

Montana Department of Revenue

**INCOME TAX AND PROPERTY TAX
REBATE REPORT**

MAY 9, 2024



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INTRODUCTION

During the 68th Legislative Session, the Montana Legislature passed three tax rebate bills the Department of Revenue continues to administer. House Bill 192 created an income tax rebate and House Bill 222 created a property tax rebate. Governor Gianforte signed both bills on March 13, 2023. Finally, House Bill 816 amended the previously enacted income tax and property tax rebate laws to clarify the qualifications for the income tax rebate related to return filing deadlines, increase the amount of the property tax rebate issued to qualified taxpayers, and increase appropriations for the rebates. This bill was transmitted to the Governor on May 26, 2023, and Governor Gianforte signed the legislation on June 5, 2023.

This report explains how the Department administered the income tax and property tax rebates. It describes the work we performed, provides key metrics, and recounts the challenges encountered by the Department and citizens. It also answers commonly asked questions we received. The intent is to report the successes and challenges for current government officials and the public, and to provide insights and lessons learned for future Department staff should they have to implement tax rebates.

Combined Efforts for Both Rebates:

The income tax rebate and property tax rebate are distinct programs that relied upon different data sets, authorized different rebate amounts, and imposed different criteria to qualify. Because of these differences, how we administered these programs—even during periods of overlap between the two—were not identical. However, the Department did combine its efforts because the two rebate programs occurred during overlapping time periods.

For instance, we created a “Rebate Super Team” in mid-May 2023 to centralize our administration of the rebate programs to ensure that communications and processes were uniform and consistent. The Business and Income Taxes Division’s (BIT) Bureau Chief of Analytics and Planning led this team which comprised members of the BIT, Property Assessment Division (PAD), and the Information Management and Collections Division (IMCD). Starting on May 31, 2023, we provided half-hour training sessions once a week. As part of this process, we established a rebate loop line and email inbox for the team to manage rebate questions from agency employees. Over the team’s lifespan, they responded to more than 11,780 emails and fielded over 4,069 phone calls.

During the early summer of 2023, PAD held 60 in-person town halls at 36 locations across the state, 4 virtual zoom meetings as well as one specifically for Legislators. Approximately 2,800 taxpayers attended the in-person meetings plus a few hundred on the zoom calls. At each of these meetings, BIT staff explained both rebates as part of PAD's presentation, and disbursed flyers and business cards about the rebates.

During this same period, BIT participated in the following events—and at each, provided information on both rebates:

- Assistance for Business (ABC) Clinics in 16 counties; 1,000 attendees
- American Association of Retired Persons (AARP) tele-townhall
- Voices of Montana (BIT and PAD)
- Aging Horizons
- Certified Public Accountant (CPA) annual updates
- Bozeman Senior Center (twice)
- Belgrade Senior Center
- Legislative Townhall

We also relied heavily upon our Technology Services Division (TSD). TSD and BIT collaborated on building the development tools in our GenTax system to leverage existing information. They also developed a standalone rebate website (getmyrebate.mt.gov) where citizens could find information about both programs, check the status of their rebate, file electronic applications (property tax rebate), and submit appeals.

TSD and BIT also worked with county officials to obtain the property tax information we needed to validate property tax rebates when the application period opened. This process began shortly after the bills were signed and required multiple rounds of testing to ensure that the information was accurate and usable.

Both rebate programs caused IMCD to experience a substantial increase in work volume. For instance, once we began issuing rebates, they received more than 10,000 returned checks to reprocess. In addition, IMCD was responsible for offsetting debts owed by taxpayers prior to issuing either of the rebates (*House Bill 192*, Section 2(3)(b); *House Bill 222*, Section 2(7)). Between July and October, IMCD's Collection Service Bureau intercepted \$1,927,735 rebates (income tax rebate and property tax rebate) to offset a pre-existing tax debt owed by 2,346 delinquent individual income taxpayer

accounts. During that same period, IMCD’s Other Agency Debts Bureau intercepted 14,528 rebates and refunds totaling \$6,362,443 to offset pre-existing debt that an individual owed to another state agency. The Department’s system cannot distinguish between a rebate and an income tax refund, therefore some of this latter offset activity is not associated with the rebate program.

Lastly, the members of our call center team deserve as much recognition as anyone. These employees were instrumental in the success of the two programs because they interacted with Montanans around the clock. When citizens had questions or needed assistance with one rebate, they often had questions about the other. In addition to their normal work, the call center absorbed a substantial increase in work during the peak of the two rebate programs (Tables 1-3). They handled this additional work with a tremendous degree of professionalism and without complaint.

Table 1. Phone calls from July to December, 2022 compared to July to December, 2023.

Phone Calls	2022	2023	% Change
July	5,280	11,442	+ 117%
August	4,869	19,686	+ 304%
September	4,630	10,123	+ 119%
October	5,250	7,981	+ 52%
November	5,240	6,845	+ 31%
December	2,494	7,075	+ 184%

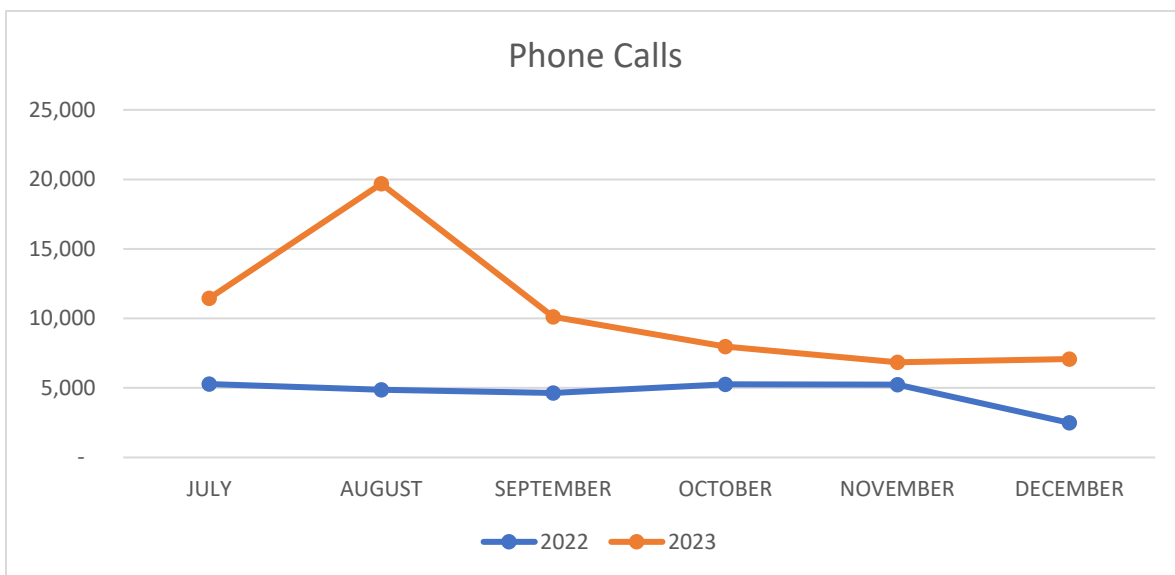


Table 2. Emails from July to December, 2022 compared to July to December, 2023.

Emails	2022	2023	% Change
July	4,508	10,476	+ 132%
August	4,270	11,263	+ 164%
September	3,687	6,814	+ 119%
October	2,767	4,367	+ 85%
November	2,389	2,954	+ 24%
December	2,759	1,999	- 28%

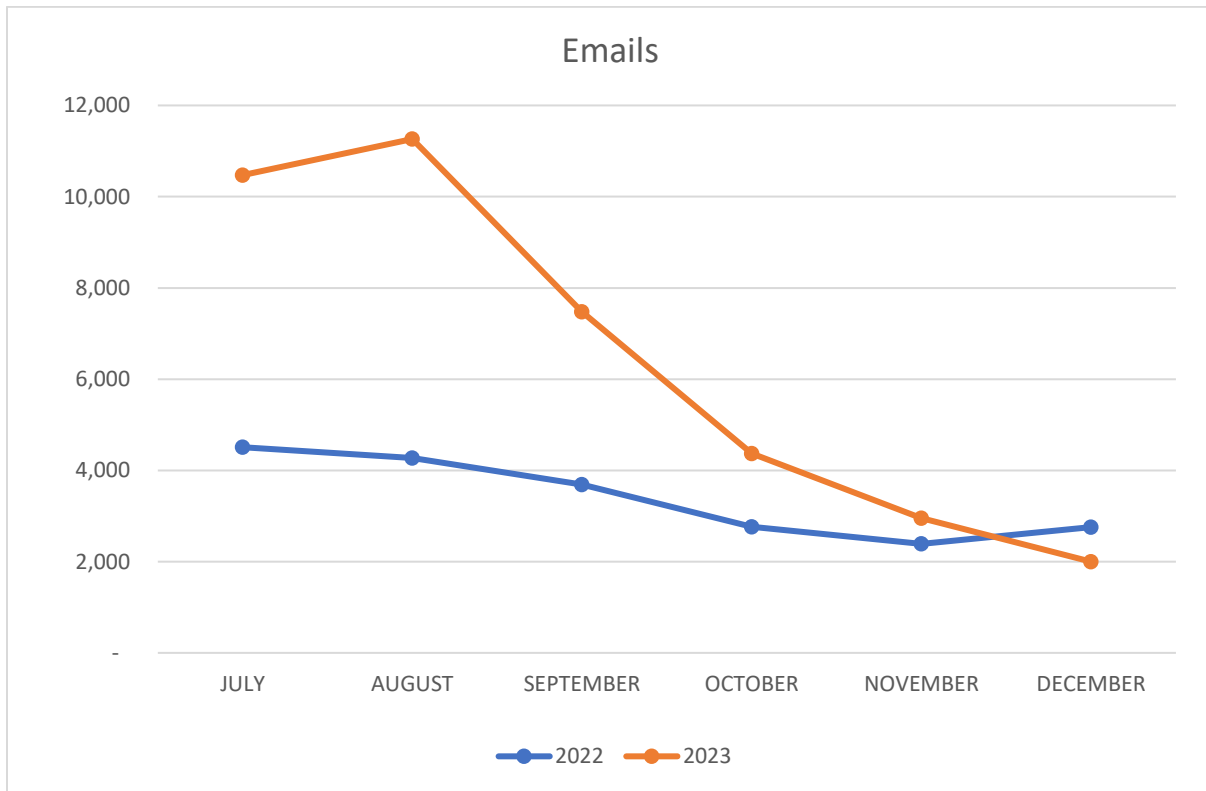
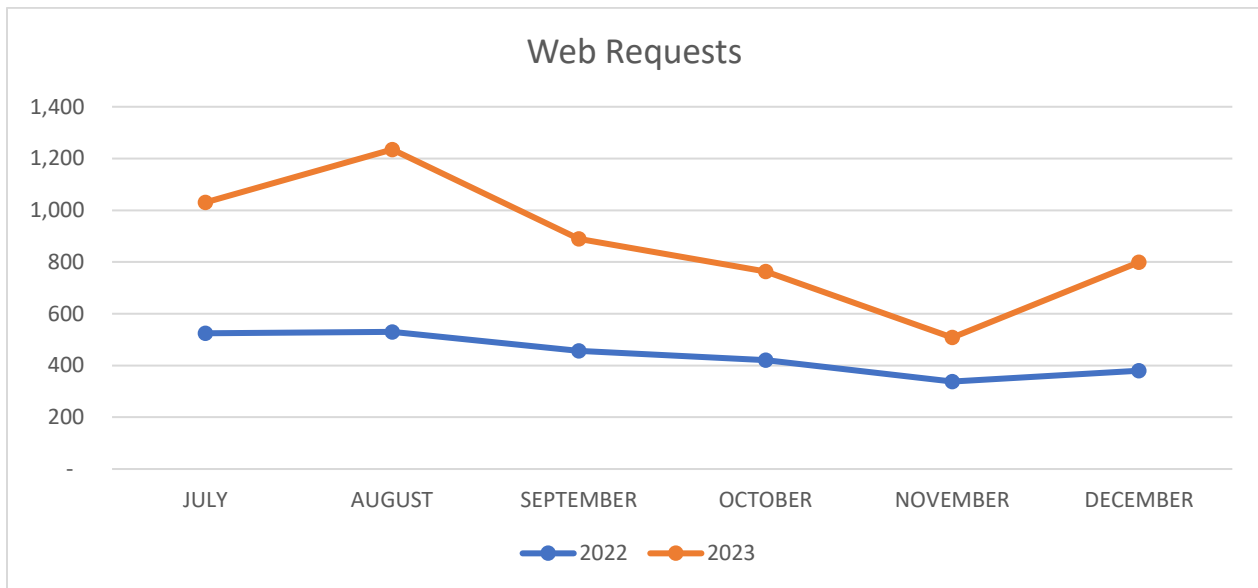


Table 3. Web Requests from July to December, 2022 compared to July to December, 2023.

Web Requests	2022	2023	% Change
July	525	1,031	+ 96%
August	530	1,235	+ 133%
September	456	889	+ 95%
October	421	763	+ 81%
November	338	508	+ 50%
December	380	799	+ 110%



Employees across the Department, including staff located in field offices, answered phone calls and emails from citizens—as well as met in-person with them (Table 4). Staff were dedicated to ensuring every eligible Montanan received a rebate and we provided the best citizen service. Without this collective team effort, we could not have successfully implemented this project.

Table 4. Estimated staff hours spent on the 2023 income tax and property tax by division.

Division	Estimated Hours
Business and Income Taxes	13,358
Property Assessment	4,298
Information Management and Collection	5,315
Director's Office	2,760
Technology Services	1,378
TOTAL:	27,109

INCOME TAX REBATE

Criteria:

House Bill 192 created the overarching framework for the income tax rebate, which was subsequently refined by House Bill 816. Generally, those bills authorized an income tax rebate based on the amount a taxpayer reported at line 20 of their 2021 Montana Individual Income Tax Return. For individuals, or those who filed married filing separately, the maximum rebate was \$1,250 or the amount the taxpayer reported at line 20 of their 2021 Montana Individual Income Tax Return—whichever was lower. For married couples who filed a joint return, the maximum rebate was \$2,500 or the amount the taxpayer reported at line 20 of their 2021 Montana Individual Income Tax Return—again, whichever was lower. This rebate was a one-time only occurrence, and the Department was required to issue income tax rebates by December 31, 2023. *House Bill 192*, Section 2.

To qualify for this rebate, the individual must have:

- been a full year Montana resident for the entirety of 2021;
- filed a full year resident Montana Individual Income Tax Return for tax year 2021;
- filed a full year or part year resident Montana Individual Income Tax Return for tax year 2020; and
- filed each of the returns referred to above by the due date of the return or the 2021 extension deadline, which was October 17, 2022.

House Bill 192, Section 2; *House Bill 816*, Section 4.

Taxpayers who did not meet the above criteria were ineligible for the income tax rebate. Thus, nonresidents or part year residents in 2021 or those who did not file timely Montana income tax returns for the 2020 and 2021 tax years did not qualify. Additionally, an individual who was claimed as a dependent in 2021 by another taxpayer was ineligible. *House Bill 192*, Section 2.

How did House Bill 816 alter House Bill 192?

a. Clarified extension returns and amended returns.

House Bill 816 addressed questions that had arisen about the meaning of the term “properly reported”. As it pertained to Montana income tax returns filed on extension, House Bill 816 inserted: “extensions authorized pursuant to 15-30-2604(1)(b) and (3), respectively”. This change clarified that returns filed on extension referred to

the automatic extension taxpayers receive, which translated into a due date of October 17, 2022.

Shortly after Governor Gianforte signed House Bill 192, we began fielding phone calls and receiving amended 2021 Montana returns from married couples seeking to maximize their income tax rebate. Spouses typically derive a tax benefit by filing separately because it often results in a lower overall tax liability than if they had filed a joint return. Nothing in House Bill 192 prevented taxpayers from filing amended returns, however it presented two issues for the agency. First, the influx of amended 2021 amended returns created more returns to process—at a time we were typically processing current year returns. Additionally, if the trend continued, the amount appropriated for the income tax rebate in the special revenue account (\$480M) would be insufficient to pay all eligible rebates. In addition to supplementing the appropriation (see below), House Bill 816 stated only an amended 2021 Montana return filed on or before May 1, 2023, would be analyzed for rebate purposes. *House Bill 816, Section 4.*

b. Increased appropriation of funds to the state special rebate account.

House Bill 192 created a surplus rebate account designed solely for the income tax rebate, and appropriated \$480 million to implement the program. Those funds were transferred from the general fund to this state special account on July 1, 2023. *House Bill 192, Section 1.* House Bill 816 appropriated an additional \$35 million to the special revenue account. *House Bill 816, Section 2.* The total appropriation for the income tax rebate totaled \$515 million. Any amount remaining in that account will revert to the general fund after June 30, 2025. *House Bill 192, Section 1(5).*

What was the process?

House Bill 192 did not create an application process for the income tax rebate. Because the Department already maintained the necessary data, the income tax rebate was automated and did not require taxpayer action. As described above, TSD and BIT staff developed the process to cross match the returns in our system against the criteria the Legislature established. Once the system validated eligible taxpayers, we issued these rebates.

We were concerned about taxpayer confusion and staff resource availability with the income tax rebate program occurring simultaneous with the property tax rebate. We were also required to issue income tax rebates by December 31, 2023. As a result, after the legislative session concluded, we prioritized the income tax rebate program so

it would mostly be completed before the property tax rebate application opened in mid-August, 2023.

We began issuing income tax rebates on July 3, 2023. By July 24, 2023, 95% of these rebates had been issued. Most of these rebates were issued electronically via direct deposit. Although most citizens seemed to prefer direct deposit, there was some confusion. Because of the state’s accounting and warrant writing process, we could not include any descriptive language in the e-deposit explaining why the taxpayer was receiving the funds. Because this rebate was an entirely automated process, some taxpayers were confused by the appearance of funds from the State of Montana in their accounts.

Citizens could check the status of their rebates by visiting our website (getmyrebate.mt.gov) and clicking on the “Where’s My Rebate?” link (Table 5).

Table 5. Taxpayer searches for the status of their income tax rebates by month.

Month	Taxpayer searches
June	27,628
July	205,013
August	43,318
September	10,479
October	1,935
Total	288,373

Income Tax Rebate budget.

As of April 15, 2024, the Department issued 468,581 income tax rebates, for a total of \$483,772,284. These figures are close to the estimates our Tax Policy and Research (TPR) staff made in fiscal notes for House Bill 192 and House Bill 816. For House Bill 192, TPR estimated that we would issue 460,125 rebates, and in House Bill 816, they estimated the total rebates to be \$493,713,000. The total expenses for issuing and administering the income tax rebates are well within the \$515 million appropriated in House Bill 192 and House Bill 816 (Table 6).

Table 6. Income tax rebate expenses (as of April 15, 2024).

Item	Cost
Income tax rebates	\$483,772,284
Postage for checks	\$113,406
Printing checks	\$14,519
Warrant Writer	\$256,382
Total	\$484,156,591

Income tax rebate appeals.

If a taxpayer had been denied a rebate or received a rebate in an amount less than anticipated, they could click the "Request for Rebate Review" link on our website. This tool was a critical mechanism to start the review process. To help publicize this tool, the Montana Society of CPAs and the Montana Taxpayer Association shared it with their membership. This helped citizens not only know that the rebate was coming their way but helped them understand (in advance) why their rebate could potentially differ from their expectations. Taxpayers could also ask for review by contacting the Department via more traditional routes (in person request, telephone, email, etc.).

Because we were statutorily required to complete the income tax rebates by December 31, 2023, we strongly encouraged people to submit a request so it was initiated by the deadline. The purpose of our doing so was to ensure they received the proper rebate. After a request was initiated, the Rebate Super Team would evaluate the issue. In many cases, our staff visited with the taxpayer on the telephone and resolved the matter. For those we denied or required additional information, we would send a written letter to the taxpayer explaining our initial decision and providing them information on next steps. Taxpayers who remained dissatisfied after that level of review had 45 days to file an appeal. These appeals were assigned to BIT's Division Administrator, Deputy Division Administrator, and two Unit Managers.

During this second round of review, the assigned BIT staff member would evaluate the information the taxpayer submitted, and often request clarification on what had (or had not) been provided. We would then send an official written decision that would explain why we initially denied or adjusted their rebate, why the evidence they submitted was acceptable, and the amount of rebate they would receive.

When we denied a rebate, we sent a written decision explaining the basis for our decision and notified the taxpayer they had 45 days to appeal to the Office of Dispute Resolution (ODR). Only one taxpayer filed an appeal with ODR, and that dispute

centered on offset activity. The taxpayer ultimately withdrew their appeal before ODR conducted a hearing or issued a decision.

As of April 15, 2024, we received 6,704 requests to review our initial denial; 6,337 of these requests concluded here. 366 of these taxpayers subsequently requested a second-round of review by BIT leadership. Of these, 321 (88%) received a rebate, and 45 were denied a rebate.

What were common issues that taxpayers appealed?

a. Missing or late 2020 or 2021 Montana income tax return. One prerequisite for eligibility was timely filing a Montana income tax return for the 2020 and 2021 tax years. Because this was an automated process, if one of those returns was not filed by October 17, 2021, and in our system, we denied the rebate.

A number of taxpayers appealed and argued they had in fact filed a timely return. Many were able to demonstrate they had filed the relevant return, had copies of the requisite return, and pointed to vendor or postal issues as the likely culprit. Others demonstrated they had made their income tax payment timely and the amount they paid matched the taxes shown as owing on the return they provided us. Many of these taxpayers also had a history of filing tax returns on time. Ultimately, we were able to successfully resolve many of these appeals and issue a rebate. On the other hand, taxpayers who did not respond to our inquiries, or provide any evidence they had filed, we denied. As noted above, these individuals could appeal this decision to ODR, but to date, none have done so and the time for most has expired.

b. Residency issues. Another common concern taxpayers raised regarded mistakes made on their 2020 or 2021 return. If it was clear to us a mistake was made, we approved the rebate. For instance, we received appeals from individuals who claimed to have checked the wrong residency box. Here, if our data (prior year returns, where wages earned, voting history, etc.) supported their statements, we approved the rebate and asked them to correct their return.

Some married couples who filed separately on the same form experienced issues if they checked the part year resident or non-resident box, but one of the spouses was actually a full year resident. If one spouse was a full year resident and otherwise qualified, we issued the rebate.

c. Rebate amount. Another common source of questions regarded rebate amounts we issued that were less than what the taxpayer expected. For individuals, the maximum rebate was \$1,250 or the amount reported at line 20 of the 2021 Montana tax

return—whichever was lower. If a taxpayer’s line 20 was less than \$1,250, that amount was the rebate. We explained this in the letters we sent. Because rebates were subject to offset, we alerted the individual to that possibility also.

Similarly, married couples’ rebates were affected by the filing status they chose on their 2021 Montana tax return. For those couples who filed jointly, the maximum rebate was the lesser of \$2,500 or the amount reported at line 20. On the other hand, married couples who filed separately were—pursuant to the plain language of House Bill 192 and House Bill 816—treated as separate individuals. Married couples in this category often questioned why they did not receive the maximum of \$2,500, particularly when one spouse’s line 20 exceeded \$2,500. Again, we explained this in the letters we sent. Moreover, we also explained why amending their 2021 tax return to change their filing status would not result in a greater rebate. Because House Bill 816 imposed a May 1, 2023, deadline by which to file an amended return for rebate purposes, we reminded those who inquired that we would not consider an amended return filed after that date for purposes of the rebate.

Lessons learned:

The income tax rebate was straightforward to administer because we already had the data to validate qualified taxpayers and were not reliant on the taxpayers applying for the rebate.

The primary areas of confusion were:

- this rebate occurring at the same time as the property tax rebate;
- the inability to denote on e-deposits the reason the deposit was occurring; and
- the rebate differences for spouses who filed jointly versus those who filed separately.

PROPERTY TAX REBATE

Criteria:

House Bill 222 established a property tax rebate. Similar to the income tax rebate, this rebate was subsequently refined by House Bill 816. Unlike the income tax rebate, the Department must issue the property tax rebates in 2023 and 2024.

The property tax rebate was based on the amount of property taxes a taxpayer paid on their principal residence for both tax year 2022 and tax year 2023. In each year, the maximum rebate is \$675, or the amount actually paid in the requisite period,

whichever was lower. To qualify for a rebate in 2023 (for tax year 2022), the taxpayer must have:

- Owned and lived in a principal residence in Montana for at least seven months of 2022;
- been assessed property taxes on that residence in 2022; and
- paid property taxes on that residence for the 2022 tax year.

House Bill 222, Section 1.

A couple of additional points:

- This rebate was confined to taxpayers who were individuals. Entities were expressly excluded from eligibility. *House Bill 222, Section 2(4)*. The only non-individuals who could qualify were grantor revocable trusts (*House Bill 222, Section 5(d)*) and the estates of deceased persons who otherwise would have qualified (*House Bill 222, Section 5(c)*).
- Only one rebate was permitted per taxpayer. *House Bill 222, Section 2(6)*. The Department relied upon the names on the property tax and/or the county's property tax bill to identify the requisite taxpayer.

How did House Bill 816 alter House Bill 222?

House Bill 222 provided for a \$500 rebate in both 2023 and 2024. House Bill 816 increased the rebate by an additional \$175 per year. *House Bill 816, Section 1*. House Bill 816 also appropriated \$100 million from the general fund to the Department to fund the increased property tax rebate provided for in House Bill 816. *House Bill 816, Section 6*.

What was the process?

Unlike the income tax rebate, taxpayers were required to apply for the property tax rebate. The application period is August 15 through October 1 for both years. Because October 1, 2023, landed on a weekend, we extended the deadline to October 2.

Taxpayers had two application options: file an application via our online transaction portal or file a paper form. 95% of taxpayers (215,710) filed applications online. Taxpayers submitted 11,465 paper forms.

The rebate claim form was made available between August 15 and October 2, 2023. It was not possible for taxpayers to file a property tax rebate application before the period started, and we turned off online application functionality at 11:59 p.m. on

October 2, 2023. We continued to approve rebate applications that were postmarked by October 2.

Citizens could check the status of their rebates by visiting our website (getmyrebate.mt.gov) and clicking on the "Where's My Rebate?" link (Table 7).

Table 7. Taxpayer searches for the status of their property tax rebates by month.

Month	Taxpayer searches
August	203,154
September	96,954
October	12,108
Total	312,216

Because of fraud issues we identified, we issued these rebates via paper check.

Background about the rebate application:

TSD and BIT staff created the online and paper application. These employees overcame two substantial challenges at the beginning of the project: (1) they were performing this work at the same time they were developing the income tax rebate process; and (2) the short time period to develop, test and finalize the application for the August 15 start date. Again, the Department only had a final answer about what each rebate program would consist of when Governor Gianforte signed House Bill 816 on June 5, 2023.

House Bill 222 required the application to include the following information:

- an affirmation that the claimant owned and maintained the land and improvements as the principal residence;
- the property's geocode or other identifier;
- the claimant's social security number;
- the social security number of the claimant's spouse and dependent(s); and
- any other data the Department required relevant to rebate eligibility.

House Bill 222, Section 2(5)(b)(i)-(iv).

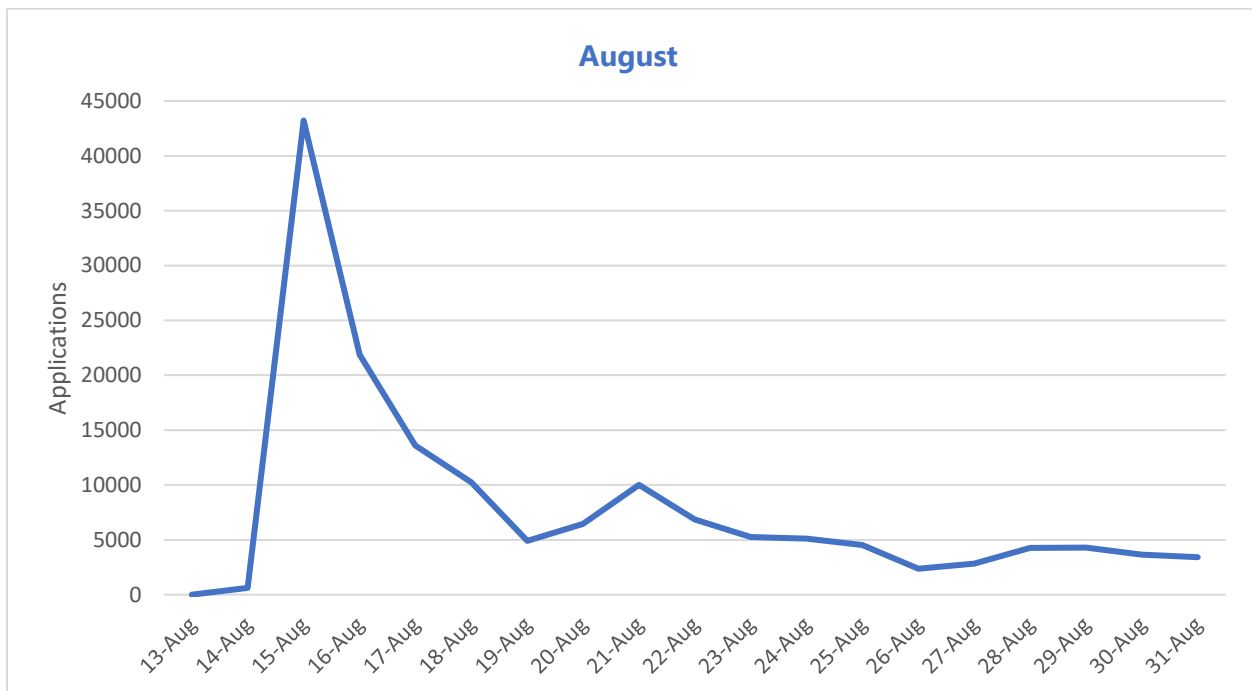
The claimant's geocode and social security number proved to be the most important information for purposes of validating a taxpayer's eligibility. A geocode is a unique 17-digit property identifier that a county assigns to a property. In addition, the

geocode is linked with the property tax bill the county issues the property owner and was necessary for us to validate who owned the property in the relevant time period and the property taxes assessed and paid on that property.

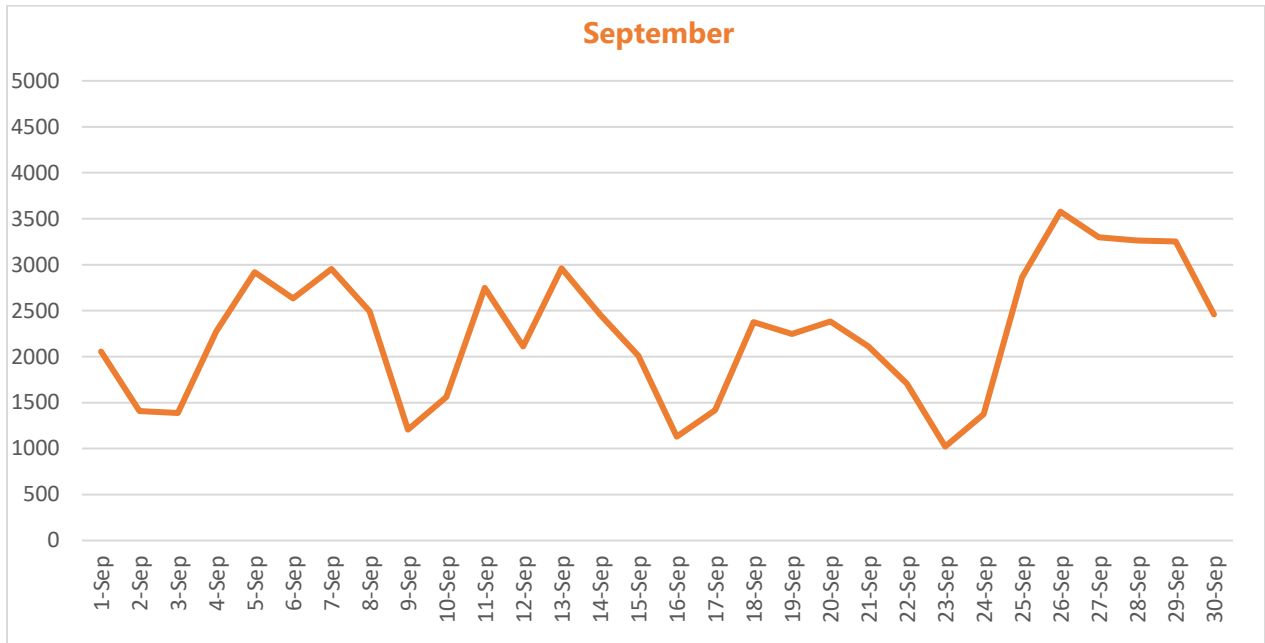
The claimant's social security number was instrumental in our validating the identity of the taxpayer, other eligibility requirements, and ensuring that they did not receive more than one rebate.

Applications we received between August 15 and October 2, 2023:

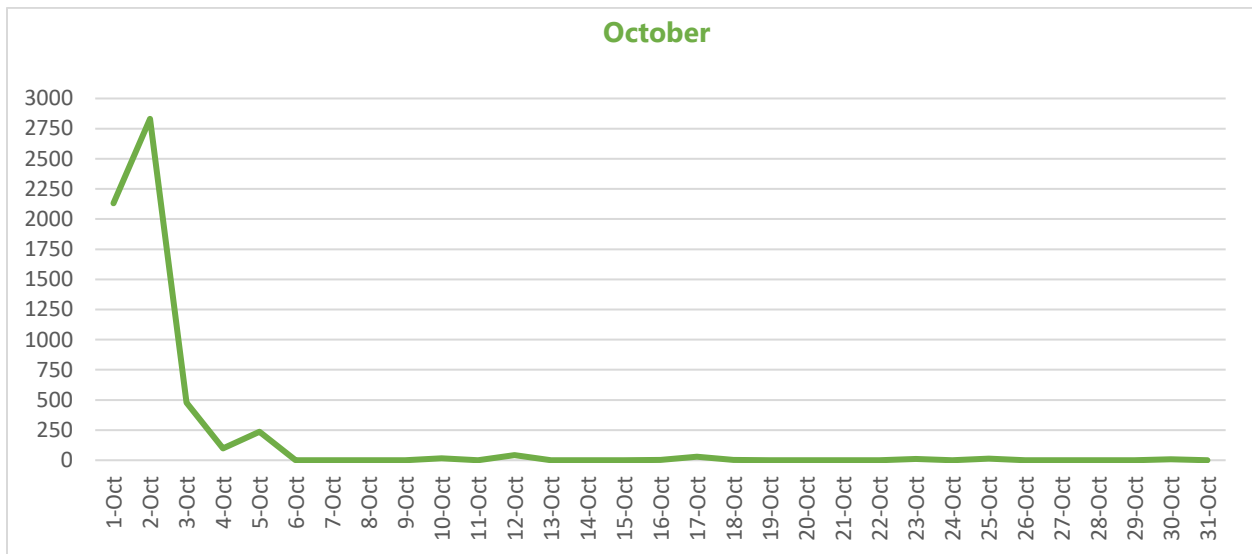
153,499 Applications in August



67,673 Applications in September



5,901 Applications in October



Property Tax Rebate metrics for 2023 (we do not yet have 2024 data).

As of April 15, 2024, the Department has received 227,175 rebate applications, and approved 216,419 rebates (roughly 95%). The agency denied 9,128 rebate applications (roughly 4%), of which 2,273 were stopped for fraud. Lastly, we received approximately 1,628 duplicative applications that we did not process.

Property Tax Rebate Budget.

The fiscal note for House Bill 222 estimated the rebates would cost approximately \$141.247M and \$141.90M for those two years. House Bill 816 increased the rebate by an additional \$175 per qualifying household in 2023 and 2024, and this increased the projected cost of the rebate to \$187.43M and \$189.03M, respectively. The Department's total budget to administer the property tax rebate is approximately \$192M in 2023 and \$192M in 2024. The \$192M figure accounts for the remittance of the rebates themselves, together with the expenses (advertising, printing and mailing costs, etc.) the agency incurred to implement the rebate program.

As of April 15, 2024, the Department issued property tax rebates totaling \$142,520,323. As more fully explained below, these figures are different than TPR's estimates in their fiscal notes for House Bill 222 and House Bill 816. The total expenses for issuing and administering the property tax rebates for the first year are well within the approximately \$192 million appropriated in House Bill 222 and House Bill 816 (Table 8).

Table 8. Property tax rebate expenses (as of April 15, 2024).

Item	Cost
Property tax rebates	\$142,520,323
Postage	\$161,891
Printing	\$64,094
Warrant writer	\$164,234
Advertising	\$30,989
Postcards	\$9,478
MT State Library	\$7,013
Total	\$142,958,022

What happens to any leftover money?

The budget for the property tax rebates is already in the general fund, and any unspent money simply remains in the general fund. House Bill 816 and House Bill 222 both terminate June 30, 2025, and remaining funds associated with the property tax rebate will be in the general fund as a reverted appropriation after that time.

Why is the number of the rebates we issued lower than the fiscal note estimate?

The Department's fiscal notes estimated there were approximately 292,000 eligible households that could qualify for the property tax rebate. The fiscal notes explain the 292,000 estimate was derived from the American Community Survey, which estimates demographic data based on a sample and is published by the United States Census Bureau. That data suggested there were 311,861 owner occupied housing units in 2021. TPR then reduced that figure by the properties fully exempt from property taxes in 2021 and arrived at 292,000. Given the time constraints involved, we utilized the best information available at the time.

After House Bill 222 and House Bill 816 were signed into law, and as we began work on implementing the property tax rebate program, we observed that the starting point of the initial estimate (311,861) likely included properties that did not qualify for the rebate including:

- people who lived in an otherwise qualifying property but did so for less than the seven-month minimum period required in House Bill 222;
- properties that were owned by entities, such as an LLC or a trust; and
- a single geocode that had multiple dwellings associated with it. For example, let's assume that a geocode had three dwellings. A husband and wife were the sole owners of all three dwellings and resided in one. In that case, only the dwelling the husband and wife occupied as their primary residence would qualify for the rebate.

Based on anecdotal evidence, we believe the number of eligible households is likely lower, although we cannot arrive at a definitive estimate. For instance, after the rebate period concluded on October 2, 2023, we received few complaints from taxpayers who claimed they were unaware of the rebate program. Of the phone calls, emails, and appeals we received after the deadline, only a handful of people raised this issue. Additionally, we suspect that some property owners qualified for the rebate and chose not to apply for personal reasons. We will not be able to identify how large a segment of the populace this represents.

If there were thousands of additional people who were entitled to receive a rebate and did not, we would expect to have fielded many more complaints than we did; taxpayers were certainly not shy about calling us with questions or concerns about the rebate. In light of the publicity the rebates received throughout 2023, the Department's efforts to promote the rebate, and the absence of a meaningful number

of taxpayers who told us they did not know about the rebate program, it is reasonable to assume that the total eligible households is lower than the fiscal note's estimate.

How did the Department ensure that qualifying Montanans applied for and received the property tax rebate?

Informing citizens about the rebate represented our primary focus before and during the rebate period. First, we established a Rebate Super Team which consisted of approximately 25 employees across three divisions. For many months, the rebates were their primary work responsibility.

We also recognized early on that some of the best advocates for getting the word out were our own employees—who could then share information with their friends, family, and community members. The Super Team held an internal townhall to educate all employees on both rebates during the summer of 2023. After that event, we provided training for all employees, particularly in our field offices to help with citizen questions they were starting to receive. During these sessions, we repeatedly encouraged everyone to remind family, friends, neighbors to file a rebate application.

On June 15, 2023, we held an informational webinar and invited every member of the Montana Legislature to attend. This webinar was designed to explain our rollout of the income tax and property tax rebates and answer questions they may have personally or from their constituents. To encourage broad participation, we sent our invitation through Legislative leadership, and we appreciate Senate President Ellsworth and Speaker Regier assisting in sending the invitation to members of their chamber. For those who could not attend, we forwarded a link to a recorded version of the webinar, provided a .pdf of the presentation, and answered follow-up questions that arose.

Next, House Bill 222 required the Department to mail a notice to potential claimants by June 30, 2023, about the property tax rebate. *House Bill 222, Section 2(3)*. Thus, early on we had to define the universe of potential claimants, where they resided, and what exactly to communicate to them. Ultimately, and in collaboration with the Governor's Office, we opted for a two-pronged notice. On June 20, 2023, we mailed a postcard (Appendix A) to potential claimants alerting them to the rebate, when the period opened, and where to go (getmyrebate.mt.gov) to find out more information. In total, we mailed 298,319 of these postcards.

Next, on August 1, 2023, we sent taxpayers a second letter (Appendix B) that contained more information about when and how to apply, together with the applicable eligibility criteria. Among other things, this letter also explained where citizens could

find their property's geocode. As before, we encouraged citizens to visit getmyrebate.mt.gov. Similar to the postcard, we also mailed 298,319 of these explanatory letters.

In addition to these direct mailings, we also expended resources on advertising. We advertised the rebates through our contacts with the AARP and the Montana Society of CPAs. We purchased radio advertisements on the Northern Broadcasting System and the Northern Ag Network. We utilized newspaper advertisements and press releases, and hired an outside consultant to create a video advertisement featuring the governor. Lastly, we handed out business cards with the property tax rebate information, distributed fliers, and hung posters in community centers and the agency's field offices.

As discussed earlier, we also participated in many in-person events designed to educate citizens about the property tax rebate. PAD held 60 in-person town halls at 36 locations across the state, 4 virtual zoom meetings and at each of these events, discussed the property tax rebate and handed out information. BIT participated in townhalls, business clinics, and interview sessions with organizations like AARP, Voices of Montana, and Aging Horizons.

The getmyrebate.mt.gov website represented the centralized hub for all things rebate. In addition to offering important information, it was the starting point for completing an online application or asking for a review. Because of its importance, this site included:

- FAQs on commonly asked questions (that we continually updated);
- How to find your geocode or Letter ID; and
- Links to:
 - Where's my rebate?
 - County Property Tax Lookup
 - Rebate Checklist
 - How to apply for the rebate in TAP
 - Geocode step by step visual/how to
 - One Acre Land Calculator

How many applications did we receive after October 2, 2023?

As of April 15, 2024, we received 1,042 applications after the statutory deadline. If the application was postmarked by October 2 and otherwise satisfies the other eligibility requirements, we issued the rebate.

When citizens contacted our call center, they were encouraged to file an appeal so that we could address their concerns. We dealt with these individually, and because each citizen had a unique set of facts for us to consider, our evaluation took time to complete. The benefit of our doing so is that we were often able to explain directly to the citizen what information or correction we need from them. When that occurred, we were able to approve the rebate. Even for those who remained ineligible, we provided them another explanation about the basis for our decision. For those who disagreed with the outcome at that level of review, there was a 45-day window for them to file an appeal with our Office of Dispute Resolution.

Did the Department offer an extension on the application period or reopen it?

No. We are obligated to administer the laws the Legislature enacts, and when doing so, we are guided by the plain language of those laws. Here, House Bill 222 includes a very specific application period that runs from August 15-October 1 in both 2023 and 2024. Because October 1, 2023, landed on a Sunday, other legal principles effectively required that the 2023 application period be extended to the next business day (October 2).

To minimize the number of citizens missing the statutory deadline, we endeavored to educate (and later remind) people of the application period through a series of mailers, press releases, radio and television advertisements, along with other outreach.

As noted earlier, we received 1,042 applications after October 2, 2023. Even though those were late, each still received some form of review. Although these late applications are important, they constituted less than one half of one percent (.00458%) of the total applications we processed. In other words, 99.54% of taxpayers who applied for a rebate filed their application on-time.

House Bill 222 did not include a provision extending the application period for good cause. In 2007—the last time it authorized a property tax rebate—the Legislature allowed, “(a) The claim must be filed with the department of revenue on or before December 31, 2007, unless the department, for good cause shown, grants a reasonable extension of time for filing.” House Bill 9, Section 2(3)(a). (2007 Spec. Session).

Because of the absence of “good cause” language or anything like it in House Bill 222, taxpayers who missed the deadline had a much higher threshold to clear when seeking to excuse their noncompliance. The standard we adopted is based on case law established by the Montana Supreme Court and which stated:

a 'legally sufficient reason' for excusing noncompliance with a categorical time prescription requires a greater and more demanding showing than a 'legally sufficient reason' for excusing noncompliance with a statute or rule providing a good cause exception.

BNSF Ry. Co. v. Cringle, 2012 MT 143, ¶21, 365 Mont. 304, 281 P.3d 203.

The Court also observed that a lower "good cause" threshold for excusing noncompliance with the statute requires a showing of circumstances beyond the party's reasonable control that prevented the party from timely filing its notice of appeal. *BNSF Ry. Co. v. Cringle*, 2012 MT 143, ¶15, 365 Mont. 304, 281 P.3d 203. For rebates, therefore, the justification for missing the rebate period had to *exceed* the type of reason that would satisfy a good cause exception. Nevertheless, the Department's rules provide examples of explanations that do not constitute reasonable cause:

- forgetfulness or inadvertence on the part of a taxpayer;
- the advent of new tax laws, regulations, or administrative requirements that create complex problems;
- a failure to secure the proper forms; or
- the taxpayer started to prepare the return or reply in sufficient time, but found that because of complicated issues the taxpayer was unable to finish the return or reply.

ARM 42.2.512(5).

If a taxpayer offered no explanation for missing the deadline, or provided an explanation that could not even meet the foregoing lower standard, we denied the appeal. This approach was validated by the Office of Dispute Resolution.

Why did we deny rebates to some citizens?

When the Department denied a property tax rebate, we sent the taxpayer a letter explaining why they were ineligible, explained their appeal rights, and provided relevant contact information.

Before October 2, 2023, our denials were based on the eligibility criteria established in House Bill 222/House Bill 816. For instance, taxpayers who lived in a home that was owned by an entity (e.g., an LLC or an irrevocable trust), did not qualify for the rebate. A substantial number of our appeals addressed this question.

Another relatively common eligibility issue that arose concerned the lack of property tax assessments and payments on the subject property. Again, a taxpayer had to be assessed and have paid property taxes for their principal for the 2022 tax year. In some cases, the taxpayer's residence was constructed after the January 1, 2022, lien date and was not valued for property tax purposes in that year. Because the property owner did not pay property taxes on their residence in 2022, they were ineligible, and we denied their application.

Some denials were because the property owner included an invalid social security number or geocode on their application. For these situations, we were often able to work with the taxpayer and get them the rebate once we received (or we could find) the correct data. There were other reasons for denial (again based on criteria found in the bills), but those were the most common scenarios.

After October 2, 2023, the most common reason we denied a rebate application was because the taxpayer filed late. In those cases, we evaluated the taxpayer's justification before issuing a decision.

Property tax rebate appeals.

A property owner had an opportunity to contact us if they disagreed with our decision and provide us additional information. If they remain unsatisfied with our answer, they could request a more formal review that was assigned to BITs leadership. After that review occurred, a taxpayer could file an appeal with the Office of Dispute Resolution within 45 days.

How many denials did taxpayers appeal?

As of April 15, 2024, we received 1,293 appeals, and the Department approved rebates for 969 (75%). 777 of these appeals were reviewed by our Analytics and Planning Bureau and approved. The remaining 516 cases were then assigned to BITs leadership team for review, and we approved an additional 192 rebates and denied 324 applications.

During this second round of review, the assigned BIT staff member would evaluate the information the taxpayer submitted, and the eligibility criteria. In many cases, we requested clarification on what had (or had not) been provided. If we denied the rebate, we sent a written decision that would explain the basis for our decision. This letter also notified them that they had 45 days to appeal to the Office of Dispute Resolution (ODR).

Of the 324 matters we denied on review, 12 taxpayers subsequently filed an appeal with ODR. To date, ODR has issued one decision, and in that case, ODR validated BITs determination that the taxpayer was ineligible.

Lessons learned:

- We did not receive very many complaints from citizens about not knowing about rebate. That tells us that our outreach efforts were effective.
- The cadastral site, which is administered by the Montana State Library (MSL), broke on the first day of the application period because of the volume of property searches being performed. The MSL was able to add capacity to the system to handle property searches during the remaining portion of the application period. The Department paid about \$7,000 for the system improvements so this should not be a problem in 2024.
- Taxpayers' response to the application ran the gamut. We heard from some that it was too complicated, but others believed it was an easy process. For 2024, we are streamlining the application where possible, and will again strongly encourage taxpayers to have the requisite information ready.
- Our initial denial letters—particularly for properties that were not valued—could be improved. We did not have the time to fully develop this in 2023, so those letters simply indicated a problem with the geocode. For 2024, we will better identify the specific issue we encounter.
- The lack of uniformity among the counties with respect to geocodes (15 digits vs 17 digits) created confusion for taxpayers. The first two digits of the 17-digit code represents the county in which the property is located. Some counties omit those numbers from their property tax bills. Although we included specific instructions—including a 56 county geocode identifier—on our website, people still had trouble.
- The property extracts we received from most counties went well. One or two rural counties had some difficulty providing us with information, and we will work with them more closely in 2024.

- We needed to overcome the notion that the Department had all the relevant information to process and validate these rebates. Although our income tax records are useful, the addresses on a return may not match a person's principal residence—particularly if the person moved or used a P.O. Box on the return.
- Because much of the application data is publicly available, it was much easier for people to file fraudulent claims than it was for the income tax rebate. If an application listed banking information that was different than our records showed, we were able to stop those rebates from occurring. However, given the potential scope of the issue, it was much safer for us to simply issue paper checks. This effectively eliminated the submission of fraudulent claims.
- Letter identification numbers. We included this in our August letters and asked taxpayers to save that number for application purposes. We did so to expedite our processing of the rebate applications. We did not foresee that people had a very hard time with this aspect of the form (especially online). Although well intended, we will not include this requirement in 2024.
- State Print and Mail's automated system of mailing letters from GenTax had an error that we did not discover until late in 2023. This error meant that various letters dated between July 31 and September 14 that we believed had been mailed were not actually mailed. 4,650 property tax rebate denial letters and 1,050 rebate adjustment letters were impacted. Fortunately, the vast majority (approximately 4,100) required no further action because the taxpayer had already been issued a rebate, their spouse had been issued a rebate for the same property, or there was an outstanding appeal on the account. There were approximately 1,600 denial and adjustment letters that were reprinted and remailed to taxpayers between January 3 and January 5, 2024. Subsequently, State Print and Mail and the Department have established a reconciliation process to immediately identify when letters have not been sent by the automated system.

- Property owners whose principal residence was classified as commercial property faced an additional burden that we did not understand at the outset of the rebate process. In these cases, we initially denied the rebate because of its classification as commercial property and our data extract did not identify a residential dwelling as associated with the geocode. However, if the taxpayer demonstrated there were residential living quarters at the subject location, and assuming all other criteria were met, we approved the rebate. Unfortunately, we did not have the means to systematically validate that type of information without subsequent taxpayer assistance.