



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0015 - Provide for all ages homeowner and renter tax credit (O'Brien, Shannon )

**Status:** As Introduced

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$292,635	\$142,854	\$144,682	\$146,544
<b>Revenue:</b>				
General Fund	(\$33,564,000)	(\$35,005,000)	(\$35,187,000)	(\$35,269,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$33,856,635)</u>	<u>(\$35,147,854)</u>	<u>(\$35,331,682)</u>	<u>(\$35,415,544)</u>

**Description of fiscal impact:** SB 15 removes the age requirement of at least 62 years old from the current Elderly Homeowner and Renter Credit, implements a reduced credit for credit recipients under age 62, and raises the credit cap from \$1,150 to \$1,300. The credit is renamed the Homeowner and Renter Credit. An additional 2.00 FTE will be required on an ongoing basis, and an additional 2.00 temporary FTE will be required in FY 2024. Total impacts of SB 15 are approximately \$35 million per year.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**

- Under current law the elderly homeowner and renter credit is granted to qualifying applicants who are Montana resident homeowners or renters, age 62 and older with household incomes under \$45,000 per year.
- SB 15 would eliminate the qualifying age standard and provide a discounted benefit to qualified applicant under age 62 (a 20% reduction). The bill also eliminates or modifies references to "elderly" in several sections of Title 15 of the MCA. The credit is renamed the residential property tax credit.
- TY 2021 property tax and income tax data was used to estimate the impact of this bill. Individual income tax returns with an itemized property tax deduction were matched with Class 4 Residential property tax data by

mailing address. Of the 208,301 income tax returns, 162,381 were matched to addresses in the property tax dataset, a match rate of 77.95%.

4. It is assumed the 22.05% of returns that were not matched correctly would be distributed across the same property values as the ones that were matched. This match rate is used to adjust the total credit amount upwards by the gap in matching.
5. Income tax records were matched onto 232,228 Class 4 Residential properties. Of these properties, 31,946 are estimated to qualify for some amount of credit based on the income and property characteristics.
6. The total credit amount is estimated at \$22,647,437. An average credit amount of \$708.93 per household.
7. Homeowners receiving the credit, as well as the total credit size, are scaled by the match rate adjustment of 22.05% bring the total number of expected homeowners claiming the credit to 40,980 households for a total credit amount of \$29,051,945.
8. Renter credits were estimated by calculating current credits for elderly renters and scaling the estimate by the proportion of renter’s that are over 62 years old. It is assumed that incomes and rents are not significantly different between these two demographic groups.
9. The American Community Survey from the United States Census publishes estimates on the number of renters by age group by state. Approximately 20.52% of Montana renters are over 62 years old.
10. Credits were calculated for current participants in the Elderly Homeowner and Renter Credit program under the new \$1,300 cap. Expected credits for renters are \$2.854 million.
11. Credits were then calculated for the same group but under the 20% reduction. Since the 20% reduction applies before the credit cap, simply reducing the credit estimate by 20% would underestimate credit amounts. Credits under the 20% reduction are \$2.403 million.
12. The formula to arrive at the expected credit amount is then:  $(\$2,402,522 / 0.2052) - \$2,402,522 + \$2,854,955 = \$12,162,797$
13. In TY 2021 there are 3,986 claimants for the renter portion of this tax credit.
14. This claimant number is divided by the proportion of renters that are elderly (20.52%) to arrive at total expected renters claiming the credit of 19,429.
15. This brings total expected participants for this tax credit to 60,409 households and the total credit amount to \$41.214 million.
16. This credit amount is grown by the ‘All Other Credits’ growth factor from HJ 2 to align the timeframe of the estimate with the fiscal years of this fiscal note.
17. The projected current cost of the Elderly Homeowner and Renter Credit is \$7.049 million per year. This amount is subtracted from the calculated revenue cost because it is not new spending.
18. Total expected revenue reductions are laid out in the table below.

<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
\$33,564,000	\$35,005,000	\$35,187,000	\$35,269,000

***Administrative Costs***

19. Significant audit time is currently spent on the Elderly Homeowner and Renter Credit. Based on the expected number of new qualifying households (roughly quadrupling the size of the current program), the department will require 4.00 FTE in FY 2024 (2.00 FTE would be temporary) for the initial increase in applications and 2.00 FTE ongoing for continuing application review and auditing.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>
<b><u>Department of Revenue</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
FTE	4.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$247,203	\$125,460	\$126,962	\$128,488
Operating Expenses	\$45,432	\$17,394	\$17,720	\$18,056
<b>TOTAL Expenditures</b>	<b><u>\$292,635</u></b>	<b><u>\$142,854</u></b>	<b><u>\$144,682</u></b>	<b><u>\$146,544</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>\$292,635</u>	<u>\$142,854</u>	<u>\$144,682</u>	<u>\$146,544</u>
<b>TOTAL Funding of Exp.</b>	<b><u>\$292,635</u></b>	<b><u>\$142,854</u></b>	<b><u>\$144,682</u></b>	<b><u>\$146,544</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>(\$33,564,000)</u>	<u>(\$35,005,000)</u>	<u>(\$35,187,000)</u>	<u>(\$35,269,000)</u>
<b>TOTAL Revenues</b>	<b><u>(\$33,564,000)</u></b>	<b><u>(\$35,005,000)</u></b>	<b><u>(\$35,187,000)</u></b>	<b><u>(\$35,269,000)</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$33,856,635)	(\$35,147,854)	(\$35,331,682)	(\$35,415,544)

SO  
Sponsor's Initials

1/5/23  
Date

RO  
Budget Director's Initials

1-2-23  
Date