_____ BILL NO. _____

INTRODUCED BY _____

BY REQUEST OF THE REVENUE INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: “AN ACT REVISING THE ELDERLY HOMEOWNER AND RENTER INCOME TAX CREDIT; REVISING THE DEFINITION OF "HOUSEHOLD INCOME"; INCREASING THE MAXIMUM CREDIT AMOUNT; REVISING THE PHASEOUT OF THE CREDIT; PROVIDING AN INFLATIONARY ADJUSTMENT FOR THE INCOME AT WHICH THE CREDIT PHASES OUT; AMENDING SECTIONS 15-30-2337, 15-30-2338, AND 15-30-2340, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.”

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

**Section 1.** Section 15-30-2337, MCA, is amended to read:

"**15-30-2337. Residential property tax credit for elderly -- definitions.** As used in 15-30-2337 through 15-30-2341, the following definitions apply:

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

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

(3) "Department" means the department of revenue.

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

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

(6) "Homestead" means:

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

use as a dwelling; or

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

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

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

(8) "Household income" means the amount obtained by subtracting ~~$12,600~~ $14,100 from gross household income.

(9) (a) "Income" means, except as provided in subsection (9)(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), income is reduced by the taxpayer's basis.

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

(11) "Rent-equivalent tax paid" means 15% of the gross rent."

**Section 2.** Section 15-30-2338, MCA, is amended to read:

"**15-30-2338. Residential property tax credit for elderly -- eligibility -- disallowance or**

**adjustment.** (1) In order to be eligible to make a claim under 15-30-2337 through 15-30-2341, an individual:

(a) must have reached age 62 or older during the claim period for which relief is sought;

(b) must have resided in Montana for at least 9 months of that period;

(c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months of the claim period; and

(d) must have ~~less than $45,000 of~~ gross household income less than the limit in 15-30-2340.

(2) A person is not disqualified as a claimant if the person changes residences during the claim period, provided that the person occupies one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months during the claim period.

(3) A claim is disallowed if the department finds that the claimant received title to the claimant's homestead primarily for the purpose of receiving benefits under 15-30-2337 through 15-30-2341.

(4) When the landlord and tenant have not dealt at arm's length and the department judges the gross rent charged to be excessive, the department may adjust the gross rent to a reasonable amount."

**Section 3.** 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:~~ provided in this section.

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

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

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

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

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

~~(b)~~ (ii) the amount of rent-equivalent tax paid on the rented portion of the homestead less the

deduction specified in subsection ~~(4)~~ (3).

~~(4)~~ (3) Property tax billed and rent-equivalent tax paid are reduced according to the following 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 & and 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~~ $50,000, 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%~~60% |
| ~~$37,501 -~~ More than $37,500 to $40,000 | ~~30%~~50% |
| ~~$40,001 -~~ More than $40,000 to $42,500 | ~~20%~~40% |
| ~~$42,501 - $44,999~~More than $42,500 to $45,000 | ~~10%~~30% |
| ~~$45,000 or more~~More than $45,000 to $47,500 | ~~0%~~20% |
| More than $47,500 to $49,999 | 10% |

| | |
|---|---|
| $50,000 or more | 0% |

~~(6)~~ (5) The credit granted may not exceed ~~$1,150~~ $1,400.

~~(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 year."

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

NEW SECTION. **Section 5. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to income tax years beginning after December 31, 2026.

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