## SENATE BILL NO. 61

# INTRODUCED BY CRIPPEN BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE SENATE

JANUARY 9, 1991

INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

FIRST READING.

PRINTING REPORT.

JANUARY 15, 1991

JANUARY 16, 1991

JANUARY 17, 1991

THIRD READING, PASSED. AYES, 48; NOES, 0.

ENGROSSING REPORT.

COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.

SECOND READING, DO PASS.

TRANSMITTED TO HOUSE.

IN THE HOUSE

JANUARY 18, 1991

JANUARY 31, 1991

FEBRUARY 1, 1991

INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

FIRST READING.

JANUARY 29, 1991 COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.

THIRD READING, CONCURRED IN. AYES, 100; NOES, 0.

RETURNED TO SENATE.

IN THE SENATE

FEBRUARY 1, 1991

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

tana Legislative Council

SENATE BILL NO. \_6/ 1 INTRODUCED BY 2 BY REQUEST OF THE DEPARTMENT OF REVENUE 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT THE 5 CALCULATION OF THE MONTANA DEDUCTION ALLOWED FOR A NET 6 7 OPERATING LOSS DEDUCTION FROM A TRADE OR BUSINESS IS LIMITED TO ITEMS RELATED TO MONTANA INCOME; AMENDING SECTION 8 9 15-30-117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE 10 AND A RETROACTIVE APPLICABILITY DATE." 11 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 13 Section 1. Section 15-30-117, MCA, is amended to read: "15-30-117. Net operating loss -- computation. (1) A 14 15 Montana net operating loss must be determined in accordance 16 with section 172 of the Internal Revenue Code of 1954 or as 17 that section may be labeled or amended and in accordance 18 with the following: 19 (a) Additions-to-loss-include The net operating loss 20 deduction for Montana purposes is increased by the 21 following: 22 (i) that portion of the federal income tax and motor 23 vehicle tax allowed as a deduction under 15-30-121 or 24 15-30-131 which is attributable to income from a Montana 25 trade or business; and

1	(ii) <u>Montana</u> wages and salaries allowed as a business			
2	deduction under 15-30-111(5).			
3	(b) Reductions-in-the-loss-include The net operating			
4	loss deduction for Montana purposes is decreased by the			
5	following:			
6	<ul> <li>(i) interest received on obligations of another state</li> </ul>			
7	or territory or of a county, municipality, district, or			
8	political subdivision thereof allowed as nonbusiness income			
9	under 15-30-111(1)(a);			
10	(ii) federal income tax refunds required to be reported			
11	under 15-30-111 and 15-30-131 as Montana business income;			
12	(iii) state income tax; and			
13	(iv) any other nonbusiness deductions allowed under			
14	15-30-121 in excess of nonbusiness income.			
15	(2) Notwithstanding the provisions of section 172 of			
16	the Internal Revenue Code of 1954 or as that section may be			
17	labeled or amended, a net operating loss does not include:			
18	(a) income defined as exempt from state taxation under			
19	15-30-111(2); or			
20	(b) a zero bracket deduction provided for under section			
21	63 of the Internal Revenue Code of 1954 or as that section			
22	may be labeled or amended."			
23	NEW SECTION. Section 2. Effective date. [This act] is			
24	effective on passage and approval.			
25	NEW SECTION. Section 3. Retroactive applicability.			
	INTRODUCED BILL			

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- 1 [Section 1] applies retroactively, within the meaning of
- 2 1-2-109, to taxable years beginning after December 31, 1990.

# STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for <u>SB0061</u>, as introduced.

#### DESCRIPTION OF PROPOSED LEGISLATION:

An act clarifying that the calculation of the Montana deduction allowed for a net operating loss deduction from a trade or business is limited to items related to Montana income; and providing an immediate effective date and a retroactive applicability date.

#### FISCAL IMPACT:

Expenditures:

The is no impact on Department of Revenue administrative expenditures.

### Revenues:

This bill is drafted in response to a unique situation in which a taxpayer who had moved to the state used losses associated with business income unrelated to Montana activity to reduce Montana taxable income. Because these occurrences are rare and unique, it is not possible to estimate when similar situations will arise, or the extent of the tax impact associated with them. In any event, the average annual tax impact is estimated to be minimal.

ROD SUNDSTED, BUDGET DIRECTOR DATE Office of Budget and Program Planning

DATE

BRUCE D. CRIPPEN, PRIMARY SPONSOR

Fiscal Note for <u>SB0761</u>, as introduced

SB LI

52nd Legislature

LC 0313/01

# APPROVED BY COMMITTEE ON TAXATION

SEDATE BILL NO. 61 1 INTRODUCED BY 2 BY REQUEST OF THE DEPARTMENT OF REVENUE 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT THE 5 CALCULATION OF THE MONTANA DEDUCTION ALLOWED FOR A NET 6 7 OPERATING LOSS DEDUCTION FROM A TRADE OR BUSINESS IS LIMITED 8 TO ITEMS RELATED TO MONTANA INCOME: AMENDING SECTION 15-30-117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE 9 AND A RETROACTIVE APPLICABILITY DATE." 10

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

13 Section 1. Section 15-30-117, MCA, is amended to read: 14 "15-30-117. Net operating loss -- computation. (1) A 15 <u>Montana</u> net operating loss must be determined in accordance 16 with section 172 of the Internal Revenue Code of 1954 or as 17 that section may be labeled or amended and in accordance 18 with the following:

(a) Additions-to-loss-include <u>The net operating loss</u>
deduction for <u>Montana purposes is increased by the</u>
following:

(i) that portion of the federal income tax and motor
vehicle tax allowed as a deduction under 15-30-121 or
15-30-131 which is attributable to income from a <u>Montana</u>
trade or business; and

(ii) Montana wages and salaries allowed as a business ٦ deduction under 15-30-111(5). 2 (b) Reductions-in-the-loss-include The net operating 3 loss deduction for Montana purposes is decreased by the 4 following: 5 (i) interest received on obligations of another state 6 or territory or of a county, municipality, district, or 7 political subdivision thereof allowed as nonbusiness income 8 under 15-30-111(1)(a); 9 (ii) federal income tax refunds required to be reported 10 under 15-30-111 and 15-30-131 as Montana business income; 11 (iii) state income tax; and 12 (iv) any other nonbusiness deductions allowed under 13 15-30-121 in excess of nonbusiness income. 14 (2) Notwithstanding the provisions of section 172 of 15 the Internal Revenue Code of 1954 or as that section may be 16 labeled or amended, a net operating loss does not include: 17 (a) income defined as exempt from state taxation under 18 15-30-111(2); or 19 (b) a zero bracket deduction provided for under section 20 63 of the Internal Revenue Code of 1954 or as that section 21 may be labeled or amended." 22 NEW SECTION. Section 2. Effective date. [This act] is 23 effective on passage and approval. 24 applicability. NEW SECTION. Section 3. Retroactive 25 SECOND READING

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1 [Section 1] applies retroactively, within the meaning of

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2 1-2-109, to taxable years beginning after December 31, 1990.

52nd Legislature

#### LC 0313/01

SENATE BILL NO. \_61 1 2 INTRODUCED BY BY REQUEST OF THE DEPARTMENT OF REVENUE 3 5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT THE CALCULATION OF THE MONTANA DEDUCTION ALLOWED FOR A NET 6 7 OPERATING LOSS DEDUCTION FROM A TRADE OR BUSINESS IS LIMITED 8 TO ITEMS RELATED TO MONTANA INCOME; AMENDING SECTION 15-30-117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE 9 10 AND A RETROACTIVE APPLICABILITY DATE." 11 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 13 Section 1. Section 15-30-117, MCA, is amended to read: 14 "15-30-117. Net operating loss -- computation. (1) A 15 Montana net operating loss must be determined in accordance 16 with section 172 of the Internal Revenue Code of 1954 or as 17 that section may be labeled or amended and in accordance 18 with the following: 19 (a) Additions-to-loss-include The net operating loss 20 deduction for Montana purposes is increased by the 21 following: 22 (i) that portion of the federal income tax and motor 23 vehicle tax allowed as a deduction under 15-30-121 or 24 15-30-131 which is attributable to income from a Montana 25 trade or business; and

(ii) Montana wages and salaries allowed as a business 1 deduction under 15-30-111(5). 2 (b) Reductions-in-the-loss-include The net operating 3 loss deduction for Montana purposes is decreased by the 4 following: 5 (i) interest received on obligations of another state 6 or territory or of a county, municipality, district, or 7 political subdivision thereof allowed as nonbusiness income 8 under 15-30-111(1)(a); 9 (ii) federal income tax refunds required to be reported 10 under 15-30-111 and 15-30-131 as Montana business income; 11 (iii) state income tax; and 12 (iv) any other nonbusiness deductions allowed under 13 15-30-121 in excess of nonbusiness income. 14 (2) Notwithstanding the provisions of section 172 of 15 the Internal Revenue Code of 1954 or as that section may be 16 labeled or amended, a net operating loss does not include: 17 (a) income defined as exempt from state taxation under 18 15-30-111(2); or 19 (b) a zero bracket deduction provided for under section 20 63 of the Internal Revenue Code of 1954 or as that section 21 may be labeled or amended." 22 NEW SECTION. Section 2. Effective date. [This act] is 23 effective on passage and approval. 24 applicability. NEW SECTION. Section 3. Retroactive 25 THIRD READING

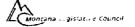
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SBLA

- 1 [Section 1] applies retroactively, within the meaning of
- 2 1-2-109, to taxable years beginning after December 31, 1990.

1	SENATE BILL NO. 61	1	(ii) <u>Montana</u> wages and salaries allowed as a business
2	INTRODUCED BY CRIPPEN	2	deduction under 15-30-111(5).
3	BY REQUEST OF THE DEPARTMENT OF REVENUE	3	(b) Reductions-in-the-loss-include The net operating
4		4	loss deduction for Montana purposes is decreased by the
5	A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT THE	5	following:
6	CALCULATION OF THE MONTANA DEDUCTION ALLOWED FOR A NET	6	(i) interest received on obligations of another state
7	OPERATING LOSS DEDUCTION FROM A TRADE OR BUSINESS IS LIMITED	7	or territory or of a county, municipality, district, or
8	TO ITEMS RELATED TO MONTANA INCOME; AMENDING SECTION	8	political subdivision thereof allowed as nonbusiness income
9	15-30-117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE	9	under 15-30-111(1)(a);
10	AND A RETROACTIVE APPLICABILITY DATE."	10	(ii) federal income tax refunds required to be reported
11		11	under 15-30-111 and 15-30-131 as <u>Montana</u> business income;
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	12	(iii) state income tax; and
13	Section 1. Section 15-30-117, MCA, is amended to read:	13	(iv) any other nonbusiness deductions allowed under
14	<pre>"15-30-117. Net operating loss computation. (1) A</pre>	14	15-30-121 in excess of nonbusiness income.
15	Montana net operating loss must be determined in accordance	15	(2) Notwithstanding the provisions of section 172 of
16	with section 172 of the Internal Revenue Code of 1954 or as	16	the Internal Revenue Code of 1954 or as that section may be
17	that section may be labeled or amended and in accordance	17	labeled or amended, a net operating loss does not include:
18	with the following:	18	(a) income defined as exempt from state taxation under
19	(a) Additions-to-loss-include The net operating loss	19	15-30-111(2); or
20	deduction for Montana purposes is increased by the	20	(b) a zero bracket deduction provided for under section
21	following:	21	63 of the Internal Revenue Code of 1954 or as that section
22	(i) that portion of the federal income tax and motor	22	may be labeled or amended."
23	vehicle tax allowed as a deduction under 15~30-121 or	23	NEW SECTION. Section 2. Effective date. [This act] is
24	15-30-131 which is attributable to income from a Montana	24	effective on passage and approval.
25	trade or business; and	25	NEW SECTION. Section 3. Retroactive applicability.



d approval. on 3. Retroactive applicability. REFERENCE BILL

- 2 -

SB 61

[Section 1] applies retroactively, within the meaning of
 1-2-109, to taxable years beginning after December 31, 1990.