

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 11, 1985

The meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 8:03 a.m. by Chairman Gerry Devlin.

ROLL CALL: All members were present with the exception of Representative Keenan. Also present were Dave Bohyer, Researcher for the Legislative Council and Alice Omang, secretary.

CONSIDERATION OF SENATE BILL 37: Senator Mazurek, District 23, stated that this bill was introduced at the request of the Revenue Oversight Committee, who looked at the liquor licensing process and they felt that they could eliminate a costly step in the appeal process. He indicated that the Taverns' Association supported this bill.

PROPOSERS: Representative Williams rose in support of this bill as a member of the Revenue Oversight Committee.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 37: There were none.

Senator Mazurek closed and the hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF SENATE BILL 37: Representative Harp moved that this bill BE CONCURRED IN. The motion carried un-animously.

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CONSIDERATION OF SENATE BILL 72: Senator Hager, District 48, Billings Heights, stated that this bill would exclude social security and tier 1 railroad retirement benefits from the adjusted gross income when computing a state individual income tax and application would be after December 31, 1983. He indicated that there are only eleven states in the United States that tax social security benefits and two of these states are North Dakota and Montana, neither of which had a legislative session last year. He distributed a newspaper article to the committee. See Exhibit 1.

PROPOSERS: Ladd Shorey, a retired tax accountant, gave a statement in support of this bill. See Exhibit 2.

Representative Rehberg, District 88, testified that the state is balancing the budget on the backs of the senior citizens and he thought that was wrong.

Joe Brand, representing the Union of Railroad Clerks and Engineers, stated that they wholeheartedly support this bill and with the addition of the railroad tier 1 retirement, they will be treated the same.

Sam Ryan, representing the Montana Senior Citizens, said they were angry to find out that these benefits are given to them in one hand and then taken away in another.

Tom Ryan, representing the Montana Senior Citizens Association, gave a statement in support of this bill. See Exhibit 3.

There were no further proponents.

OPPOSERS: Ken Morrison, representing the Department of Revenue, informed the committee that they oppose the exemption for people in the upper income levels and they offered an amendment. See Exhibit 4.

There were no further opponents.

QUESTIONS ON SENATE BILL 72: Representative Williams asked why they included tier 1 retirement in this bill.

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Senator Hager responded that tier 1 is the equivalent of social security for railroad workers and he included this at their request.

Representative Williams asked if Mr. Brand could explain the differences in the tier 1, 2 and 3.

Mr. Brand advised that tier 1 is paid the same as social security, tier 2 is the amount that the railroad people have paid over and above this amount and tier 3 is a supplemental amount paid by the railroad and amounts to about \$40.00.

Representative Williams noted that this is based on the speculation that Congress might change this and if they don't, what effect would this bill have.

Mr. Brand answered that if they do not change this in Congress, this would have no effect.

Representative Switzer asked why the department of revenue was opposed to this bill and at what level was this decision made.

Mr. Morrison responded that he talked to their director, John LaFaver, and he pointed out that there is a revenue loss involved and this will affect people in the upper income levels.

Representative Asay noted that if a social security recipient has money coming in from investments, there is no deductions for any amount of this income, but if he works by the sweat of his brow, he starts to have deductions from his social security. He asked if there was some way that if someone had income of \$100,000.00 would be excluded from this deduction.

Mr. Morrison answered that the provision relating to income of \$25,000.00 for an individual and \$32,000.00 for a couple would be related to that.

Representative Patterson asked how this can be a loss, when it is something that they never had.

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Page Four

Mr. Morrison responded that this was in the revenue projections that the budget office prepared as it was subject to be taxed in the 1984 tax year and if this is changed, it is going to be a reduction in revenue.

There were no further questions.

Senator Hager noted that in the federal system, the money that is taken from social security benefits goes back into the social security system, but in Montana, this money goes back into the general fund; and the \$3.1 million is paid by the social security recipients.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 701: Mr. Bohyer distributed proposed amendments to this bill (Exhibit 5) and explained these amendments.

Representative Williams moved the adoption of these amendments.

Representative Sands asked if these amendments would delay the effective date of this bill and the response was that it might delay it but it would not preclude it. There was some discussion and Representative Williams withdrew his motion.

CONSIDERATION OF SENATE BILL 42: Senator Towe said that this bill was at the request of the Revenue Oversight Committee and the Department of Revenue and establishes the procedures for determining a net operating loss. He informed the committee that because the federal law is different, this needs to be changed and it just does what everyone has been doing all along.

PROPOSERS: Ken Morrison, representing the Department of Revenue, stated that this bill will clear up an area that has been in question for some time.

There were no further proposers.

OPPOSERS: There were none.

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QUESTIONS ON SENATE BILL 42: Representative Ream asked if this is for one individual business with a net operating loss.

Senator Towe responded that this is for an individual business and is not for corporate license tax.

Representative Sands asked if they have a fiscal note on this and Senator Towe replied that it would have no effect on revenue.

There were no further questions, Senator Towe closed and the hearing on this bill was closed.

CONSIDERATION OF SENATE BILL 43: Senator Towe indicated that this bill was requested by the Department of Revenue and the Revenue Oversight Committee and he explained the problems concerning subchapter S corporations.

PROPOSERS: Ken Morrison, representing the Department of Revenue, distributed and explained to the committee Exhibit 5.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 43: Representative Asay asked about the effects of this bill.

Senator Towe responded that he thought that it would affect very few taxpayers and what the government has done is to try to keep corporations from shifting to get out of paying taxes. He commented that it was only in the years after they shifted that they would be eligible and it affects very few and the impact is small, but it is a loophole.

Representative Switzer asked some question on Exhibit 5.

There were no further questions, Senator Towe closed and the hearing on this bill was closed.

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EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 701: Senator Severson explained that this was a buy-time amendment so that they could look at this and make sure the decision they might make is a right one. He advised that they need to know more things, i.e., what is the inheritance tax, what is it going to cost to maintain, and is it right for the Department of Revenue to make this decision, etc.

There were some questions and discussion on the provision that would allow two members from the Historical Society to be on the board.

Representative Sands made some comments concerning the timing on settling this estate and then asked why this bill was needed if this amendment is passed.

Senator Severson responded that he thought there was a need and the reason for the amendment is to make sure that they make the right decision.

Chairman Devlin noted that there has to be some conditions that are met in an inheritance such as this in a certain time frame and he thought that that time frame was shorter than the two years that is in this bill.

Representative Sands said that if they are going to wait until the legislature acts in two years, why don't they just pay their inheritance tax and then the legislature can decide in two years if they want to buy the property.

Senator Severson answered that they will still need to have some of the answers that he is trying to address.

Chairman Devlin said he can understand the concern to see if it is feasible to tackle a project such as this and the problems of putting the state in the game of refurbishing and also upkeep and it would also apply to any other that might come down the road.

Representative Thomas, District 62, advised that with this amendment, if an application were made, then a committee would be appointed to review the whole project and report back to the Revenue Oversight Committee and that committee would report to the legislature and the legislature would make that decision. The

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fundamental question, he continued, is where is that decision to be made - by the Department of Revenue or by the legislature. As to the timing, he advised that he really did not know - the individuals representing the estate have said that they want the bill just as it is and they think they have to deal with this on a very rapid time frame. He also reiterated that they do not have any concrete answers as to the value of the mansion, what the inheritance tax will be, etc.. He concluded that they do not want to delay this so that the project will not come about.

Representative Williams noted that in section 7, it states that someone has to die in this time period and he asked why they don't make it applicable to all situations down the line.

Senator Severson responded that that is one of the reasons they want to look at it and see if this is a good idea for the state to get into.

There were no further questions and Representative Williams moved the amendments. Representative Ellison made a substitute motion to amend the amendment by striking (ii) a member of the Historical Society and just leave the director. The motion failed with Representative Ellison and Representative Devlin voting yes.

There was considerable discussion concerning the Department of Revenue making the decision.

A vote was taken on the amendments and it carried unanimously.

Representative Sands moved to TABLE the bill. The motion failed with 7 voting yes and 9 voting no. See Roll Call Vote.

Representative Ream moved that this bill DO PASS, AS AMENDED. A vote was taken and the motion failed with 8 voting yes and 10 voting no. See Roll Call Vote.

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Chairman Devlin advised that, with no objection, the vote would be reversed and this bill was a DO NOT PASS, AS AMENDED.

DISPOSITION OF SENATE BILL 42: Representative Hanson moved that this bill BE CONCURRED IN. The motion carried with Representative Gilbert and Representative Switzer voting no.

DISPOSITION OF SENATE BILL 43: Representative Harp moved that this bill BE CONCURRED IN.

Representative Asay and Representative Sands both indicated that they would like to have some more information on this bill.

Representative Asay made a substitute motion that they pass consideration for the day. The motion carried unanimously.

DISPOSITION OF SENATE BILL 72: Representative Switzer moved that this bill BE CONCURRED IN.

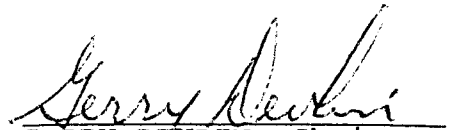
Representative Asay made a motion to adopt the amendments. Representative Sands made a substitute motion to adopt amendments #1 and #3. After some discussion, he withdrew that motion.

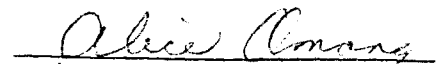
Representative Switzer made a substitute motion to not adopt the amendments. The motion carried unanimously.

Representative Switzer moved that this bill BE CONCURRED IN. The motion passed with Representatives Ream, Williams, Cohen, Ellison, Devlin and Gilbert voting no.

Chairman Devlin assigned Representative Williams to carry SB 37 on the floor of the House; Representative Switzer - SB 72 and Representative Hanson - SB 42.

ADJOURNMENT: There being no further business, the meeting adjourned at 10:45 a.m.


GERRY DEVLIN, Chairman


Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 11, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	X		
WILLIAMS, MEL, V. Chrm.	X		
ABRAMS, HUGH	X		
ASAY, TOM	X		
COHEN, BEN	X		
ELLISON, ORVAL	X		
GILBERT, BOB	X		
HANSON, MARIAN	X		
HARRINGTON, DAN	X		
HARP, JOHN	X		
IVERSON, DENNIS	X		
KEENAN, NANCY		X	
KOEHNKE, FRANCIS	X		
PATTERSON, JOHN	X		
RANEY, BOB	X		
REAM, BOB	X		
SANDS, JACK	X		
SCHYE, TED	X		
SWITZER, DEAN	X		
ZABROCKI, CARL	X		

STANDING COMMITTEE REPORT

Page 1 of 4.

4.

March 11 19 85

Acted on but
reconsidered
3/21/85

MR. ~~CHALKER~~:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 701

first reading copy (white)
color

PAYMENT OF INHERITANCE TAX WITH PROPERTY OF HISTORIC OR CULTURAL VALUE

Respectfully report as follows: That HOUSE Bill No. 701

be amended as follows:

1. Title, line 5.

Strike: "ALLOWING"

Insert: "REQUIRING"

2. Title, line 6.

Following: "REVENUE"

Insert: ", FOLLOWING APPROVAL BY THE LEGISLATURE,"

3. Page 3.

Following: line 15

Insert: "Section 3. Application for in-kind payment --
in-kind review committee -- review process. (1) Upon
written application from a receiving entity, the department
of revenue shall notify the revenue oversight committee that
such application has been received."

DO PASS

March 11, 1985

(2)(a) Upon receipt of such notification, the revenue oversight committee shall appoint an in-kind review committee to review the application and recommend to the revenue oversight committee approval or disapproval of the application.

(b) The in-kind review committee must be comprised of the following persons, appointed by the revenue oversight committee:

- (i) the director of the Montana historical society;
- (ii) one member of the board of trustees of the Montana historical society;
- (iii) from the county in which the property proposed for in-kind payment lies or was sited at the time of death of the person whom the donor represents:
 - (A) one member of the county commission;
 - (B) one state senator;
 - (C) one state representative; and
 - (D) three residents from the community at large; and
- (iv) a representative of the department of fish, wildlife, and parks.

(c) The in-kind review committee is a voluntary review committee and is entitled to no compensation or reimbursement of expenses for its review, recommendation, or any other activity.

(3) It is the responsibility of the in-kind review committee to review the application and develop a recommendation of approval or disapproval on the application for in-kind payment, which recommendation must, at a minimum, be based on the following:

- (a) the value of the property proposed for in-kind payment;
- (b) the proposed use of the property;
- (c) the cost to rebuild, refurbish, or otherwise rehabilitate the property for the use of the property proposed in the application;
- (d) estimated annual maintenance costs of the property in its proposed use;
- (e) potential sources of funding for the maintenance and general support of the property; and
- (f) the cost and need for any wildlife habitat if such property is proposed as any part of the in-kind payment.

(4) Upon completion of its review, the in-kind review committee shall develop its recommendation and submit the recommendation to the revenue oversight committee. The revenue oversight committee shall review the recommendation of the in-kind review committee and further recommend to the legislature that the advisory council's recommendation be concurred in or rejected.

(5) At its earliest meeting, either in regular or special session, the legislature shall, based upon the recommendations of the in-kind review committee and the revenue oversight committee, approve or disapprove the in-kind payment.

(6) The department of revenue may, as provided in 72-16-438, defer payment of inheritance or estate tax that is under review for in-kind payment. If such deferral is granted under this section, the tax due is exempt from the interest penalty imposed under 72-16-441(3)."

Renumber: subsequent sections

4. Page 3, line 17.

Following: "(1)"

Strike: "Upon written"

Insert: "Following legislative approval of the"

5. Page 3, lines 17 and 18.

Following: "application" on line 17

Strike: "of a receiving entity"

Insert: "pursuant to [section 3]"

6. Page 3, lines 18 and 19.

Following: "revenue" on line 18

Strike: "may, at its discretion and"

Insert: "shall,"

7. Pages 3 and 4.

Strike: line 25 on page 3 through line 4 on page 4

8. Page 4.

Following: line 4

Strike: "(3)"

Insert: "(2)"

9. Page 4, line 6.

Following: "when"

Insert: " (a)"

10. Page 4, line 7.

Following: "\$250,000"

Insert: "; and

(b) the legislature has given approval to the in-kind payment as provided in [section 3]"

.....March 11..... 19 85.....

11. Page 4.

Strike: lines 9 through 11 in their entirety

12. Page 5, line 19.
Following: "through"

Strike: "6"

Insert: "7"

AND AS AMENDED
DO NOT PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE March 11, 1985 BILL NO. HB 701 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	X	
WILLIAMS, MEL, V.Chrm.		X
ABRAMS, HUGH		X
ASAY, TOM		X
COHEN, BEN		X
ELLISON, ORVAL	X	
GILBERT, BOB	X	
HANSON, MARIAN		
HARRINGTON, DAN		X
HARP, JOHN		
IVERSON, DENNIS		
KEENAN, NANCY		
KOEHNKE, FRANCIS	X	
PATTERSON, JOHN	X	
RANEY, BOB		X
REAM, BOB		X
SANDS, JACK	X	
SCHYE, TED		X
SWITZER, DEAN		X
ZABROCKI, CARL	X	

Secretary Alice Omang

Chairman Gerry Devlin

Motion: TO TABLE

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE March 11, 1985 BILL NO. HB 701 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.		X
WILLIAMS, MEL, V.Chrm.	X	
ABRAMS, HUGH	X	
ASAY, TOM		X
COHEN, BEN	X	
ELLISON, ORVAL		X
GILBERT, BOB		X
HANSON, MARIAN		X
HARRINGTON, DAN	X	
HARP, JOHN		
IVERSON, DENNIS		
KEENAN, NANCY	X	
KOEHNKE, FRANCIS		X
PATTERSON, JOHN		X
RANEY, BOB	X	
REAM, BOB	X	
SANDS, JACK		X
SCHYE, TED	X	
SWITZER, DEAN		X
ZABROCKI, CARL		X

Secretary Alice Omang

Chairman Gerry Devlin

Motion: DO PASS

STANDING COMMITTEE REPORT

.....March 11..... 19 85.....

MR.SPEAKER:.....

We, your committee onTAXATION.....

having had under considerationSENATE..... Bill No.72.....

third reading copy (blue)
color

AN ACT TO EXCLUDE SOCIAL SECURITY BENEFITS FROM ADJUSTED GROSS INCOME
IN COMPUTING STATE INDIVIDUAL INCOME TAX LIABILITY;

Respectfully report as follows: That.....SENATE..... Bill No.72.....

BE CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

March 11, 19 95

MR. ~~SPEAKER~~:

We, your committee on ~~TAXATION~~

having had under consideration ~~SENATE~~ Bill No. 42

~~third~~ reading copy (~~blue~~)
color

AN ACT ESTABLISHING SPECIFIC PROCEDURES FOR DETERMINING A STATE
INDIVIDUAL INCOME TAX NET OPERATING LOSS DEDUCTION;

Respectfully report as follows: That ~~SENATE~~ Bill No. 42

BE CONCURRED IN
DONPASS

STANDING COMMITTEE REPORT

.....March 11,..... 19 85.....

MR. SPEAKER;.....

We, your committee onTAXATION.....

having had under considerationSENATE..... Bill No.37.....

third reading copy (blue)
color

**AN ACT REMOVING THE STATE TAX APPEAL BOARD FROM THE APPEAL PROCESS
RELATIVE TO BEER AND LIQUOR LICENSING;**

Respectfully report as follows: That.....SENATE..... Bill No.37.....

BE CONCURRED IN
DO PASS

3-6-85

A 'sin' of omission

Hager's bill should pass

There are sins of commission and sins of omission.

One deals with things we have done and the second with things we have left undone.

Right now the state Legislature is dealing with an example of the second category.

Sections of the Montana tax law are linked with federal taxation laws. Falling into that category is a law Congress passed which taxes half the Social Security benefits of retired individuals with incomes over \$25,000 and married couples whose income exceeds \$32,000.

Included in that income is interest paid the taxpayer for tax-free municipal and industrial development bonds.

But if interest from those bonds drives a senior citizen's income beyond \$25,000, his Social Security payments are taxed. In effect, that is a back-door tax on tax-free bonds.

And it applies *only* to Social Security recipients. So the federal law, at best, seems discriminatory.

Montanans are double-whammied.

Retired Montanans have been paying both federal and state income tax on their Social Security benefits over the past year. Biennial income from the state tax is estimated at \$3.1 million, and some legislators are looking at that as a windfall.

The state of Montana is desperate for money, and legislators are looking in every nook and cranny for dollars to patch up budgetary holes.

Lo and behold they stumble on an additional \$3.1 million they can have simply by doing nothing — a matter of omission.

But Sen. Tom Hager, R-Billings, decided the federal law isn't fair, that it isn't fair to tax Social Security income, that it isn't fair to use income from tax-free municipal bonds to determine taxable income. But mostly it wasn't fair to our retired citizens.

So he introduced Senate Bill 72, exempting Social Security from state taxation.

The bill makes the best of sense. Social Security is hardly an adequate retirement system. It barely covers the basics of food and shelter, and in some cases, not even that.

It was never meant to be a retirement system.

But the congressional action, in effect, penalizes senior citizens who managed to make some investments to provide additional retirement income. That's ridiculous.

And there is certainly no justification for Montana to jump on a battered band wagon like that.

Hager's bill will correct a "sin" of omission. The Leg-

Exhibit 1
SB 72
3/11/85
Sen. Hager

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TESTIMONY PRESENTED TO CHAIRMAN GERRY DEVLIN, VICE-CHAIRMAN MEL WILLIAMS and members of the House Committee on Taxation at their hearing held in the State Capitol on March 11, 1985 regarding Senate Bill No. 72.

Good Morning Chairman Devlin and members of your Committee. My name is Ladd S. Shorey, home address is 2115 Dahlia Lane, Billings, Montana. I am a full time volunteer in the senior movement and work without pay. My background is in budget and cost accounting. I stopped doing income tax work several years ago as it was becoming increasingly complicated and difficult and sold my few accounts including small businesses, as I was doing it mostly as a hobby to help people and charged a very modest fee. However, a number of people continue to ask me for free advice or if I can help them in any way with their problems. These people are all seniors, some of them very old and frail. These people have been taxpayers all of their lives.

It did not take long until I had accumulated a number of very reasonable complaints from people and so I checked the new tax forms for this year as well as the Tax Booklet put out by your Montana Department of Revenue.

The first thing I became alarmed about was the formula which was put into effect for taxing social security benefits. This is done by using the Social Security Worksheet on the very last page of the tax booklet. What this formula does in effect is to produce a very complicated progression of mathematical figures with the end result being that the tax preparer will finally find out that he does indeed owe tax on the entire one-half of his benefits from social security. Needless to say, the Montana State tax form has already established the requirement that the taxpayer must have shown all income on Line 22 as the same figure he has shown as adjusted gross income from the Federal Tax return which includes the social security benefits.

The next thing that disturbed me, as well as many other seniors was the almost total lack of explanation or instruction on the social security worksheet, particularly with reference to Line 4 which reads: "Enter Exempt Retirement Income for Montana Purposes". I distinctly remember Senator Tom Towe, Chairman of the Senate Taxation Committee calling in an official of the Revenue Department to answer some questions on this and other items.

This official did some excellent side-stepping on that item, saying that he did not know what it included. That item specifically excludes from taxation all of the benefits received under the following Montana Retirement Plans: Montana Teachers, Montana Public Employees, Montana Highway Patrol and Firefighters and Policemen. This will also include, unless I am incorrect, the retirement which you will someday received from the State of Montana for your remunerative service in the Legislature. Would you care to believe that most of the taxpayers in the State of Montana do not know or realize that all of these groups of people that I mentioned were exempt one hundred percent from the payment of Montana State income tax on their Montana State retirement benefits? But while we are at it, let us be fair and also state that there is enjoyed an exemption of the first \$3,600 of benefits received from federal employee retirement plans including the Armed Forces. Also, exempt are all supplemental railroad retirement benefits. I would not hazard a guess as to the number, or percentage of Montana taxpayers enjoying their exemption either in full or partially under the Montana Tax Code. Nor do I blame them for fighting to keep this exemption. This is a human reaction to keep what you have. However, I am frankly wondering at your belief in fairness when at this session of the Legislature, you are considering leaving in place, the status quo of placing an additional burden of taxation on one predominately large group of senior retirees, while at the same time looking with benign indifference on a large percentage of retired taxpayers escaping any taxation whatsoever on their benefits and others on a percentage of the same. Correct me if I am wrong, but I read in the paper recently where the Montana Retired Teachers Association had a bill submitted on their behalf for an increase in their retirement benefits. Correct me if I am wrong, but I believe the amount of their request would just about balance off against the amount which is anticipated would be raised from the rest of us. Is there fairness and justice here in these halls of the State Capitol? Yes, I pray there is, and I hope that you may see the plight of these taxpayers, seniors all of them and be willing to accord them some fair and just treatment in this case.

Everyone on this committee is no doubt aware that this whole issue of taxation of social security benefits has become a hotly debated ~~issue~~ nationwide. There is a fine magazine titled "Modern Maturity" put out by the American Assn. of Retired Persons, an organization now numbering 18 million people. This large organization has taken a flat-out stance against this form of taxation at both the national and state levels. In its March, 1985 issue, this magazine features an article entitled "Tax attack on your Social Security benefits". It details the effects in dollars that this tax has on the federal tax paid by single ^{married} and/people in these examples. The effect of taxes by states is not addressed, but of course, this is an additional burden on taxpayers in states like Montana, which by the way, are few in number. This article mentions the additional injustice of using interest from tax free securities to determine the taxability of social security benefits. Just another form of discrimination.

In any event, I saw myself in some of the examples covered by the magazine. In my own case I have figured out my own federal and state taxes. I figured my own Montana tax both as I will pay it under the new law, and what it would have been without this added tax. My own Montana Tax is increased 42 percent from the taxation of my and my wife's benefits, over and above what it would have been without this tax. I want you to understand that I can afford to pay this tax and I will pay it, if it is the law. Nationally, it is calculated that only 9-1/2 percent of seniors with benefits will fall under the category of this taxation this year. However, the threshold can be, and I am certain, will be lowered in succeeding years, bringing more and more beneficiaries under this type of taxation. Governor's Schwinden's office advised me in a letter on Jan. 31, 1985 that the Department of Revenue estimates that "only about 17 percent of senior citizens' households in Montana will have a portion of their benefits taxed". There are approximately 120,000 seniors in this bracket and 17 percent would be over 20,000. Just as there is a debate nationwide on the merits of taxation of social security benefits, much attention state-wide has been generated in editorials and newspaper articles. Such an article appeared in the Montana Standard in Butte on February 17, 1985 under "Opinion and Comment" entitled "Asking for Fairness in Pension Tax Law".

I quote from this article in part as follows: "The Montana Bill, says Edmund F. Sheehy of Helena, field vice-president of the National Association of Retired Federal Employees, is divisive and unfair. It would tax some retired Montanans, he says, without taxing others with similar incomes". The article goes on to enumerate those people who enjoy an exemption by the Tax Code of Montana. Sheehy doesn't believe it's fair to leave these exemptions intact, while taxing other retirees on their Social Security pensions. Sheehy believes that if the state is going to tax any pension income, it should tax such income equally for all. If the state wants to exempt some retirees from taxes, it should exempt all. The article goes on to say it's unlikely that the state is going to cancel the tax exemptions already granted to such potent voting groups as teachers and other public employees. Sheehy believes that to let this tax law stand as it is would put another inequity into the Montana tax law. Sheehy says all he is asking for is fairness. I would like to add that like Mr. Sheehy, I also am a retired Federal employee with a modest federal retirement supplemented by modest social security benefits. I agree that we should all be treated equally as retirees under the same rules for all.

On March 6, 1985 just last week, there appeared an editorial in The Billings Gazette entitled "A Sin of Omission". The sub-title was "Hager's bill should pass". This editorial brought out several good points. It referred to including in taxable income, all interest paid the taxpayer for tax-free municipal and industrial development bonds. In effect it says that is a back-door tax on tax-free bonds. It points out that as this applies only to social security recipients, the federal law, at best, seems discriminatory. It says Montanans are being double-whammied. The article says that Senator Hager of Billings thought this was unfair taxation on certain senior citizens so he introduced Senate Bill 72, exempting Social Security from state taxation. The editorial goes on to point out that by national congressional action, the effect was to penalize senior citizens who managed to make some investments to provide additional retirement income. And it says that is ridiculous and there is certainly no justification for Montana to jump on a battered band wagon like that. It says Hager's bill will correct a "sin" of omission. And it concludes, "The Legislature should work hard to get it passed".

I do not want to take more than my share of your allotted time and so I will conclude this presentation. I would like to present an angle to this whole thing that just might have escaped your notice. Senior citizens as a group in the state of Montana are a clean, wholesome non-polluting industry. Did you realize this at all? The greater majority of all of them are retired, have modest but constant retirement and investment income and best of all, they spend most of that income in an even constant cash flow through their home communities throughout the State. They pay their bills currently, and pay their fair share of taxes. They do not pollute or harm the state. In fact they are a great resource for the state in the volunteer work they contribute throughout the state to all the others whom they serve as well as taking care of each other. In Montana alone, there are 56,642 seniors who belong to the American Assn. of Retired Persons. This is an organization whose motto is "To Serve and not be Served". They have individual chapters throughout this state. Have you ever heard of the Retired Senior Volunteer Program? This organization of seniors serve others and other service organizations as unpaid volunteers and get credit and recognition only through the number of hours they contribute. There are eleven project sites in Montana, and the one in Billings has over 700 volunteers registered to serve. There are literally scores of such organizations made up of senior volunteers whose main concern is for their fellow men and women and how best they can serve them without cost. They serve willingly in hospitals, nursing and retirement homes, all types of non-profit organizations, help the disabled, the poor, poverty families, minority groups, crippled children and anyone regardless of age or status. This group will continue to be a resource in Montana and willingly add to its gross product in the way of volunteer work and service unless it is driven from Montana's borders by unfair tax measures. The sun-belt states now enjoy too many advantages to lure our seniors to reside with them. Florida, Nevada, and Texas impose NO personal income tax. Hawaii has a bill pending in their legislature to exempt soc. security benefits. I was born in Montana. I love Montana. I do not want to see its senior citizens vote with their feet and leave our beloved State for what they believe are sunnier climes and fairness in taxation. Thank you for your time.

Exhibit 3
SB 72
3/11/85
Tom Ryan

March 11, 1985

TO: Chairman Jerry Devlin and Members of the House Taxation Committee

FROM: Tom Ryan, Montana Senior Citizens Association

RE: SB 72 An Act to exclude Social Security and RR Retirement Benefits
from Adjusted Gross Income in computing Income Tax Liability

In the 1983 Legislative session, when the governor signed into law HB 227, senior citizens thought that we were qualifying seniors for property tax relief. In some cases, this bill did what we thought it was meant to do. In many other cases, the senior citizens who went to the county assessors office, found out that they did not qualify, because Social Security benefits were included in their total taxable income.

Many of you had received message from seniors in your districts requesting passage of SB 72. The bill specifically excludes Social Security and RR Retirement benefits from inclusion as adjusted gross income. I don't think that there is a curve ball or sneaky fast ball in this bill.

The Montana Senior Citizens Association recommends a DO PASS vote for SB72. Thank you.

Department of Revenue
Amendments to Senate Bill 72

Exhibit 4
SB 72
3/11/85
MORRISON

1. Title, line 4

Following: "EXCLUDE"
Insert: "CERTAIN"

Line 6

Following: "LIABILITY"
Insert: "BY PROVIDING A BASE EXCLUSION FOR MARRIED
PERSONS FILING SEPARATELY"

2. Page 3, line 12

Strike: subsection (m) in its entirety

3. Page 4, line 20

Add: "(6) Married taxpayers, filing a joint federal return, who must include part of their social security benefits in federal adjusted gross income, can split the federal base used in calculation of federal taxable social security benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return.

Do not
faint
4

Exhibit 5
SB 43
3/11/85
Ken Morrison

SENATE BILL 43
-EXAMPLE-

Sub Chapter S Corporation

of Shareholders 1

Pg. 2, Line 24 Net Income \$1,168,000

Pg. 3, Line 5 Capital Gain Portion \$1,168,000

		<u>Federal Level</u>	<u>State Level</u>
Pg. 3, Line 19	Capital Gain Tax	\$ 340,000	-0-
Pg. 4, Line 4	Income Passed Thru to Shareholders	\$ 828,000	\$ 828,000
	Amount of Income Subject to Tax	\$1,168,000	\$ 828,000

Under Present Law

Pg. 4, Line 4	Income Passed Thru to Shareholders	\$ 828,000
	Capital Gains Rate	x .4
Pg. 5, Line 10	Taxable Income at Individual Level	\$ 331,200

Under Proposed Law

Pg. 4, Line 14	Income Passed Thru to Shareholders	\$ 828,000
Pg. 3, Line 19	Add Back: Federal Capital Gain Tax	340,000
Pg. 6, Line 4	Total Income Passed Thru to Shareholders	\$1,168,000
	Capital Gains Rate	x .4
Pg. 7, Line 10	Taxable Income at Individual Level	\$ 467,200

U.S. Income Tax Return for an S Corporation

OMB No. 1545-0130

For calendar 1984 or tax year beginning _____, 1984, ending _____, 19 _____

▶ For Paperwork Reduction Act Notice, see page 1 of the instructions.

1984

A Date of election as an S corporation	Use IRS label. Otherwise, please print or type.	Name	C Employer identification number
		Number and street	D Date incorporated
		City or town, State, and ZIP code	E Total assets (see Specific Instructions)
B Business Code No. (see Specific Instructions)			\$

F. Check box if there has been a change in address from the previous year ☐

Income	1 a Gross receipts or sales	b Less returns and allowances	Balance ▶	1c	
	2 Cost of goods sold and/or operations (Schedule A, line 7).			2	
	3 Gross profit (subtract line 2 from line 1c)			3	
	4 Nonqualifying interest and nonqualifying dividends			4	
	5 Gross rents			5	
	6 Gross royalties			6	
	7 Net gain or (loss) from Form 4797, line 14(a), Part II			7	
	8 Other income (see instructions—attach schedule).			8	
9	TOTAL income (loss)—Combine lines 3 through 8 and enter here ▶			9	
Deductions	10 Compensation of officers			10	
	11 a Salaries and wages	b Less jobs credit	Balance ▶	11c	
	12 Repairs			12	
	13 Bad debts (see instructions)			13	
	14 Rents			14	
	15 Taxes			15	
	16 a Total deductible interest expense not claimed elsewhere on return (see instructions)	16a		16c	
	b Interest expense required to be passed through to shareholders on Schedules K and K-1, lines 15a(2) and 15a(3)	16b			
	c Subtract line 16b from line 16a				
	17 a Depreciation from Form 4562 (attach Form 4562)	17a		17c	
	b Depreciation claimed on Schedule A and elsewhere on return	17b			
	c Subtract line 17b from line 17a				
	18 Depletion (Do not deduct oil and gas depletion. See instructions)			18	
	19 Advertising			19	
	20 Pension, profit-sharing, etc. plans			20	
21 Employee benefit programs			21		
22 Other deductions (attach schedule)			22		
23	TOTAL deductions—Add lines 10 through 22 and enter here ▶			23	
24	Ordinary income (loss)—Subtract line 23 from line 9			24	1,168,000 —
Tax	25 a Excess net passive income tax (attach schedule)	25a		25c	340,000 —
	b Tax from Schedule D (Form 1120S), Part IV.	25b	340,000 —		
	c Add lines 25a and 25b				
	26 Payments:			26c	
	a Tax deposited with Form 7004	26a			
	b Credit for Federal tax on gasoline and special fuels (attach Form 4136)	26b			
	c Add lines 26a and 26b				
	27	TAX DUE (subtract line 26c from line 25c). See instructions for Paying the Tax. ▶			27
28	OVERPAYMENT (subtract line 25c from line 26c). ▶			28	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Paid Preparer's Use OnlyPreparer's signature _____ Date _____ Check if self-employed ☐ Preparer's social security number _____
Firm's name (or yours, if self-employed) and address _____ E.I. No. _____ ZIP code _____

Name _____

Capital Gains and Losses

► **Attach to your tax return.**

▶ For Paperwork Reduction Act Notice, see page 1 of instructions for Form 1120S.

PAGE 3

1984

Employer identification number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less (6 months or less if acquired after 6/22/84)

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, plus expense of sale	f. Gain or (loss) (d less e)
1					
2 Short-term capital gain from installment sales from Form 6252, line 22 or 30					2
3 Unused capital loss carryover (attach computation)					3 ()
4 Net short-term capital gain or (loss) (combine lines 1, 2, and 3). Enter here and on line 3 of Schedule K of Form 1120S					4

Part III Long-term Capital Gains and Losses—Assets Held More Than One Year (more than 6 months if acquired after 6/22/84)

5						1,168,000.
6 Long-term capital gain from installment sales from Form 6252, line 22 or 30						6
7 Net long-term capital gain or (loss) (combine lines 5 and 6). Enter this amount (less any applicable tax on line 19 below) on line 4 of Schedule K of Form 1120S						7 828,000.
8 Enter section 1231 gain from line 6(a)(1), Form 4797. (See instructions regarding casualties and thefts and the line 8 amount to be entered on Schedule K of Form 1120S.)						8
9 Net long-term capital gain or (loss) (combine lines 7 and 8)						9

Part III Summary of Schedule D Gains for Tax Computation Purposes

Note: If the corporation is liable for the excess net passive income tax (line 25a, page 1, Form 1120S), see line 10 instruction before completing line 10.

10 Net capital gain—Enter excess of net long-term capital gain (line 9) over net short-term capital loss (line 4). (If more than \$25,000, enter here and see instructions for Part IV. If \$25,000 or less, enter here and do not complete Part IV as the tax computation does not apply.) **10**

Part IV Tax Computation (See Instructions)

11	Taxable income (See instructions for line 25a, page 1, Form 1120S.)	11	1,168,000
12	Enter tax on line 11 amount (See instructions for computation of tax.)	12	
13	Net capital gain from line 10	13	
14	\$25,000 (statutory minimum)	14	\$25,000
15	Subtract line 14 from line 13	15	
16	Enter 28% of line 15	16	
17	Income tax on capital gains—Enter smaller of line 12 or line 16	17	
18	Minimum tax (See instructions—attach Form 4626)	18	
19	Total tax—Add lines 17 and 18. Enter here and on Form 1120S, page 1, line 25b	19	340,000

Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Purpose of Schedule

Schedule D should be used by corporations to report sales or exchanges of capital assets and gains on distributions to shareholders of appreciated assets that are capital assets (hereafter referred to as distributions).

Sales, exchanges, and distributions of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), and gains from the disposition of interest in oil, gas, or

geothermal property, should be reported on **Form 4797**, Supplemental Schedule of Gains and Losses. See the instructions for Form 4797 for more information. If property is involuntarily converted because of a casualty or theft, use **Form 4684**, Casualties and Thefts.

Parts I and II

Generally, you should report sales and exchanges (including like-kind exchanges) even though there is no gain or loss. Report gain, but not loss, on a distribution. In Part I report the sale, exchange, or distribution of capital assets held one year or less (6 months or less if acquired after 6/22/84). In Part II report the sale, exchange, or distribution of capital assets held more than one year (more than 6 months if acquired after 6/22/84).

For more information, see Publication 544, Sales and Other Dispositions of Assets, and Publication 589, Tax Information on S Corporations.

Exchange of like-kind property.—Report the exchange of “like-kind” property on Schedule D or on Form 4797, whichever applies. Report it even though no gain or loss is recognized when you exchange business or investment property for property of “like-kind.” For exceptions, see Publication 544.

If you use Schedule D, identify the property you disposed of in column a. Enter the date you acquired it in column b, and the date you exchanged it in column c. Write "like-kind exchange" in column d. Enter the cost or other basis in column e. Enter zero in column f.

SCHEDULE K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

UNDER PRESENT LAW
Shareholder's Share of Income, Credits,
Deductions, etc. For calendar year 1984 or tax year

beginning _____, 1984 and ending _____, 19____
(Complete a separate Schedule K-1 for each shareholder—See instructions)

OMB No. 1545-0130

1984

Shareholder's identifying number ▶	Corporation's identifying number ▶
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code

A Shareholder's percentage of stock ownership for tax year _____ ▶ %

B Internal Revenue Service Center where corporation filed its return ▶

a. Distributive share items		b. Amount	c. 1040 filers enter the amount in column b on:
Income (Losses) and Deductions	1 Ordinary income (loss)		Sch. E, Part II, col. (d) or (e)
	2 Dividends qualifying for the exclusion		Sch. B, Part II, line 4
	3 Net short-term capital gain (loss)		Sch. D, line 4, col. f or g
	4 Net long-term capital gain (loss)	828,000.	Sch. D, line 12, col. f or g See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	5 Net gain (loss) from involuntary conversions due to casualty or theft		Form 4797, line 1
	6 Other net gain (loss) under section 1231		(Enter on applicable line of your return)
	7 Other income (loss) (attach schedule)		
	8 Charitable contributions: 50% 30% 20%		See Form 1040 Instructions
	9 Expense deduction for recovery property (section 179 expense)		See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	10 Other (attach schedule)		(Enter on applicable line of your return)
Credits	11 Jobs credit		Form 5884
	12 Credit for alcohol used as fuel		Form 6478
	13 Other (attach schedule)		(Enter on applicable line of your return)
Tax Preference Items	14 a Accelerated depreciation on nonrecovery real property or 15 (or 18)-year real property		Form 6251, line 4c
	b Accelerated depreciation on leased personal property or leased recovery property other than 15 (or 18)-year real property		Form 6251, line 4d
	c Depletion (other than oil and gas)		Form 6251, line 4i
	d (1) Gross income from oil, gas, or geothermal properties		} See Form 6251 instructions
	(2) Gross deductions allocable to oil, gas, or geothermal properties		
	e (1) Qualified investment income included in line 1		} See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	(2) Qualified investment expenses included in line 1		
f Other (attach schedule)			
Investment Interest	15 a Interest expense on:		
	(1) Investment debts incurred before 12/17/69		Form 4952, line 1
	(2) Investment debts incurred before 9/11/75 but after 12/16/69		Form 4952, line 15
	(3) Investment debts incurred after 9/10/75		Form 4952, line 5
	b (1) Investment income included in line 1		} See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	(2) Investment expenses included in line 1		
	c (1) Income from "net lease property"		
	(2) Expenses from "net lease property"		
d Excess of net long-term capital gain over net short-term capital loss from investment property		Form 4952, line 20	
Foreign Taxes	16 a Type of income ▶		Form 1116, Check boxes
	b Name of foreign country or U.S. possession ▶		Form 1116, Part I
	c Total gross income from sources outside the U.S. (attach schedule)		Form 1116, Part I
	d Total applicable deductions and losses (attach schedule)		Form 1116, Part I
	e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued		Form 1116, Part II
	f Reduction in taxes available for credit (attach schedule)		Form 1116, Part III
	g Other (attach schedule)		Form 1116 Instructions

Montana Individual Income Tax Return — 1984

or fiscal year beginning _____, 1984 and ending _____, 19____

PLACE LABEL HERE

Correct label if necessary. File on or before April 15, 1985 (Fiscal year see instructions).

Your First Name & Middle Initial	LAST NAME	Your Social Security No.	Chief Occupation Enter Code no. from page 10 of instructions	Yours
Spouse's First Name & Initial	Spouse's last name if different	Spouse's Social Security No.		Spouse's
MAILING ADDRESS		Number and Street or Rural Route	City, Town or Post Office	State
				Zip Code

Filing Status Check One	1 <input type="checkbox"/> Single	2 <input type="checkbox"/> Married filing joint return	3 <input type="checkbox"/> Married and both filing separate returns on this form	4 <input type="checkbox"/> Married and both filing separate returns on separate forms	5 <input type="checkbox"/> Married filing separate return and spouse is not filing
----------------------------	-----------------------------------	---	--	---	--

Residency Status Check One	1 <input type="checkbox"/> Resident Full Year	2 <input type="checkbox"/> Nonresident Full Year	3 <input type="checkbox"/> Resident Part Year	Give date of change
-------------------------------	--	---	---	---------------------

EXEMPTIONS

	Regular	65 or Over	Blind		COLUMN A (For yourself, joint separate or single)	COLUMN B (For spouse)
1. Yourself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked	<input type="checkbox"/> 1	
2. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked	<input type="checkbox"/> 2	<input type="checkbox"/> 2
3. Number of exemptions claimed for dependents. See page 2 of instructions					<input type="checkbox"/> 3	<input type="checkbox"/> 3
4. Number of exemptions claimed for handicapped children. See page 3 of instructions					<input type="checkbox"/> 4	<input type="checkbox"/> 4
5. Add lines 1, 2, 3, and 4 for TOTAL number of exemptions					<input type="checkbox"/> 5	<input type="checkbox"/> 5

If married filing separate is elected, use Column A for yourself and Column B for spouse. For all other returns, use Column A only. You may round to nearest dollar.

COLUMN A (For yourself,
joint separate or single)COLUMN B
(For spouse)

INCOME REPORTED ON FEDERAL RETURN

		COLUMN A (For yourself, joint separate or single)	COLUMN B (For spouse)	
6. Wages, salaries, tips, etc.	6.			6.
7. Interest income	7.			7.
8. Dividend income (Less federal exclusion)	8.			8.
9. Net business income (Attach federal Schedule C)	9.			9.
10. Capital gain or (loss) (Attach federal Schedule D)	10.	331,200 -		10.
11. Supplemental gains or (losses) (Attach federal Form 4797)	11.			11.
12. Rents, royalties, partnerships, estates, trusts, etc. (Attach federal Schedule E)	12.			12.
13. Net farm income (Attach federal Schedule F)	13.			13.
14. Taxable portion of Social Security	14.			14.
15. Other income (Specify; fees, retirement, State Ref. _____ etc.)	15.			15.
16. Total of lines 6 thru 15	16.			16.
Adjustments from Income: (Attach federal schedules)				
17. Moving expense (Attach federal Schedule 3903)	17.			17.
18. Employee business expenses (Attach federal Schedule 2106)	18.			18.
19. Payments to an IRA, Keogh, and other retirement plans	19.			19.
20. Other adjustments: (Marriage deduction, etc.) (Attach list)	20.			20.
21. Total of lines 17 thru 20	21.			21.
22. Adjusted gross income same as federal return (Subtract line 21 from line 16)	22.			22.

ADDITIONS TO INCOME

SEE PAGE 3 OF INSTRUCTIONS

23. Interest on state, county municipal bonds (Non-Montana)	23.			23.
24. Federal income tax refunds received (For taxes deducted in an earlier year)	24.			24.
25. Other additions: (Marriage deduction, social security, etc.)	25.			25.
26. Transfer allocation of income	26.			26.
27. Total adjustments increasing income (Add lines 23 thru 26)	27.			27.
28. Add lines 22 and 27 enter result	28.			28.

REDUCTIONS OF INCOME

SEE PAGE 4 OF INSTRUCTIONS

29. Total private retirement income _____ Enter \$360 or total, (Whichever is smaller)	29.			29.
30. Interest exclusion for elderly	30.			30.
31. Interest exclusion for savings bonds, etc.	31.			31.
32. Income from sources outside Montana (Part-year & nonresidents only)	32.			32.
33. Exempt retirement income (Specify)	33.			33.
34. State refund (If included in line 15 above)	34.			34.
35. Other reductions (Specify tips, social security, etc.)	35.			35.
36. Transfer allocation of income	36.			36.
37. Total adjustments decreasing income (Add lines 29 thru 36)	37.			37.
38. Enter amount on line 28, page 2	38.			38.

DO NOT USE THIS SPACE

ATTACH PAYMENT HERE

ATTACH WITHHOLDING STATEMENTS HERE

SCHEDULE K-1
(Form 1120S)

Shareholder's Share of Income, Credits,
Deductions, etc. For calendar year 1984 or tax year

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

beginning _____, 1984 and ending _____, 19____
(Complete a separate Schedule K-1 for each shareholder—See instructions)

1984

Shareholder's identifying number ▶	Corporation's identifying number ▶
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code

A Shareholder's percentage of stock ownership for tax year _____ %

B Internal Revenue Service Center where corporation filed its return ▶ _____

a. Distributive share items		b. Amount	c. 1040 filers enter the amount in column b on:
Income (Losses) and Deductions	1 Ordinary income (loss)		Sch. E, Part II, col. (d) or (e)
	2 Dividends qualifying for the exclusion		Sch. B, Part II, line 4
	3 Net short-term capital gain (loss)		Sch. D, line 4, col. f or g
	4 Net long-term capital gain (loss)	1,168,000	Sch. D, line 12, col. f or g See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	5 Net gain (loss) from involuntary conversions due to casualty or theft		Form 4797, line 1
	6 Other net gain (loss) under section 1231		(Enter on applicable line of your return)
	7 Other income (loss) (attach schedule)		
	8 Charitable contributions: 50% 30% 20%		See Form 1040 Instructions See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	9 Expense deduction for recovery property (section 179 expense)		(Enter on applicable line of your return)
	10 Other (attach schedule)		
Credits	11 Jobs credit		Form 5884
	12 Credit for alcohol used as fuel		Form 6478
	13 Other (attach schedule)		(Enter on applicable line of your return)
Tax Preference Items	14 a Accelerated depreciation on nonrecovery real property or 15 (or 18)-year real property		Form 6251, line 4c
	b Accelerated depreciation on leased personal property or leased recovery property other than 15 (or 18)-year real property		Form 6251, line 4d
	c Depletion (other than oil and gas)		Form 6251, line 4i
	d (1) Gross income from oil, gas, or geothermal properties		} See Form 6251 instructions
	(2) Gross deductions allocable to oil, gas, or geothermal properties		
	e (1) Qualified investment income included in line 1		} See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	(2) Qualified investment expenses included in line 1		
f Other (attach schedule)			
Investment Interest	15 a Interest expense on:		
	(1) Investment debts incurred before 12/17/69		Form 4952, line 1
	(2) Investment debts incurred before 9/11/75 but after 12/16/69		Form 4952, line 15
	(3) Investment debts incurred after 9/10/75		Form 4952, line 5
	b (1) Investment income included in line 1		} See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	(2) Investment expenses included in line 1		
	c (1) Income from "net lease property"		
	(2) Expenses from "net lease property"		
d Excess of net long-term capital gain over net short-term capital loss from investment property		Form 4952, line 20	
Foreign Taxes	16 a Type of income ▶		Form 1116, Check boxes
	b Name of foreign country or U.S. possession ▶		Form 1116, Part I
	c Total gross income from sources outside the U.S. (attach schedule)		Form 1116, Part I
	d Total applicable deductions and losses (attach schedule)		Form 1116, Part I
	e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued		Form 1116, Part II
	f Reduction in taxes available for credit (attach schedule)		Form 1116, Part III
	g Other (attach schedule)		Form 1116 Instructions

Montana Individual Income Tax Return — 1984

or fiscal year beginning _____, 1984 and ending _____, 19____

PLACE LABEL HERE

Correct label if necessary. File on or before April 15, 1985 (Fiscal year see instructions).

Your First Name & Middle Initial	LAST NAME	Your Social Security No.	Chief Occupation Enter Code no. from page 10 of instructions	Yours
Spouse's First Name & Initial	Spouse's last name if different	Spouse's Social Security No.		Spouse's
MAILING ADDRESS Number and Street or Rural Route		City, Town or Post Office	State	Zip Code

Filing Status Check One →	1 <input type="checkbox"/> Single	2 <input type="checkbox"/> Married filing joint return	3 <input type="checkbox"/> Married and both filing separate returns on this form	4 <input type="checkbox"/> Married and both filing separate returns on separate forms	5 <input type="checkbox"/> Married filing separate return and spouse is not filing
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Residency Status Check One →	1 <input type="checkbox"/> Resident Full Year	2 <input type="checkbox"/> Nonresident Full Year	3 <input type="checkbox"/> Resident Part Year	Give date of change
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EXEMPTIONS

	Regular	65 or Over	Blind		COLUMN A (For yourself, joint separate or single)	COLUMN B (For spouse)
1. Yourself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked	<input type="checkbox"/> 1	
2. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked	<input type="checkbox"/> 2	<input type="checkbox"/> 2
3. Number of exemptions claimed for dependents. See page 2 of instructions					<input type="checkbox"/> 3	<input type="checkbox"/> 3
4. Number of exemptions claimed for handicapped children. See page 3 of instructions					<input type="checkbox"/> 4	<input type="checkbox"/> 4
5. Add lines 1, 2, 3, and 4 for TOTAL number of exemptions					<input type="checkbox"/> 5	<input type="checkbox"/> 5

If married filing separate is elected, use Column A for yourself and Column B for spouse. For all other returns, use Column A only. You may round to nearest dollar.

COLUMN A (For yourself,
joint separate or single)COLUMN B
(For spouse)

INCOME REPORTED ON FEDERAL RETURN

		COLUMN A (For yourself, joint separate or single)	COLUMN B (For spouse)	
6. Wages, salaries, tips, etc.	6.			6.
7. Interest income	7.			7.
8. Dividend income (Less federal exclusion)	8.			8.
9. Net business income (Attach federal Schedule C)	9.			9.
10. Capital gain or (loss) (Attach federal Schedule D)	10.	467200.-		10.
11. Supplemental gains or (losses) (Attach federal Form 4797)	11.			11.
12. Rents, royalties, partnerships, estates, trusts, etc. (Attach federal Schedule E)	12.			12.
13. Net farm income (Attach federal Schedule F)	13.			13.
14. Taxable portion of Social Security	14.			14.
15. Other income (Specify; fees, retirement, State Ref. _____ etc.)	15.			15.
16. Total of lines 6 thru 15	16.			16.
Adjustments from Income: (Attach federal schedules)				
17. Moving expense (Attach federal Schedule 3903)	17.			17.
18. Employee business expenses (Attach federal Schedule 2106)	18.			18.
19. Payments to an IRA, Keogh, and other retirement plans	19.			19.
20. Other adjustments: (Marriage deduction, etc.) (Attach list)	20.			20.
21. Total of lines 17 thru 20	21.			21.
22. Adjusted gross income same as federal return (Subtract line 21 from line 16)	22.			22.

ADDITIONS TO INCOME

SEE PAGE 3 OF INSTRUCTIONS

23. Interest on state, county municipal bonds (Non-Montana)	23.			23.
24. Federal income tax refunds received (For taxes deducted in an earlier year)	24.			24.
25. Other additions: (Marriage deduction, social security, etc.)	25.			25.
26. Transfer allocation of income	26.			26.
27. Total adjustments increasing income (Add lines 23 thru 26)	27.			27.
28. Add lines 22 and 27 enter result	28.			28.

REDUCTIONS OF INCOME

SEE PAGE 4 OF INSTRUCTIONS

29. Total private retirement income _____ Enter \$360 or total, (Whichever is smaller)	29.			29.
30. Interest exclusion for elderly	30.			30.
31. Interest exclusion for savings bonds, etc.	31.			31.
32. Income from sources outside Montana (Part-year & nonresidents only)	32.			32.
33. Exempt retirement income (Specify)	33.			33.
34. State refund (If included in line 15 above)	34.			34.
35. Other reductions (Specify tips, social security, etc.)	35.			35.
36. Transfer allocation of income	36.			36.
37. Total adjustments decreasing income (Add lines 29 thru 36)	37.			37.
38. Subtract line 37 from line 28. Enter amount on line 28, page 2	38.			38.

DO NOT USE THIS SPACE

ATTACH PAYMENT HERE

ATTACH WITHHOLDING STATEMENTS HERE

Exhibit 5
HB 701
3/11/85
Bohyen

PROPOSED AMENDMENTS
House Bill No. 701
Introduced Copy

1. Title, line 5.
Strike: "ALLOWING"
Insert: "REQUIRING"

2. Title, line 6.
Following: "REVENUE"
Insert: ", FOLLOWING APPROVAL BY THE LEGISLATURE,"

3. Page 3.
Following: line 15
Insert: "NEW SECTION. Section 3. Application for in-kind payment -- in-kind review committee -- review process. (1) Upon written application from a receiving entity, the department of revenue shall notify the revenue oversight committee that such an application has been received.

(2)(a) Upon receipt of such notification, the revenue oversight committee shall appoint an in-kind review committee to review the application and recommend to the revenue oversight committee approval or disapproval of the application.

(b) The in-kind review committee shall be comprised of the following persons, appointed by the revenue oversight committee:

(i) the director of the Montana historical society;
(ii) one member of the board of trustees of the Montana historical society;

(iii) from the county in which the property proposed for in-kind payment lies or was sited at the time of death of the person who the donor represents:

(A) one member of the county commission;

(B) one state senator;

(C) one state representative; and

(D) three residents from the community at large; and

(iv) a representative of the department of fish, wildlife and parks.

(c) The in-kind review committee is a voluntary review committee and is entitled to no compensation or reimbursement of expenses for its review, recommendation, or any other activity.

(3) It is the responsibility of the in-kind review committee to review the application and develop a recommendation of approval or disapproval on the application for in-kind payment, which recommendation must, at a minimum, be based on the following:

(a) the value of the property proposed for in-kind payment;

(b) the proposed use of the property;

(c) the cost to rebuild, refurbish, or otherwise rehabilitate the property for the use of the property proposed in the application;

(d) estimated annual maintenance costs of the property in its proposed use;

(e) potential sources of funding for the maintenance and general support of the property; and

(f) the cost and need for any wildlife habitat if such property is proposed as any part of the in-kind payment.

(4) Upon completion of its review, the in-kind review committee must develop its recommendation and submit the recommendation to the revenue oversight committee. The revenue oversight committee must review the recommendation of the in-kind review committee and further recommend to the legislature that the advisory council's recommendation be concurred in or rejected.

(5) At its earliest meeting, either in regular or special session, the legislature shall, based upon the recommendations of the in-kind review committee and the revenue oversight committee, approve or disapprove the in-kind payment.

(6) The department of revenue may, as provided in 72-16-438, defer payment of inheritance or estate tax that is under review for in-kind payment. If such deferral is granted under this section, the tax due is exempt from the interest penalty imposed under 72-16-441(3)."

Renumber: subsequent sections

4. Page 3, line 17.

Following: "(1)"

Strike: "Upon written"

Insert: "Following legislative approval of the"

5. Page 3, lines 17 and 18.

Following: "application" on line 17

Strike: "of a receiving entity"

Insert: "pursuant to [section 3]"

6. Page 3, lines 18 and 19.

Following: "revenue" on line 18

Strike: "may, at it discretion and"

Insert: "shall,"

7. Pages 3 and 4.

Strike: line 25 on page 3 through line 4 on page 4

8. Page 4.

Following: line 4

Strike: "(3)"

Insert: "(2)"

9. Page 4, line 6.

Following: "when"

Insert: ": (a)"

10. Page 4, line 7.

Following: "\$250,000"

Insert: "; and

(b) the legislature has given approval to the in-kind payment as provided in [section 3]"

11. Page 4.

Strike: lines 8 through 11 in their entirety

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. SENATE BILL 42DATE March 11, 1985SPONSOR Senator Towe

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Ken Morrison</i>	<i>Dept. of Revenue</i>	<i>-</i>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. SENATE BILL 72

DATE 3/11/85

SPONSOR SENATOR HAGER

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION COMMITTEEBILL NO. SENATE BILL 43 DATE March 11, 1985SPONSOR SENATOR TOWE

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Sen. Morris</i>	<i>Dept of Revenue</i>	-	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

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