

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 3, 1977

The thirty-first meeting of the Taxation Committee was called to order on the above date by Chairman Mathers in Room 415 of the State Capitol Building at 8:10 a.m.

ROLL CALL: Roll call found all members present with the exception of Sen. Manning.

CONSIDERATION OF HOUSE BILL 13: Roger Tippy distributed an outline of what the tax laws might look like in a few years, a Preliminary Outline, and entitled Title 15, see Exhibits #1 and 2, attached. He went through HB13 and said the bill takes note of the fact that the word 'person' is defined in many sections of the code and HB13 would make clear the definition of the word. He explained further the clarification efforts of this legislation and following his presentation Chairman Mathers permitted questions by the committee and after a brief discussion, they took action on the bill.

DISPOSITION: Sen. Towe Moved HB13 Be Concurred In. The motion carried. Note for the record the absence of Sen. Manning, and Sen. Brown's 'No' vote.

CONSIDERATION OF HOUSE BILL 15: Mr. Tippy then distributed Exh. #3, attached, and went through the bill, explaining the changes to further clarify the codes in relation to the individual and corporate income taxes and gasoline taxes. There were numerous points in the bill that he explained, noting why changes had been made. Committee members asked questions of Mr. Tippy and discussed the changes proposed in the bill and following, moved this bill as well.

DISPOSITION: Sen. Towe Moved HB15 Be Concurred In. The motion carried unanimously.

The Chairman then told the committee he felt they should arrive at some decision in regard to both inheritance and income tax measures. He said that after some deliberation several of the committee members had had second thoughts in regard to SB 352 and SB431 and these committee reports were not turned in on Friday, the day the committee took action on them. After considerable deliberation at that meeting, the committee voted to kill 7 income tax related bills on that day and the two bills, SB352 and 431, were killed with the others.

Mr. Groff of the D.R. was present at this morning's meeting and the committee held an open discussion with regard to the income tax bills, consulting with Mr. Groff in regard to the income averaging bill, as well as several other alternatives which might reduce the income tax for married couples. Mr. Clark and Mr. Winn of the D.R. also were questioned in regard to the

loss or gain of revenue under certain alternatives being considered by the committee.

Mr. Winn distributed Exh. #4, which he had been asked to prepare by the committee at Friday's meeting. He discussed the revenue gains and losses shown on the charts and committee members also questioned him about benefits of income tax credits as opposed to exemptions, also the effects of eliminating all or part of the 10% surcharge.

After considerable discussion, the Chairman asked the committee if they wished to make any substantial changes in the income tax picture or if they wished to leave it much as it is at present. They discussed how the burden of paying taxes would be shifted were they to enact legislation giving a tax break on inheritance taxes. They also discussed Sen. Towe's 'piggy-back' bill. The committee generally responded to the Chairman's question of what they planned to do about the present tax laws by agreeing they did not wish to make any substantial changes in the present tax laws. If there are tax breaks, some one group will have to make up the difference in revenues lost, and several voiced the thought that this did not seem the time to opt for any major change in the present tax structure.

The point was made that the Interim Tax Committee had last summer considered property, income and inheritance taxes, and had come out with some most beneficial changes in the property tax laws, as they had concentrated on them. Therefore, Chairman Mathers proposed the state income tax laws again be placed with an Interim Tax Committee, in an effort to come out with more equitable tax laws, and hopefully, more even distribution of the tax burden.

Exhibit #5, attached, is a proposed amendment to HB422, and was introduced by Mr. Groff. Chairman Mathers said more information will be coming from the D.R., so he urged the committee to consider the information they had received and will receive, in an effort to arrive at a decision which might be considered at Friday's meeting.

The Chairman then adjourned the meeting.


WILLIAM MATHERS

CHAIRMAN

STANDING COMMITTEE REPORT

..... March 3 19 77

MR. **PRESIDENT**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **13**

Respectfully report as follows: That **HOUSE** Bill No. **13**

BE CONCURRED IN

~~XXXXXX~~



Room 415

STANDING COMMITTEE REPORT

..... March 3 19 77

MR. PRESIDENT

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. 15

Respectfully report as follows: That **HOUSE** Bill No. 15

BE CONCURRED IN

DO PASS
~~XXXXX~~

PA.

Exh. #1

TITLE 15 TAXATION

PRELIMINARY OUTLINE

3/3

Chapter 1 Tax Administration

Part 1 Department of Revenue

R.C.M. 1947

M.C.A. 1979

84-101	Definitions	15-1-101
84-708.1(4) (part) (5) (8)	Department to administer revenue laws	15-1-102
84-708.1(6) (7) (9) (10) (11) (12) (13)	Department to enforce revenue laws	15-1-103
84-708.1(14)	Department may study other tax systems	15-1-104
84-708.1(15)	Governor may consult department	15-1-105
84-708.1(16)	Biennial report	15-1-106
84-708.1(17)	Department may waive penalties	15-1-107

Part 2 Multistate Tax Compact

84-6701	Multistate tax compact	15-1-201
84-6702	Montana compact commissioner	15-1-202
84-6703	Alternate	15-1-203
84-6704	Advisory committee	15-1-204

Part 3 Investigations, Hearings, and Records

84-716	Hearings, witnesses, contempt, fees and subpoenas	15-1-301
84-714	Penalty for refusal to furnish information	15-1-302
84-724	Destruction of tax records authorized -- procedure	15-1-311
84-4175.2	Treasurers to destroy certain tax records	15-1-312

Part 4 Handling Collections

84-1901	Disposition of moneys from certain taxes	15-1-401
84-725	Suspense account for receipts and refunds	15-1-402
84-726	Refund of overpayments -- procedure	15-1-403
84-4401	Settlement of county treasurer with state treasurer	15-1-404
84-4402	Report of county clerk to state auditor	15-1-405
84-448	Annual settlements	15-1-406

Part 5 Lists of Corporations

84-708.2	Central reporting system for identification of corporations	15-1-501
84-708.3	Rules and regulations for central reporting system	15-1-502
84-708.4	List of corporations furnished by secretary of state	15-1-503
84-708.5	Labor department to furnish list of corporations	15-1-504
84-708.6	List of corporations compiled by revenue department	15-1-505
84-708.7	Cross-referencing of lists by department of revenue	15-1-506
84-708.8	Lists of corporations not open to inspection	15-1-507

Part 6 State Tax Appeal Board

84-701	Board -- appointments -- term	15-1-601
84-702	Qualification and compensation	15-1-602
84-703	Organization, quorum, sessions	15-1-603
84-708	Board powers and duties	15-1-604
84-717	Seal of board	15-1-605
84-705	Employees -- duties of secretary -- rules	15-1-611
84-706	Office, furnishings, and supplies	15-1-612
84-709	Appeal to state tax appeal board -- hearing	15-1-631
84-709.1	Judicial review of contested cases	15-1-632
84-709.2	Petition for interlocutory adjudication	15-1-633
84-709.3	Jurisdiction to make interlocutory adjudication	15-1-634

Part 7 Taxpayers' Remedies

84-4501	Payment of license fee under protest -- action to recover	15-1-701
84-4502	Payment of tax under protest -- action to recover	15-1-702
84-4504	Other remedies superseded	15-1-703
84-4505	Injunction does not lie to restrain enforcement of tax	15-1-704

Chapter 2 The Property Tax

Part 1 General Provisions

Subpart 1 Administrative Provisions

84-704	Definitions	15-2-101
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84-402(2)(4)(5)	Assessor as agent of department -- county to provide office space, when	15-2-102
84-708.1(4)(part)	Department to conduct assessing schools	15-2-103
84-708.9	Department audit of taxable value	15-2-104
84-708.10	Audit fee paid to general fund	15-2-105

Subpart 2 Farm Statistics

84-449	Department to collect farm statistics	15-2-121
84-450	Delivery to commissioner of agriculture	15-2-122
84-451	Statistics, how obtained	15-2-123
84-452	Statistics, penalty for refusal to furnish	15-2-124

Subpart 3 Appeal Procedures

84-710	Notice of intention to change assessment	15-2-131
84-711	Notice of assessment of omitted property	15-2-132

Part 2 Realty Transfer Act

84-7301	Short title	15-2-201
84-7302	Purpose	15-2-202
84-7303	Definitions	15-2-203
84-7304	Report of transfers -- change of ownership records	15-2-204
84-7305	Certificate of county clerk and recorder	15-2-205
84-7306	Rules	15-2-206
84-7307	Certificate -- exceptions	15-2-207
84-7308	Disclosure of information	15-2-208
84-7309	Classification of assessment methods	15-2-209
84-7310	Penalty	15-2-210
84-7311	Costs	15-2-211

Part 3 Classification and Appraisal

Subpart 1 Property Classified as Tax-exempt

84-201	Property subject to or exempt from taxation	15-2-301
84-202, 84-303	Exempt categories	15-2-302
84-203	State water conservation projects exempt	15-2-303
84-206	Irrigation and drainage facilities -- when exempt	15-2-304

Subpart 2 Classes of Taxable Property

84-301	Classification of taxable property	15-2-321
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84-301(I), 84-302(1)	Class one property	15-2-322
84-301(II), 84-302(2)	Class two property	15-2-323
84-301(III), 84-302(3)	Class three property	15-2-324
84-301(IV), 84-302(4)	Class four property	15-2-325
84-301(V), 84-302(5)	Class five property	15-2-326
84-301, 84-302(6), 84-304, 84-305, 84-407, 84-308	Class six property	15-2-327
69-3923, 84-301(VII), 84-302(7)	Class seven property	15-2-328
84-301(VIII), 84-302(8)	Class eight property	15-2-329
84-301(IX), 84-302(9)	Class nine property	15-2-330
84-301(X), 84-302(10)	Class ten property	15-2-331
84-301(XI), 84-302(11)	Class eleven property	15-2-332

Part 4 General Appraisal Methods

84-429.7(1)	Classification and appraisal -- duties of department	15-2-401
84-429.11	Notice of classification and appraisal to owners -- appeals	15-2-402
84-429.12	Classification and appraisal -- general and uniform methods	15-2-403
84-429.13	Work done under prior law	15-2-404
84-429.14	Periodic revaluation of taxable property	15-2-411
84-429.15	Equalization of valuations	15-2-412
84-429.16	Use of valuations	15-2-413
84-429.17	Sections supplemental	15-2-414

Part 5 Greenbelt Appraisal

84-437.1	Legislative intent as to agricultural property	15-2-501
84-437.2	Eligibility of land for valuation as agricultural	15-2-502
84-437.3	Agricultural uses only considered in valuation	15-2-503
84-437.4	Roll-back tax imposed -- when	15-2-504
84-437.5	Roll-back tax procedures	15-2-505
84-437.6	Improvements on agricultural land	15-2-506
84-437.8	Continuance of valuation as agricultural land	15-2-507
84-437.15	Reclassification by department	15-2-508
84-437.16	Reclassification by owner	15-2-509
84-437.9	Roll-back tax on change of use of part of tract	15-2-510

Exh #2



HOUSE MEMBERS

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OSCAR KVALEN

PAT MC KITTRICK

ROSE WEBER
EXECUTIVE DIRECTOR

PAMELA DUENSING
ADMINISTRATIVE ASSISTANT

ROBERTA MOODY
SUPERVISOR, ALTER SYSTEM



Montana Legislative Council

State Capitol
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DIANA DOWLING
DIRECTOR, LEGAL SERVICES;
CODE COMMISSIONER

ROBERT PERSON
DIRECTOR, RESEARCH

LC 0043

1977 Legislature
Code Commissioner Bill - Summary

_____ Bill No. _____

FOR A STANDARD DEFINITION OF THE WORD "PERSON" IN TAX
TITLE.

(This summary does not include discussion of routine form
or grammatical changes.)

This bill enacts a section to provide a standard definition
of person for most of the taxation statutes in Title 84, to
include individuals, partnerships, corporations, syndicates,
associations, and joint-stock companies. The taxes on indivi-
dual and corporate income are expressly excluded from the
scope of this definition.

The remainder of the bill either repeals separate definitions
of "person" now scattered throughout the title (sections 3,
12, 21, 22, 23, and 24 do this), or delete enumerations which
would be redundant under the title-wide definition. A typical
enumeration is: "It shall be unlawful for any person, firm,
association, corporation, or copartnership to...". The
remaining sections of the bill make such deletions.

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Eph. # 3

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ROBERT PERSON
DIRECTOR, RESEARCH

LC 0018

1977 Legislature
Code Commissioner Bill - Summary

House Bill No. 15

TO REVISE AND CLARIFY INDIVIDUAL AND CORPORATE INCOME
TAXES AND GASOLINE TAXES.

(This summary does not include discussion of routine form
or grammatical changes.)

Section 1. 84-1501.2. The rearrangement makes it clear
in (a) that (1) and (2) refer to when the election is effective
and not to when the consent takes place. In (e)(1) and (e)(3)
the language in (A) and (B) is not needed for meaning. Again,
wording is rearranged to clarify.

Subsection (c)(2) is deleted as temporary.

Section 2. 84-1838. Inserts the word "or" between the
penultimate and last items in a series.

Section 3. 84-1840. Expands scope of "this act" so that
it includes the chapter which encompasses all motor fuel taxes.
In practice, all of these taxes are paid into the highway fund
now, so no substantive change is involved.

Section 4. 84-4903.8. Substituted "84-4903.2" for "this
section" because that is the section which is concerned with
the tax in question.

Section 5. Amend 84-4926 by inserting the words "for
which" in the last sentence to make it grammatical.

Sections 6 and 7. 84-6305 and 84-6307 correct references
to repealed sections.

Section 8. Repeals.

84-4903.1 is merely a declaratory, non-legal statement
and is not needed.

LC 0018

84-4903.13 relates to rule-making powers - not needed because 84-4930 delegates such authority for all of Chapter 49.

84-6303 is redundant since (a) the amendment to 84-1840 would specify that this tax is paid into the highway fund, and (b) the 5% overhead factor is not used in budgeting; the department of revenue simply receives an appropriation from the highway fund for the actual costs of collecting all motor fuel taxes.

Ex. # 4

SIMULATION OF MONTANA INDIVIDUAL INCOME TAX FOR
ALTERNATIVE PERSONAL EXEMPTION ALLOWANCES

ASSUMPTIONS:

- 1) The only change from present law is the indicated personal exemption allowances.
- 2) The percentage decrease in CY tax liability which results from a simulation of assumption1, using data obtained from returns for calendar year 1975, will apply equally to calendar years 1977, 1978, and 1979.

RESULTS OF SIMULATION:

Amount of credit per exemption	650	660	670	675	680	690	700	710	720	725	730	740	750
Change in CY tax liability	0	-0.36%	-0.72%	-0.90%	-1.08%	-1.44%	-1.80%	-2.17%	-2.53%	-2.71%	-2.89%	-3.25%	-3.61%
FY 78 collections (Millions of \$)	123.732	123.298	122.864	122.647	122.431	121.997	121.563	121.123	120.683	120.466	120.250	119.816	119.381
FY 79 collections (Millions of \$)	140.093	139.589	139.084	138.832	138.580	138.076	137.571	137.084	136.548	136.296	136.044	135.540	135.036
TOTAL 77-79 BIENNIUM (MILLIONS OF \$)	263.825	262.887	261.948	261.479	261.011	260.073	259.134	258.207	257.231	256.762	256.294	255.356	254.417
Amount of change (Millions of \$)	0	-.938 (-0.36%)	-1.877 (-0.71%)	-2.346 (-0.89%)	-2.814 (-1.07%)	-3.752 (-1.42%)	-4.691 (-1.78%)	-5.618 (-2.13%)	-6.594 (-2.50%)	-7.063 (-2.68%)	-7.531 (-2.85%)	-8.469 (-3.21%)	-9.408 (-3.57%)

CONCLUSION:

In general, each \$10 increase in the personal exemption will result in a 0.36% decrease in calendar year tax liability, and in an \$800 thousand loss of revenue over the biennium.

SIMULATION OF MONTANA INDIVIDUAL INCOME TAX FOR
REPLACEMENT OF PERSONAL EXEMPTION ALLOWANCE BY TAX CREDITS

ASSUMPTIONS:

- 1) The only change from present law is the replacement of personal exemption allowance by tax credits.
- 2) The percentage decrease in CY tax liability which results from a simulation of assumption 1, using data obtained from returns for calendar year 1975, will apply equally to calendar years 1977, 1978, and 1979.

RESULTS OF SIMULATION:

Amount of credit per exemption	35	36	37	38	39	40	41	42	43	44	45
Change in CY tax liability	+4.04%	+3.50%	+2.95%	+2.40%	+1.86%	+1.31%	+0.77%	+0.22%	-0.32%	-0.87%	-1.41%
FY 78 collections (Millions of \$)	128.600	127.950	127.287	126.624	126.206	125.311	124.660	123.997	123.346	122.684	122.033
FY 79 collections (Millions of \$)	145.752	144.996	144.225	143.455	142.707	141.928	141.193	140.401	139.644	138.874	188.117
TOTAL 77-79 biennium (Millions of \$)	274.352	272.946	271.512	270.079	268.913	267.239	265.853	264.398	262.990	261.558	260.150
Amount of change (Millions of \$)	10.527	9.121	7.687	6.254	5.088	3.414	2.028	0.573	-0.835	-2.267	-3.675
	(+3.99%)	(+3.46%)	(+2.91%)	(+2.37%)	(+1.93%)	(+1.29%)	(+0.77%)	(+0.22%)	(-0.32%)	(-0.86%)	(-1.39%)

SIMULATION OF MONTANA INDIVIDUAL INCOME TAX FOR
REPLACEMENT OF PERSONAL EXEMPTION ALLOWANCE BY TAX CREDITS

(where, it is assumed that 80% of those currently filing "married-separately" returns will file "married-jointly" returns)

Amount of credit per exemption	35	36	37	38	39	40	41	42	43	44	45
Change in CY tax liability	+11.11%	+10.53%	+9.94%	+9.85%	+8.78%	+8.20%	+7.62%	+7.04%	+6.45%	+5.87%	+5.29%
FY 78 TOTAL collections (millions of \$)	137.119	136.418	135.716	135.603	134.314	133.614	132.912	132.212	131.510	130.809	130.108
FY 79 TOTAL collections (millions of \$)	155.655	154.840	154.025	153.891	152.395	151.580	150.765	149.951	149.136	148.320	147.505
77-79 BIENNium TOTAL (millions of \$)	292.774	291.258	289.741	289.494	286.709	285.194	283.677	282.163	280.646	279.129	277.613
Change from present law (millions)	+28.949 (+10.97%)	+27.433 (+10.40%)	+25.916 (+9.82%)	+25.669 (+9.73%)	+22.884 (+8.67%)	+21.369 (+8.10%)	+19.852 (+7.52%)	+18.338 (+6.95%)	+16.821 (+6.38%)	+15.304 (+5.80%)	+13.788 (+5.23%)

SIMULATION OF MONTANA INDIVIDUAL INCOME TAX FOR
ALTERNATIVE PERSONAL EXEMPTION ALLOWANCES

(where, it is assumed that 80% of those currently filing "married-separately" returns will file "married-jointly" returns)

Personal Exemption Allowance	650	660	670	675	680	690	700	710	720	725	730	740	750
Change in CY Tax Liability	+6.80%	+6.42%	+6.03%	+5.84%	+5.65%	+5.26%	+4.88%	+4.48%	+4.10%	+3.91%	+3.71%	+3.33%	+2.94%
FY 78 Collections (millions of \$)	131.927	131.468	130.999	130.769	130.541	130.071	129.613	129.131	128.673	128.444	128.203	127.745	127.275
FY 79 Collections (millions of \$)	149.619	149.087	148.540	148.274	148.008	147.462	146.930	146.369	145.837	145.571	145.290	144.758	144.212
TOTAL 77-79 BIENNium (millions of \$)	281.546	280.555	279.539	279.043	278.549	277.533	276.543	275.500	274.510	274.015	273.493	272.503	271.487

Change from present law	+17.721 (+6.72%)	+16.730 (+6.34%)	+15.714 (+5.96%)	+15.218 (+5.73%)	+14.724 (+5.58%)	+13.708 (+5.20%)	+12.718 (+4.82%)	+11.675 (+4.43%)	+10.685 (+4.04%)	+10.190 (+3.86%)	+9.668	+8.678	+7.662
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Ex #5

COMMITTEE OF THE WHOLE AMENDMENT

MR. CHAIRMAN: I MOVE TO AMEND HOUSE BILL No. 422 as follows:

1. Amend page 9, Section 2, line 7

Following: "line 7"

Insert : "Section 3. Section 84-1502, R.C.M. 1947 is amended to read as follows:

"Section 84-1502. Deductions allowed in computing income. In computing the net income the following deductions shall be allowed from the gross income received by such corporation within the year from all sources:

1. All the ordinary and necessary expenses paid or incurred during the taxable year in the maintenance and operation of its business and properties, including reasonable allowance for salaries for personal services actually rendered, subject to the limitation hereinafter contained, rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity. No deduction shall be allowed for salaries paid upon which the recipient thereof has not paid Montana state income tax; provided, however, that where domestic corporations are taxed on income derived from without the state, salaries of officers paid in connection with securing such income shall be deductible.

2. (A) All losses actually sustained and charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for the wear and tear and obsolescence of property used in the trade or business, such allowance to be determined according to the provisions of section 167 of the internal revenue code in effect with respect to the taxable year. All elections for depreciation shall be the same as the elections made for federal income tax purposes. No deduction shall be allowed for any amount paid out for any buildings, permanent improvements or betterments made to increase the value of any property or estate and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

- (B) (a) There shall be allowed as a deduction for the taxable period a net operating loss deduction determined according to the provisions of this subsection. The net operating loss deduction is the aggregate of net operating loss carryovers to such taxable period plus the net operating loss carrybacks to such taxable period. The term "net operating loss" means the excess of the deduction allowed by this section, 84-1502, over the gross income, with the modifications specified in paragraph (b) of this subsection. If for any taxable period beginning after December 31, 1970, a net operating loss is sustained, such loss shall be a net operating loss carryback to each of the three (3) taxable periods preceeding the taxable period of such loss and shall be a net operating loss carryover to each of the five (5) taxable periods following the taxable period

of such loss. A net operating loss for any taxable period ending after December 31, 1975, in addition to being a net operating loss carry back to each of the 3 preceeding taxable periods, shall be a net operating loss carryover to each of the 7 taxable periods following the taxable period of such loss. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the net income for each of the prior taxable periods to which such loss was carried. For purposes of the preceeding sentence, the net income for such prior taxable period shall be computed with the modifications specified in paragrph (b) (ii) of this subsection and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss period or any taxable period thereafter, and the net income so computed shall not be considered to be less than zero.

(b) The modifications referred to in paragraph (a) of this subsection shall be as follows:

(i) No net operating loss deduction shall be allowed.

(ii) The deduction for depletion shall not exceed the amount which would be allowable if computed under the cost method.

(c) A net operating loss deduction shall be allowed only with regard to losses attributable to the business carried on within the state of Montana.

(d) The case of a merger of corporations, the surviving corporation shall not be allowed a net operating loss deduction for net operating losses sustained by the merged corporations prior to the date of merger.

In the case of a consolidation of corporations, the new corporate entity shall not be allowed a deduction for net operating losses sustained by the consolidated corporations prior to the date of consolidation.

(e) Notwithstanding the provisions of section 84-1508.1 (c), R.C.M., 1947, interest shall not be paid with respect to a refund of tax resulting from a net operating loss carryback or carryover.

(f) The net operating loss deduction shall not be allowed with respect to taxable periods which ended on or before December 31, 1970, but shall be allowed only with respect to taxable periods beginning on or after January 1, 1971.

(3) In the case of mines, other natural deposits, oil and gas wells, and timber, a reasonable allowance for depletion and for depreciation of improvements, such reasonable allowance to be determined according to the provisions of the internal revenue code in effect for the taxable year. All elections made under the internal revenue code with respect to capitalizing or expensing exploration and development costs and intangible drilling expenses for corporation license tax purposes shall be the same as the elections made for federal income tax purposes.

4. The amount of interest paid within the year on its indebtedness

incurred in the operation of the business from which its income is derived; but no interest shall be allowed as a deduction if paid on an indebtedness created for the purchase, maintenance or improvement of property or for the conduct of business unless the income from such property or business would be taxable under this act.

5. Interest income from obligations of the state of Montana, or any political subdivision or municipality of the state of Montana.

6. Taxes paid within the year except the following: (a) Taxes imposed by this act.

(b) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed.

(c) Taxes on or according to or measured by net income or profits imposed by authority of the government of the United States.

(d) Taxes imposed by any other state or county upon or measured by net income or profits.

Taxes deductible under this act shall be construed to include taxes imposed by any county, school district or municipality of this state."

2. Renumber: "all subsequent sections"

3. Amend page, Section 3, line 10

Following: "1976"

Insert: "The amendment made in Section 3 applies to taxable years ending after December 31, 1975."