SENATE BILL 450

Introduced by Halligan

2/20	Introduced
2/20	Referred to Taxation
2/21	First Reading
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2/27	Fiscal Note Printed
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3/18	Hearing
3/22	Tabled in Committee

Senate BILL NO. 450

INTRODUCED BY Halligan

A BILL FOR AN ACT ENTITLED: "AN ACT TO SIMPLIFY INCOME TAX FILING REQUIREMENTS BY PROVIDING FOR SEPARATE INCOME TAX RATES FOR TAXPAYERS WHO ARE FILING JOINTLY, FILING AS HEAD OF HOUSEHOLD, MARRIED BUT FILING SEPARATELY, OR FILING AS SINGLE; TO ADJUST REFERENCES TO THE INFLATION FACTOR TO REFLECT CHANGES IN INCOME BRACKETS; AMENDING SECTIONS 13-37-218, 15-30-101, 15-30-103, AND 15-30-112, 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 13-37-218, MCA, is amended to read:

"**13-37-218. Limitations on receipts from political committees.** A candidate for the state senate may receive no more than $1,000 in total combined monetary contributions from all political committees contributing to his campaign, and a candidate for the state house of representatives may receive no more than $600 in total combined monetary contributions from all political committees contributing to his campaign. The foregoing limitations shall be multiplied by ~~the-inflation-factor-as-defined-in-15-30-101(8)-for-the~~ a number that is determined for each year in which general

elections are held after 1984 by dividing the consumer price index, as defined in 15-30-101, by the consumer price index for June 1980; the resulting figure shall be rounded off to the nearest $50 increment. The commissioner of political practices shall publish the revised limitations as a rule. In-kind contributions may not be included in computing these limitation totals. The limitation provided in this section does not apply to contributions made by a political party eligible for a primary election under 13-10-601."

Section 2. Section 15-30-101, MCA, is amended to read:

"**15-30-101. Definitions.** For the purpose of this chapter, unless otherwise required by the context, the following definitions apply:

(1) "Base year structure" means the following elements of the income tax structure:

(a) the tax brackets established in 15-30-103, but unadjusted by subsection (2) of 15-30-103, in effect on June 30 of the taxable year;

(b) the exemptions contained in 15-30-112, but unadjusted by subsections (7) and (8) of 15-30-112, in effect on June 30 of the taxable year;

(c) the maximum standard deduction provided in 15-30-122, but unadjusted by subsection (2) of 15-30-122, in effect on June 30 of the taxable year.

(2) "Consumer price index" means the consumer price

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index, United States city average, for all items, using the 1967 base of 100 as published by the bureau of labor statistics of the U.S. department of labor.

(3) "Department" means the department of revenue.

(4) "Dividend" means any distribution made by a corporation out of its earnings or profits to its shareholders or members, whether in cash or in other property or in stock of the corporation, other than stock dividends as herein defined. "Stock dividends" means new stock issued, for surplus or profits capitalized, to shareholders in proportion to their previous holdings.

(5) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person, whether individual or corporate, acting in any fiduciary capacity for any person, trust, or estate.

(6) "Foreign country" or "foreign government" means any jurisdiction other than the one embraced within the United States, its territories and possessions.

(7) "Gross income" means the taxpayer's gross income for federal income tax purposes as defined in section 61 of the Internal Revenue Code of 1954 or as that section may be labeled or amended, excluding unemployment compensation included in federal gross income under the provisions of section 85 of the Internal Revenue Code of 1954 as amended.

(8) "Inflation factor" means a number determined for

each taxable year by dividing the consumer price index for June of the taxable year by the consumer price index for June~~,~~ ~~1980~~ of the specified base year.

(9) "Information agents" includes all individuals, corporations, associations, and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, brokers, real estate brokers, employers, and all officers and employees of the state or of any municipal corporation or political subdivision of the state, having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income with respect to which any person or fiduciary is taxable under this chapter.

(10) "Knowingly" is as defined in 45-2-101.

(11) "Net income" means the adjusted gross income of a taxpayer less the deductions allowed by this chapter.

(12) "Paid", for the purposes of the deductions and credits under this chapter, means paid or accrued or paid or incurred, and the terms "paid or incurred" and "paid or accrued" shall be construed according to the method of accounting upon the basis of which the taxable income is computed under this chapter.

(13) "Purposely" is as defined in 45-2-101.

(14) "Received", for the purpose of computation of taxable income under this chapter, means received or accrued and the term "received or accrued" shall be construed according to the method of accounting upon the basis of which the taxable income is computed under this chapter.

(15) "Resident" applies only to natural persons and includes, for the purpose of determining liability to the tax imposed by this chapter with reference to the income of any taxable year, any person domiciled in the state of Montana and any other person who maintains a permanent place of abode within the state even though temporarily absent from the state and has not established a residence elsewhere.

(16) "Taxable income" means the adjusted gross income of a taxpayer less the deductions and exemptions provided for in this chapter.

(17) "Taxable year" means the taxpayer's taxable year for federal income tax purposes.

(18) "Taxpayer" includes any person or fiduciary, resident or nonresident, subject to a tax imposed by this chapter and does not include corporations."

Section 3. Section 15-30-103, MCA, is amended to read:

"**15-30-103. Rate of tax.** (1) There shall be levied, collected, and paid for each taxable year commencing on or after December 31, ~~1968~~ 1990, upon the taxable income of

every taxpayer subject to this tax, after making allowance for exemptions and deductions as ~~hereinafter~~ provided by law, a tax on the following brackets of taxable income as adjusted under subsection (2) at the following rates:

(a) when filing a joint tax return, the rates are:

(i) on the first ~~$1,000~~ $2,300 of taxable income or any part thereof, 2%;

~~(b)~~(ii) on the next ~~$1,000~~ $2,300 of taxable income or any part thereof, 3%;

~~(c)~~(iii) on the next ~~$2,000~~ $4,400 of taxable income or any part thereof, 4%;

~~(d)~~(iv) on the next ~~$2,000~~ $5,000 of taxable income or any part thereof, 5%;

~~(e)~~(v) on the next ~~$2,000~~ $5,000 of taxable income or any part thereof, 6%;

~~(f)~~(vi) on the next ~~$2,000~~ $6,000 of taxable income or any part thereof, 7%;

~~(g)~~(vii) on the next ~~$4,000~~ $5,000 of taxable income or any part thereof, 8%;

~~(h)~~(viii) on the next ~~$6,000~~ $20,000 of taxable income or any part thereof, 9%;

~~(i)~~(ix) on the next ~~$15,000~~ $20,000 of taxable income or any part thereof, 10%;

~~(j)~~(x) on any taxable income in excess of ~~$35,000~~ $70,000 ~~or any part thereof~~, 11%.

(b) when married but filing a separate return, the rates are:

(i) on the first $1,100 of taxable income or any part thereof, 2%;

(ii) on the next $1,200 of taxable income or any part thereof, 3%;

(iii) on the next $2,200 of taxable income or any part thereof, 4%;

(iv) on the next $2,500 of taxable income or any part thereof, 5%;

(v) on the next $2,500 of taxable income or any part thereof, 6%;

(vi) on the next $3,000 of taxable income or any part thereof, 7%;

(vii) on the next $2,500 of taxable income or any part thereof, 8%;

(viii) on the next $10,000 of taxable income or any part thereof, 9%;

(ix) on the next $10,000 of taxable income or any part thereof, 10%;

(x) on any taxable income in excess of $35,000, 11%.

(c) when filing as head of household, the rates are:

(i) on the first $1,900 of taxable income or any part thereof, 2%;

(ii) on the next $2,000 of taxable income or any part

thereof, 3%;

(iii) on the next $3,700 of taxable income or any part thereof, 4%;

(iv) on the next $3,900 of taxable income or any part thereof, 5%;

(v) on the next $3,700 of taxable income or any part thereof, 6%;

(vi) on the next $3,900 of taxable income or any part thereof, 7%;

(vii) on the next $7,600 of taxable income or any part thereof, 8%;

(viii) on the next $11,400 of taxable income or any part thereof, 9%;

(ix) on the next $28,600 of taxable income or any part thereof, 10%;

(x) on any taxable income in excess of $66,700, 11%.

(d) when filing as single, the rates are:

(i) on the first $1,400 of taxable income or any part thereof, 2%;

(ii) on the next $1,500 of taxable income or any part thereof, 3%;

(iii) on the next $2,800 of taxable income or any part thereof, 4%;

(iv) on the next $2,900 of taxable income or any part thereof, 5%;

(v) on the next $2,800 of taxable income or any part thereof, 6%;

(vi) on the next $2,900 of taxable income or any part thereof, 7%;

(vii) on the next $5,700 of taxable income or any part thereof, 8%;

(viii) on the next $8,600 of taxable income or any part thereof, 9%;

(ix) on the next $21,400 of taxable income or any part thereof, 10%;

(x) on any taxable income in excess of $50,000, 11%.

(2) By November 1 ~~of~~, 1992, and by November 1 of each subsequent year, the department shall multiply the bracket ~~amount~~ amounts contained in ~~subsection~~ subsections (1)(a) through (1)(d) by the inflation factor based on 1991 for that taxable year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that taxable year and shall be used as the basis for imposition of the tax in ~~subsection~~ subsections (1)(a) through (1)(d) ~~of-this-section~~."

Section 4. Section 15-30-112, MCA, is amended to read:

"15-30-112. **Exemptions.** (1) Except as provided in subsections (7) and (8), in the case of an individual, the exemptions provided by subsections (2) through (6) shall be allowed as deductions in computing taxable income.

(2) (a) An exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the taxpayer.

(b) An additional exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(3) (a) An additional exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the taxpayer if he has attained the age of 65 before the close of his taxable year.

(b) An additional exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of such taxable year and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(4) (a) An additional exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the taxpayer if he is blind at the close of his taxable year.

(b) An additional exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For the purposes of this subsection (4)(b), the determination of whether the spouse is blind shall be made as of the close of the taxable year of the taxpayer, except that if the spouse dies during such taxable year, such determination shall be made as of the time of such death.

(c) For purposes of this subsection (4), an individual is blind only if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(5) (a) An exemption of $800 shall be allowed for taxable years beginning after December 31, 1978, for each dependent:

(i) whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than $800; or

(ii) who is a child of the taxpayer and who:

(A) has not attained the age of 19 years at the close

of the calendar year in which the taxable year of the taxpayer begins; or

(B) is a student.

(b) No exemption shall be allowed under this subsection for any dependent who has made a joint return with his spouse for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

(c) For purposes of subsection (5)(a)(ii), the term "child" means an individual who is a son, stepson, daughter, or stepdaughter of the taxpayer.

(d) For purposes of subsection (5)(a)(ii)(B), the term "student" means an individual who, during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins:

(i) is a full-time student at an educational institution; or

(ii) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a state or political subdivision of a state. For purposes of this subsection (5)(d)(ii), the term "educational institution" means only an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.

(6) In the case of a nonresident taxpayer, the exemption deduction shall be prorated according to the ratio the taxpayer's Montana adjusted gross income bears to his federal adjusted gross income.

(7) For taxable years beginning after December 31, 1978, and before January 1, 1981, the amount allowed as a deduction in subsections (2) through (6) shall be adjusted as provided under section 9, Chapter 698, Laws of 1979 as amended by section 4, Chapter 548, Laws of 1981.

(8) For taxable years beginning after December 31, ~~1980~~ 1991, the department, by November 1 of each year, shall multiply all the exemptions provided in this section unadjusted by subsection (7) by the inflation factor based on 1991 for that taxable year and round the product to the nearest $10. The resulting adjusted exemptions are effective for that taxable year and shall be used in calculating the tax imposed in 15-30-103."

NEW SECTION. **Section 5. 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-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0450, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to simplify income tax filing requirements by providing for separate income tax rates for taxpayers who are filing jointly, filing as head of household, married but filing separately, or filing as single; to adjust references to the inflation factor to reflect changes in income brackets; and providing an immediate effective date and a retroactive applicability date.

Assumptions:

1. Annual savings include $20,000 in operating expense, and 0.40 FTE ($7,117) in data entry operations, for total annual savings of $27,117.
2. It is assumed for the purposes of this note that the intent of this proposal is to provide for revenue neutrality. Given this assumption, there is no impact on department revenue, but see the section on Technical Notes for several reasons why this proposal is not revenue neutral!
3. The following table shows that while the proposal is intended to be revenue-neutral overall, the impacts vary significantly depending on the filertype:

Tax Year 1990

	Tax Liability		
Filertype	Current Law	Proposed Law	Change
Single	51,103,923	52,939,431	1,835,508
Head of Household	9,015,284	8,328,614	(686,670)
Married-Joint	75,394,965	67,297,968	(8,096,997)
Married-Separate	130,064,123	137,062,395	6,998,272
All Filers	265,578,295	265,628,409	50,114

FISCAL IMPACT:

	FY '92			FY '93		
Expenditures:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
F.T.E.	0	(0.40)	(0.40)	0	(0.40)	(0.40)
Operating Expense	0	(20,000)	(20,000)	0	(20,000)	(20,000)
Personal Services	0	(7,117)	(7,117)	0	(7,117)	(7,117)
Total	0	(27,117)	(27,117)	0	(27,117)	(27,117)
Funding:						
General Fund	0	(27,117)	(27,117)	0	(27,117)	(27,117)
Impact to General Fund			27,117			27,117

Rod Sundsted 2-27-91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

M Halligan 2/27/91
MIKE HALLIGAN, PRIMARY SPONSOR DATE

Fiscal Note for SB0450, as introduced

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TECHNICAL NOTES:

Rate Tables:
The bill provides for separate tax tables for single filers, heads of households, married couples filing jointly, and married couples filing separately. The bracket boundaries, as provided in the text of the bill, are revenue-neutral for tax year 1990. However, the bill, as drafted, places these bracket boundaries into effect in tax year 1991. This would result in a revenue gain under the proposal.

Exemption Level:
Also, the changes to law provided in Section 4 (pertaining to the exemption level) do not produce revenue neutrality. First, the proposal is ambiguous because it does not appear to provide for an exemption level in tax year 1991. The proposal provides for indexing the base year exemption level for tax years beginning after December 31, 1991; however, the proposal is retroactive to tax years beginning after December 31, 1990. What is the exemption level for tax year 1991? Second, the proposal provides for inflationary adjustments to the old base year exemption level of $800 in tax year 1992, based on the change in the CPI from 1991 to 1992. This results in a tax year 1992 exemption level of $840. Under current law, the 1992 exemption level is anticipated to be about $1,390.

Standard Deduction:
Finally, revenue-neutrality would also require a change in the current law pertaining to the indexing of the standard deduction maxima provided for in 15-30-122. No such changes are presented in the bill, as this section of law is not addressed.

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