15-30-2337 through 15-30-

1 2341;

2 ~~(b)~~ the workforce renter's tax credit provided for in [section 1];

3 ~~(b)(c)~~ the credit for unlocking state lands provided for in 15-30-2380;

4 ~~(e)(d)~~ the job growth incentive tax credit provided for in 15-30-2361 and 15-31-175; and

5 ~~(d)(e)~~ the credit for trades education and training provided for in 15-30-2359 and 15-31-174.

6 (4) The following tax credits must be reviewed during the biennium commencing July 1, 2027, and
7 during each biennium commencing 8 years thereafter:

8 (a) the credit for hiring a registered apprentice or veteran apprentice provided for in 15-30-2357
9 and 15-31-173;

10 (b) the earned income tax credit provided for in 15-30-2318;

11 (c) the media production and postproduction credits provided for in 15-31-1007 and 15-31-1009;
12 and

13 (d) the credit for contractor's gross receipts provided for in 15-50-207.

14 (5) The revenue interim committee shall review the tax credits scheduled for review and make
15 recommendations in accordance with 5-11-210 at the conclusion of the full review to the legislature about
16 whether to eliminate or revise the credits. The committee shall also review any tax credit with an expiration date
17 or termination date that is not listed in this section in the biennium before the credit is scheduled to expire or
18 terminate.

19 (6) The revenue interim committee shall review the credits using the following criteria:

20 (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions
21 that may have been made regardless of the existence of the tax credit;

22 (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;

23 (c) whether the credit has out-of-state beneficiaries;

24 (d) the timing of costs and benefits of the credit and how long the credit is effective;

25 (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or
26 elimination outweigh adverse impacts; and

27 (f) the extent to which benefits of the credit affect the larger economy. (Subsection ~~(3)(e)~~ ~~(3)(d)~~
28 terminates December 31, 2028--sec. 4, Ch. 391, L. 2023; subsection ~~(3)(d)~~ ~~(3)(e)~~ terminates December 31,

1 2028--sec. 2, Ch. 576, L. 2023; subsection (1)(c) terminates December 31, 2031--sec. 6, Ch. 493, L. 2023.)"

2

3 **Section 3.** Section 15-30-2337, MCA, is amended to read:

4 **"15-30-2337. Residential property tax credit for elderly -- definitions.** As used in 15-30-2337
5 through 15-30-2341 and [section 1], the following definitions apply:

6 (1) "Claim period" means the tax year for individuals required to file Montana individual income tax
7 returns and the calendar year for individuals not required to file returns.

8 (2) "Claimant" means a person who is eligible to file a claim under 15-30-2338.

9 (3) "Deed-restricted apartment" means a residential unit that is required to be used as affordable
10 housing for a period of time pursuant to a restrictive covenant or similar enforceable, recorded instrument, with
11 income targets that are no higher than 80% of area median income.

12 ~~(3)(4)~~ "Department" means the department of revenue.

13 ~~(5)~~ "Earned income" means earned income as defined in section 32 of the Internal Revenue Code,
14 26 U.S.C. 32.

15 ~~(4)(6)~~ "Gross household income" means all income received by all individuals of a household while
16 they are members of the household.

17 ~~(5)(7)~~ "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period
18 by the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with
19 the landlord.

20 ~~(6)(8)~~ "Homestead" means:

21 (a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in
22 Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its
23 use as a dwelling; or

24 (b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or
25 municipal housing authority as provided in Title 7, chapter 15.

26 ~~(7)(9)~~ (a) "Household" means an association of persons who live in the same dwelling, sharing its
27 furnishings, facilities, accommodations, and expenses.

28 (b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(8)(10) "Household income" means the amount obtained by subtracting ~~[\$12,600]~~ \$12,600 from gross household income.

(9)(11) (a) "Income" means, except as provided in subsection (9)(b) (11)(b), federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:

(i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;

(ii) the amount of capital gains excluded from adjusted gross income;

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief;

(vii) interest on federal, state, county, and municipal bonds; and

(viii) all payments received under federal social security except social security income paid directly to a nursing home.

(b) For the purposes of this subsection (9) (11), income is reduced by the taxpayer's basis.

(10)(12) "Property tax billed" means taxes levied against the homestead, including special assessments and fees but excluding penalties or interest during the claim period.

(13) "Qualifying teacher" means a teacher employed during the tax year for which the workforce renter's credit is claimed by an elementary or secondary school accredited by the board of public education or recognized by the board as an essentially equivalent program for teacher certification purposes.

(14)(14) "Rent-equivalent tax paid" means 15% of the gross rent. ~~(Bracketed language in subsection (8) is temporarily amended to "\$6,300" on occurrence of contingency for income tax years 2022, 2023, 2024, and 2025 until December 31, 2025--sec. 13, Ch. 476, L. 2021.)~~

Section 4. Section 15-30-2340, MCA, is amended to read:

"15-30-2340. Residential property tax credit for elderly -- computation of relief. (1) The amount of the tax credit granted under the provisions of 15-30-2337 through 15-30-2341 is computed as follows:

1 provided in this section.

2 ~~(1)(2)~~ In Subject to subsection (4):

3 (a) in the case of a claimant who owns the homestead for which a claim is made, the credit is the
4 amount of property tax billed less the deduction specified in subsection ~~(4)~~ (3).

5 ~~(2)(b)~~ In in the case of a claimant who rents the homestead for which a claim is made, the credit is
6 the amount of rent-equivalent tax paid less the deduction specified in subsection ~~(4)~~ (3).

7 ~~(3)(c)~~ In in the case of a claimant who both owns and rents the homestead for which a claim is made,
8 the credit is:

9 ~~(a)(i)~~ the amount of property tax billed on the owned portion of the homestead less the deduction
10 specified in subsection ~~(4)~~ (3); plus

11 ~~(b)(ii)~~ the amount of rent-equivalent tax paid on the rented portion of the homestead less the
12 deduction specified in subsection ~~(4)~~ (3).

13 ~~(4)(3)~~ Property tax billed and rent-equivalent tax paid are reduced according to the following
14 schedule:

Household income	Amount of reduction
\$0 - \$999	\$0
\$1,000 - \$1,999	\$0
\$2,000 - \$2,999	the product of .006 times the household income
\$3,000 - \$3,999	the product of .016 times the household income
\$4,000 - \$4,999	the product of .024 times the household income
\$5,000 - \$5,999	the product of .028 times the household income
\$6,000 - \$6,999	the product of .032 times the household income
\$7,000 - \$7,999	the product of .035 times the household income
\$8,000 - \$8,999	the product of .039 times the household income
\$9,000 - \$9,999	the product of .042 times the household income
\$10,000 - \$10,999	the product of .045 times the household income
\$11,000 - \$11,999	the product of .048 times the household income

\$12,000 & over

the product of .050 times the household income

(5)(4) For Except as provided in subsection (7), for a claimant whose household income is \$35,000 or more but less than \$45,000, the amount of the credit is equal to the credit calculated under this section multiplied by the decimal equivalent of a percentage figure according to the following table:

Gross household income	Percentage of credit allowed
\$35,000 - \$37,500	40%
\$37,501 <u>More than \$37,500 to \$40,000</u>	30%
\$40,001 <u>More than \$40,000 to \$42,500</u>	20%
\$42,501 <u>More than \$42,500 to less than \$45,000</u>	10%
\$45,000 or more	0%

(6)(5) The credit granted may not exceed ~~[\$1,150]~~ \$1,700.

(7)(6) Relief under 15-30-2337 through 15-30-2341 is a credit against the claimant's Montana individual income tax liability for the claim period. If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess must be refunded to the claimant. The credit may be claimed even though the claimant has no income taxable under this chapter.

(7) By November 1 of each year, the department shall multiply the gross household income amounts contained in subsection (4) by the inflation factor for the following tax year and round the cumulative gross household income amounts to the nearest \$100. The resulting gross household income amounts are effective for the following tax year. (Bracketed language in subsection (6) is temporarily amended to "\$1,000" on occurrence of contingency for income tax years 2022, 2023, 2024, and 2025 until December 31, 2025—sec. 13, Ch. 476, L. 2021.)"

Section 5. Section 53-4-1103, MCA, is amended to read:

"53-4-1103. Definitions. For purposes of part 10 and this part, the following definitions apply:

(1) "Comprehensive" means health insurance having benefits at least as extensive as those provided under the children's health insurance program.

(2) "Department" means the department of public health and human services provided for in 2-15-2201.

(3) "Enrollee" means a child who is enrolled or in the process of being enrolled in the plan, including children already enrolled in the programs described in 53-4-1104(2).

(4) (a) "Enrollment partner" means an organization or individual approved by the department to assist in enrolling eligible children in the plan.

(b) An enrollment partner may be but is not limited to:

(i) a licensed health care provider;

(ii) a school;

(iii) a community-based organization; or

(iv) a government agency.

(5) "Habilitative services" means services to help a child maintain, learn, or improve skills and functioning for daily living or to prevent deterioration of skills and that may be offered in a variety of settings. The services include but are not limited to:

(a) physical therapy;

(b) occupational therapy;

(c) speech-language pathology; and

(d) behavioral health treatment, including applied behavior analysis provided by a board-certified behavior analyst.

(6) "Health coverage" means a program administered by the department or a disability insurance plan, referred to in 33-1-207(1)(b), that provides public or private health insurance for children.

(7) "Income" has the meaning provided in 15-30-2337(9)(a)(11)(a).

(8) "Plan" means the healthy Montana kids plan established in 53-4-1104.

(9) "Premium" means the amount of money charged to provide coverage under a public or private health coverage plan.

(10) "Presumptive eligibility" has the meaning provided in 42 CFR 457.355."

NEW SECTION. Section 6. Repealer. Sections 4, 5, 9, and 10, Chapter 476, Laws of 2021, are repealed.

1 NEW SECTION. **Section 7. Codification instruction.** [Section 1] is intended to be codified as an
2 integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 1].

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4 NEW SECTION. **Section 8. Effective date.** [This act] is effective on passage and approval.

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6 NEW SECTION. **Section 9. Retroactive applicability.** [This act] applies retroactively, within the
7 meaning of 1-2-109, to income tax years beginning after December 31, 2024.

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