



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

MEMORANDUM

To: Revenue and Transportation Interim Committee (RTIC)

From: Mike Kadas, Director

Date: November 20, 2014

Subject: Elderly Homeowner and Renter Credit Program

At the May 2014 RTIC meeting, the Department of Revenue (Department) provided information regarding the background and legislative history of the Elderly Homeowner and Renter Credit (credit) program, in particular how it related to residents of tax exempt facilities. In addition, the Department addressed its compliance efforts in regard to residents of these facilities, as well as anticipated future actions being considered that would assist individuals in better understanding the eligibility criteria of the program.

In response to Representative Jacobsen's request for an update regarding the Department's compliance and outreach efforts regarding the tax exempt facilities, the following is provided:

Updated Compliance Efforts Regarding Elderly Homeowner and Renter Credit Program

As noted at the May meeting, it came to the Department's attention in 2013 that a number of residents of tax exempt facilities were claiming and receiving the Elderly Homeowner and Renter Credit. Upon review of the statute, it was determined that the residents of these facilities do not qualify. The Department began to enforce the provision of the credit program for the tax year 2013 claims.

There are approximately 21,000 individuals that historically claim this credit each year.

- At the time of the May 6 report, there were 451 claims denied for the 2013 tax year and 189 claims that were inadvertently approved.
- Current numbers show that 487 claims were denied for the 2013 tax year and 208 inadvertently approved.

Department's Educational and Outreach Efforts

Since the discussion at the May meeting, the Department has continued to take steps to educate individuals and impacted parties about the credit program. Some of these efforts include the following:

- **The Form 2EC “Montana Elderly Homeowner/Renter Credit” has been updated for tax year 2014.** Additional information was included in the instructions to further clarify that rent paid for an apartment or a facility that is exempt from property tax does not qualify. The form was also changed to add a field for the claimant's physical address if different than the mailing address. This will help identify those claimants that do not qualify.
- **Correspondence to potential tax year 2014 claimants will be updated.** The Department sends out a letter with the Form 2EC early each tax year to claimants that applied for the credit by only filing the Form 2EC for the previous tax year (as opposed to reporting the credit on the income tax return). The letter will include information that reminds claimants that they do not qualify if they live in a tax exempt facility. The letter also advises that they please check with their landlord or the Department if they have any questions about a facility's tax exempt status related to this credit.
- **Education and communication efforts have continued.** The Department communicated extensively with impacted parties including tax exempt facilities and groups such as Tax Aide and VITA earlier this year to help remind preparers of the tax exempt facility issue.

Communication efforts have continued throughout the year through the Department's 2014 State Tax Updates presented by the Department's income tax specialist, Brian Olsen. Brian speaks to many groups across the state such as the Montana Society of CPA local chapters, Montana Society of Public Accountants and trainers for Volunteer Income Tax Assistance program. His 2014 presentations are held primarily from October 2014 through January 2015 so they will serve as a good reminder concerning this issue. The Department is also continuing to update the list of the facilities determined to be tax exempt and will distribute the list as appropriate.

The Department believes that individuals and impacted parties already have a better understanding of the eligibility criteria of the program and we will endeavor to continue working with these claimants and groups.

On a related note, the Department amended Administrative Rule 42.4.302 to increase the allowable daily rent from \$20 to \$30 per day for claimants that live in a healthcare facility, longer-term care facility, or a residential care facility as defined in §50-5-101, MCA, when calculating the credit. This increase is effective beginning with the 2015 tax year.