



Revenue and Transportation Interim Committee

63rd Montana Legislature

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TO: Revenue and Transportation Interim Committee

FROM: Megan Moore, Research Analyst

RE: Review of Refundable Income Tax Credit Relief Multiple

DATE: August 19, 2014

This memorandum discusses the refundable income tax credit relief multiple and the Revenue and Transportation Interim Committee's role related to the income tax credit relief multiple.

The Refundable Income Tax Credit Relief Multiple

The provisions in section 15-30-2336, MCA, became law during the May 2007 special legislative session. The section provides for a credit against the individual income tax for a portion of the property taxes paid on a principal residence. The credit is calculated by multiplying a relief multiple by the amount of property taxes paid on the taxpayer's principal residence for the 95 mills for state school equalization on \$20,000 of market value. The section of law is reproduced below for reference [emphasis added]:

15-30-2336. Refundable income tax credit -- statewide equalization property tax levies on principal residence -- rules. (1) (a) There is a credit against the tax imposed by this chapter, which is calculated by multiplying the amount of property taxes imposed and paid on a property taxpayer's principal residence under 20-9-331, 20-9-333, and 20-9-360 on \$20,000 of market value on the residence times the relief multiple.

(b) As used in subsection (1)(a), the relief multiple is a number used to change the amount of tax relief allowed under this section. *The relief multiple is 0. Each interim, the revenue and transportation interim committee shall, based upon actual and projected state revenue and spending and any other appropriate factors, determine if a change in the relief multiple is justified. If a change is justified, the committee shall request a bill to change the relief multiple.*

(2) As used in this section, "principal residence" means a class four residential dwelling under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that is occupied by the owner for at least 7 months during the tax year.

(3) Only one claim may be made with respect to any property.

(4) 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 if the claimant has no income taxable under this chapter.

(5) The department may adopt rules to implement and administer this section.

The relief multiple has been set at 0 since the enactment of the section. When section 15-30-2336 was originally enacted, however, there was a subsection that provided for an increase in the relief multiple of 0.1 for each \$1 million by which unaudited general fund revenue received in fiscal year 2007 exceeded \$1.802 billion.¹ That subsection was deleted by the 2009 Code Commissioner bill² because it applied only to fiscal year 2007. The 2009, 2011, and 2013 Legislatures did not change the relief multiple from 0.

The Role of RTIC

Subsection (1)(b) directs the committee to determine whether the relief multiple should be changed based on actual and projected state revenue and spending and "any other appropriate factors" and to request a bill draft to change the multiple if a change is justified. The 2008, 2010, and 2012 Revenue and Transportation Interim Committees did not request a change in the relief multiple.

During the committee's discussion of this agenda item in 2008, then-Sen. Bob Story pointed out that RTIC faced some difficulty in making a recommendation about the relief multiple because of the timing of budget information. The committee discussed the possibility of having a legislator request a placeholder bill to address the tax relief multiple and waiting until the legislative session to decide whether to adjust the relief multiple. The 2008 RTIC took up the issue of the relief multiple at the February 2008 and September 2008 meetings and did not take any action at either meeting.

The 2010 RTIC discussed the relief multiple briefly during the final meeting of the interim on November 19, 2010. After receiving a staff briefing and testimony from Rep. Wayne Stahl that he had already requested a bill draft to change the relief multiple, the committee took no action.

In 2012, the committee received a briefing on the income tax relief multiple at its July 19 meeting and took no action.

Committee Considerations

For timing purposes, the committee should keep in mind that the Governor's preliminary budget is required to be submitted to the Legislature by November 15 and RTIC will adopt a revenue estimate at the November 20 committee meeting.

If the committee wishes to request additional information or to delay a decision until the availability of additional revenue and spending information in November, the committee should recommend adding this as an action item for the November meeting. Otherwise a decision can be made at the September meeting. Any change to the relief multiple requires a committee requested bill draft.

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¹Based on this subsection the relief multiple for tax year 2007 was 3.6 percent.

²Ch. 2, L. 2009.