

HOUSE BILL 998

Introduced by Cody, et al.

3/18	Introduced
3/18	Referred to Taxation
3/18	First Reading
3/18	Fiscal Note Requested
3/22	Hearing
3/22	Fiscal Note Received
3/25	Fiscal Note Printed
3/27	Tabled in Committee

HOUSE BILL NO. *998*

INTRODUCED BY *Judy Hill* *Mc Cullock*
Nisbet *Ream*

A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE 6 3/4 PERCENT CORPORATION LICENSE OR INCOME TAX WITH A GRADUATED RATE BASED ON NET INCOME; TO INCREASE TO 8.75 PERCENT THE LICENSE TAX IMPOSED ON CORPORATIONS MAKING A WATER'S-EDGE ELECTION; AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-31-121, MCA, is amended to read:

"15-31-121. Rate of tax -- minimum tax -- surtax. (1) Except as provided in subsection (2), the percentage of net income The tax to be paid under 15-31-101 shall be 6-3/4% is the following percentages, according to the following brackets, of all net income for the taxable period:

- (a) \$0 to \$25,000 of net income, 2%;
- (b) \$25,001 to \$50,000 of net income, 4%;
- (c) \$50,001 to \$100,000 of net income, 6%;
- (d) \$100,001 to \$350,000 of net income, 7%;
- (e) \$350,001 to \$1,000,000 of net income, 8%;
- (f) \$1,000,001 and greater, 8.5%. ~~The rate set forth in this subsection (1) shall be effective for all taxable years~~

~~ending on or after February 28, 1971. This rate is retroactive to and effective for all taxable years ending on or after February 28, 1971.~~

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 shall be 7% is 8.75% of all taxable net income for the taxable period.

(3) ~~Every~~ Each corporation subject to taxation under this part shall, in any event, pay a minimum tax of not less than \$50 \$100.

~~(4) After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1987, 4% of the tax liability, and the amount so derived is the amount due the state.~~

NEW SECTION. **Section 2.** Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990.

-End-



-2- INTRODUCED BILL
HB 998

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0998, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to replace the 6 3/4 percent corporation license or income tax with a graduated rate based on net income; to increase to 8.75 percent the license tax imposed on corporations making a water's-edge election; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Total corporate taxable income will be \$877,947,000 in FY92 and \$850,815,000 in FY93 (OBPP).
2. Total corporation tax receipts will be \$60,841,000 in FY92 and \$60,111,000 in FY93 (OBPP).
3. Local governments will receive 7.8206% of total corporation tax receipts in FY92 and 7.8229% in FY93.
The remaining receipts will be deposited in the state's general fund (OBPP).

FISCAL IMPACT:

	FY 92			FY 93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Revenues:						
Corporation Tax	60,841,000	63,587,000	2,746,000	60,111,000	62,498,000	2,387,000

FUND INFORMATION:

Corporation Tax						
General Fund	56,083,000	58,614,000	2,531,000	55,409,000	57,609,000	2,200,000
Local Governments	<u>4,758,000</u>	<u>4,973,000</u>	<u>215,000</u>	<u>4,702,000</u>	<u>4,889,000</u>	<u>187,000</u>
Total	60,841,000	63,587,000	2,746,000	60,111,000	62,498,000	2,387,000
General Fund Impact			2,531,000			2,200,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

If the proposal becomes law, local government revenues will increase by \$215,000 in FY92 and \$187,000 in FY93.

TECHNICAL NOTES:

As the proposal is written, it is not clear whether the proposed rates are to be taken as flat rates (i.e. as single rates which apply to all of a corporation's taxable income, depending on its size) or marginal rates (i.e. with increasing rates applying to marginal increments of a corporation's taxable income. This note assumes that the proposed water's edge rate is to be interpreted as a flat rate and all other rates are marginal.

Rod Sundsted 3-22-91
 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Rep. Dorothy A. Cody 3-25-91
 DOROTHY A. CODY, PRIMARY SPONSOR DATE

Fiscal Note for HB0998, as introduced**HB998**