

Exploring Changes to Income Definition for Elderly Homeowner and Renter Credit

REVENUE INTERIM COMMITTEE
MEGAN MOORE – MAY 2026

INCOME DEFINITION INCREASES PROCESSING TIME FOR CREDIT

As part of the [review of the elderly homeowner and renter income tax credit](#), the Department of Revenue advised the committee that the current income definition and inclusion of income for all household members results in taxpayer confusion and additional staff time and appeals.¹ The committee requested that staff explore options for revising the definition of income to ease these concerns. This overview provides more information about considerations for revising the income definition.

2EC SAME AS PTAP INCOME DEFINITION PLUS NON-TAXABLE

When considering options for the elderly homeowner and renter credit (2EC) income definition, looking at income definitions for similar programs is a place to start.

The other Montana income tax credit based on income — the earned income tax credit — is a poor option because it provides a benefit for taxpayers with earned income. The elderly homeowner and renter credit is available to a population more likely to have retirement and social security income: those age 62 and older.

The property tax assistance program (PTAP) reduces the market value for owners of primary residences based on income, making it a good option for consideration. The definition of income used for PTAP in [15-6-301](#) is federal adjusted gross income excluding capital and income losses.²

The 2EC income definition starts the same as the one used for PTAP but adds nontaxable income such as social security not paid to a nursing home, pension and annuity income, and government assistance. A taxpayer qualifying for both programs may calculate very different incomes under each program. For example, a single homeowner who receives \$24,000 in social security benefits and has no other income would have no income for purposes of PTAP, but \$24,000 of income under 2EC.

USING PTAP DEFINITION WOULD EXPAND ELDERLY CREDIT

Applying the PTAP income definition for the elderly homeowner and renter credit would roughly triple the number of taxpayers eligible for the credit and could increase the dollar amount of credits claimed from \$7.4 million to \$27

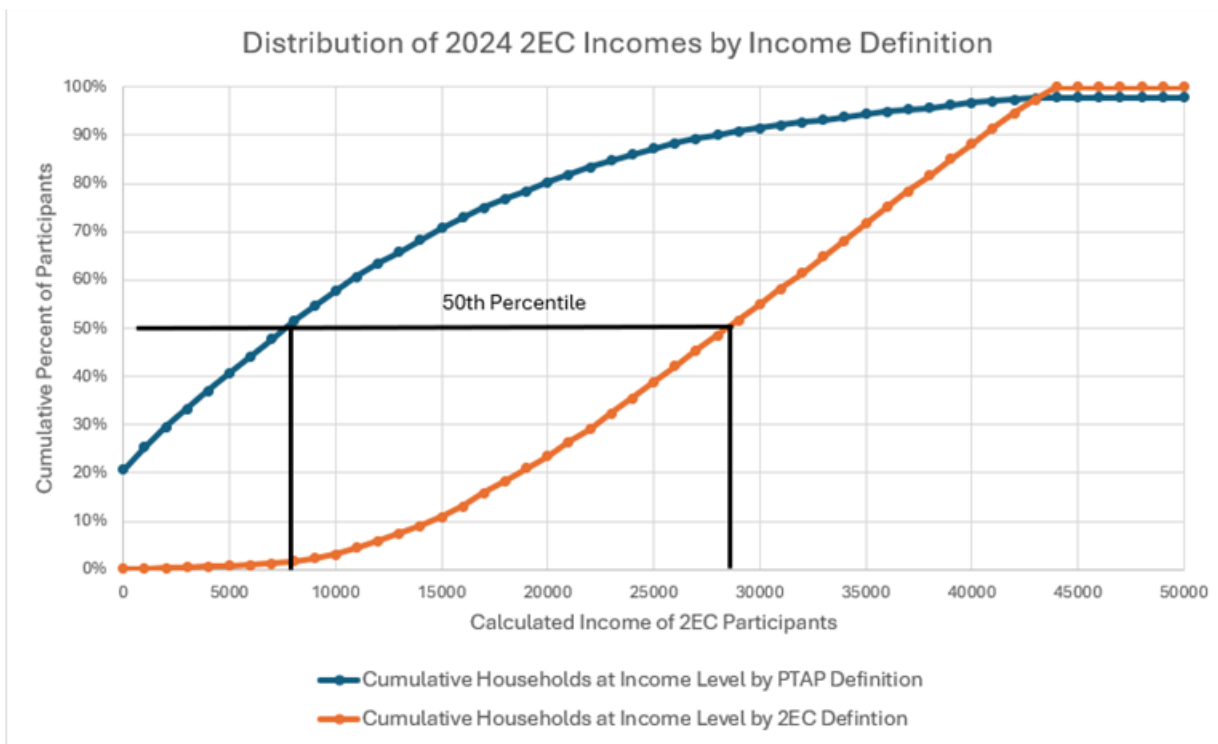
¹ “[Elderly Homeowner and Renter Credit](#),” Megan Moore, Feb. 2026, available from: <https://www.legmt.gov/committees/interim/ric/previous-materials/>, p. 7.

² For an applicant who is not required to file a Montana income tax return, the income is determined using available income information.

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million.³ People who do not currently qualify for 2EC because inclusion of their non-taxable income pushes them over the income limit would become eligible for the credit. The largest impact comes from taxpayers with Roth IRA income.

The following graph uses current 2EC claimants to show the income distribution using the 2EC income definition (orange line) compared with the PTAP income definition (blue line).⁴ Reading horizontally from the left axis to the dotted lines shows the cumulative percentage of participants with income below the specified amount. As the black lines indicate, half of 2EC claimants have income below \$28,000. Under a PTAP definition, half of claimants would have income below \$8,000.



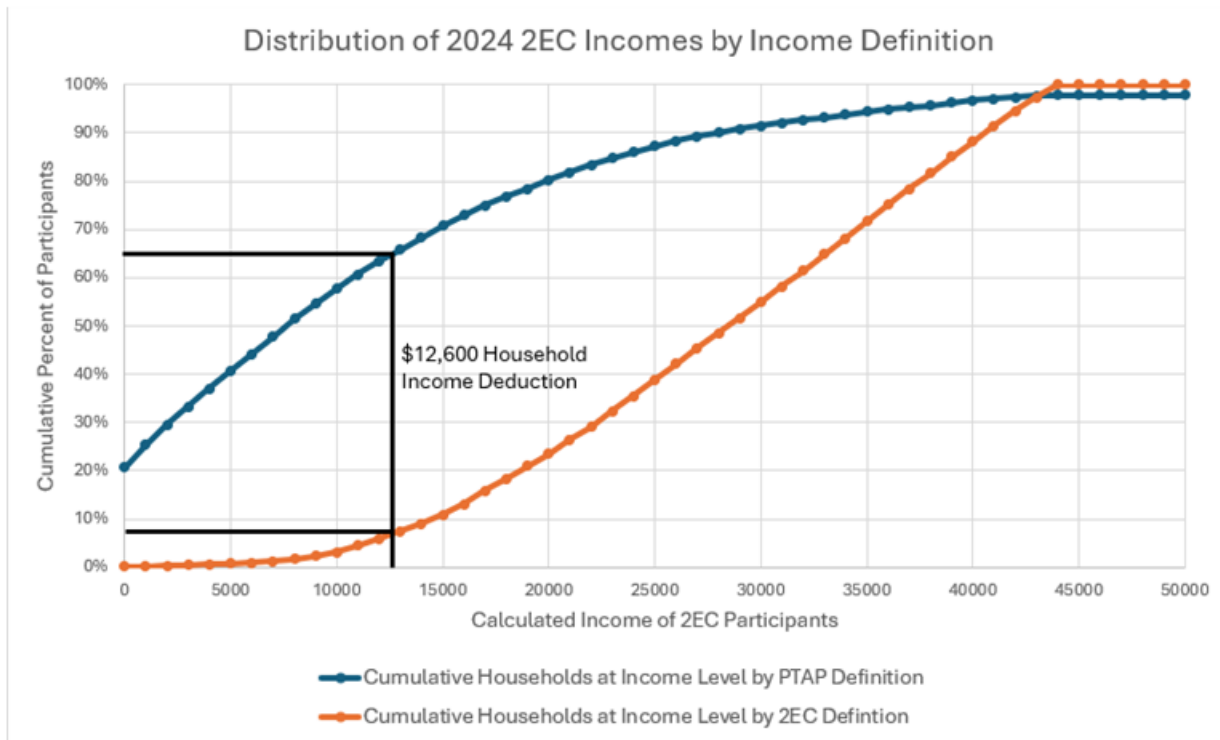
Source: Dylan Cole, Department of Revenue

³ Email from Dylan Cole, Department of Revenue, May 11, 2026.

⁴ Email from Dylan Cole, Department of Revenue, May 14, 2026. Data includes electronically filed 2EC claims for which a federal return was also filed (about 80%). PTAP line does not total 100% because of improperly calculated returns (about 2% of returns).

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Credits would also be larger absent changes to the \$12,600 exclusion from household income. Currently about 8% of participants have gross household income of less than \$12,600 and do not reduce their property tax billed or rent equivalent tax paid when calculating the credit.⁵ For these claimants, the credit amount theoretically equals property tax billed or rent-equivalent tax paid but the maximum credit amount is \$1,150. Using the PTAP income definition, 65% of participants would fall under the threshold for the reduction.⁶



Source: Dylan Cole, Department of Revenue

Next Steps: Revising the income definition used for the elderly homeowner and renter credit will impact credit eligibility and the dollar amount claimed which may warrant revisions to the credit calculation. If the committee wishes to change the income definition, it should establish priorities for the credit so staff can provide options.

⁵ The \$0 reduction applies to households with gross household income of less than \$14,599.

⁶ Email from Dylan Cole, Department of Revenue, May 14, 2026.