

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON INCOME/SEVERANCE TAX

Call to Order: By **CHAIR BOB REAM**, on February 8, 1991, at 8:00 am.

ROLL CALL

Members Present:

Rep. Bob Ream, Chair (D)
Rep. Jim Elliott (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Marian Hanson (R)
Rep. Jim Madison (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)

Members Absent: Rep. Bob Raney (D)
Rep. Barry Stang (D)

Staff Present: Lisa Fairman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: **CHAIR REAM** announced that HB 77 was assigned to Income/Severance tax subcommittee. The bill was first heard in another committee and later referred to Taxation. A hearing for HB 77 in the full Taxation committee probably will not occur. **CHAIR REAM** tentatively set Tuesday, Feb. 12th to discuss HB 77. **REP. QUILICI**, sponsor of the bill, will be present to explain the bill. **CHAIR REAM** said the Department of Revenue (DOR) will present a short overview on withholding processes and child care credits, as requested earlier by the subcommittee.

Informational Presentation:

Denis Adams, Director of DOR, introduced **Charolette Maharg**, **Withholding Division**, and **Bob Turner**, Auditor. **Ms. Maharg** presented information on withholdings. **EXHIBITS 1 & 2.**

Discussion: REP. JIM ELLIOTT stated that often the taxpayer gets refunds from the federal government but has to pay the State. He inquired if it is possible to increase state withholdings to alleviate this scenario. Ms. Maharg replied the Department is examining this problem of under-withholding. REP. MIKE FOSTER stated that an individual should be able to control their own money. There is a time value of money that is lost to the individual when the state invests the individual's money. The individual should be able to have their own money to invest. CHAIR REAM asked why students can claim exempt status for Federal tax but not for State tax. Ms. Maharg answered in the early 1980's there were a number of exemption abuses that led to the decision to eliminate state student exemptions. REP. BEA MCCARTHY asked if there is a system to track the number of exemptions claimed by an individual. Mr. Adams stated he would check on this. He believed there was a method for tracking greater than 10 exemptions.

CHAIR REAM stated there is a perceptual problem that the tax the people pay at the end of the year is the full and only tax they pay. REP. ELLIOTT added it is mentally beneficial for individuals to receive a refund. He asked if it is illegal to change the process to allow that.

Mr. Adams responded it is possible if the Legislature so agrees. He offered to provide information on the breakdown of wage earners and withholdings. CHAIR REAM replied that information would be helpful and requested it be broken by income category. Mr. Bob Turner added there is a misconception among students that they don't have to file. Students do have to file even if they don't have to pay.

Informational Presentation:

Mr. Turner distributed the child care deduction form. EXHIBIT 3. He briefly addressed the procedure of child care deductions. He stated DOR's responses to child care questions and miscellaneous other questions that were previously raised are found in the handout. EXHIBIT 4.

ADJOURNMENT

Adjournment: 9:00 am.



BOB REAM, Chair



LISA FAIRMAN, Secretary

HOUSE OF REPRESENTATIVES
INCOME/SEVERANCE TAX SUBCOMMITTEE

ROLL CALL

DATE 2-8-91

NAME	PRESENT	ABSENT	EXCUSED
REP. JIM ELLIOTT	X		
REP. MIKE FOSTER	X		
REP. BOB GILBERT	X		
REP. MARIAN HANSON	X		
REP. BEA MCCARTHY	X		
REP. JIM MADISON	X		
REP. TOM NELSON	X		
REP. BOB RANEY		X	
REP. BOB REAM, VICE-CHAIR	X		
REP. BARRY STANG		X	
REP. DAN HARRINGTON, CHAIR			



montana

Withholding Tables

Effective January, 1991

EXHIBIT 1

DATE 2-8-91

HB info

Income / Severance
Tax Subcomm.

Department of Revenue
P.O. Box 5835
Helena, MT 59604

DO NOT FORWARD
ADDRESS CORRECTION REQUESTED
RETURN POSTAGE GUARANTEED

Bulk Rate
U.S. Postage
PAID
Helena, MT
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25% penalty (\$25 minimum). After

DATE 2-8-91

MONTANA STATE WITHHOLDING

Income/Severance
Tax Subcomm.

200244

Withholding on wages is the result of four elements: the Gross Wage; the length of the Payroll Period (weekly, monthly, etc.); the Withholding Formula prepared by the Department of Revenue; and the Withholding Allowance Certificate completed by an employee.

The employer calculates the total wage, and applies the formula depending upon the payroll period and the number of withholding allowances claimed by an employee.

The Withholding Formula

The withholding formula is designed to insure that at least 50 percent of taxpayers in each bracket receive refunds, with the emphasis on those whose primary income source is wages. While this is the primary goal, other goals such as making the withholding formula simple to use and compatible with commercial payroll software programs are considered. The most recent major change to the withholding formula was in 1987. In 1986, an analysis of withholding performance concluded that fewer than 50 percent of the taxpayers received refunds and identified an underwithholding problem for low income standard deduction filers.

Development of a new withholding formula is done in two phases. First there is an analysis of existing individual income tax data (income, wages, itemized deductions, etc.) and other factors that may change the income tax structure (such as federal income tax reform). From this analysis a model can be built to simulate future income tax performance. After the model is in place, a withholding formula is designed with the above goals and current problem areas taken into consideration.

The second phase of the process is to apply the proposed withholding formula to the income tax model and measure its performance. If the performance is lacking, the proposed withholding formula is modified and reapplied to the model. This process is repeated until the goals are met.

The Withholding Allowance Certificate (W-4)

The employee determines the amount of tax that is withheld from wages. The W-4 Form is a federal form completed by an employee when hired (or may be updated as the employee's circumstances change). The state uses the federal form as well. Employees may claim the same number of allowances for federal and state purposes but some do not. Federal law requires estimated annual tax payments equal to the lower of 90% of tax owing in the current year or 100% of the tax paid the previous year. Wage earners are encouraged to include other income when determining the number of allowances. The W-4 form has a worksheet attached to calculate the number of allowances an employee should claim.

For state purposes, the process is simple. Generally, a wage earner who claims the same number of exemptions on the W-4 as will be claimed on the state tax return will have withholding that is close to the tax liability. For those employees who have additional income, we have a worksheet (similar to the federal worksheet) that can be used to calculate the number of allowances that should be claimed to meet the anticipated tax liability.

MONTANA STATE WITHHOLDING

EXHIBIT 2
DATE 2- -91
HB _____
Income/ Swerance
Tax Subcomm.

Causes of underwithholding

- * Additional income
- * Change in exemptions (loss of a dependent) without corresponding change in W-4
- * Two or more jobs - withholding at a lower rate
- * Type of income - wage may not be subject to withholding but may be includable as taxable income (agricultural wages)
- * W-4 needs to be adapted for current, individual circumstances
- * Improper usage of formula or tax tables

Causes of overwithholding

- * Employees have historically preferred refunds
- * Sporadic and/or part-year employment - tables are geared for continuous employment over the calendar year
- * Type of income - wage may not be taxable for Montana purposes and is deducted from gross income (tips)
- * W-4 needs to be adapted for current, individual circumstances
- * Improper usage of formula or tax tables

How have we fared?

Tax Year	Total Returns ^{= # files (not people)}	Refunds/ % [#]	Payments ^{# returns w payments}	Tolerance ^{= don't owe anything}
1987	363,796	177,841 (48.9%)	138,472	47,483
1988	364,488	179,890 (49.4%)	138,298	46,300
1989	368,882	188,734 (51.2%)	133,261	46,887
1990	377,079	207,036 (54.9%)	123,661	46,386

1990 Form W-4



Purpose. Complete Form W-4 so that your employer can withhold the correct amount of Federal income tax from your pay.

Exemption From Withholding. Read line 6 of the certificate below to see if you can claim exempt status. If exempt, complete line 6; but do not complete lines 4 and 5. No Federal income tax will be withheld from your pay. This exemption expires February 15, 1991.

Basic Instructions. Employees who are not exempt should complete the Personal Allowances Worksheet. Additional worksheets are provided on page 2 for employees to adjust their withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply to your situation. The worksheets will help you figure the number of withholding allowances you are

entitled to claim. However, you may claim fewer allowances than this.

Head of Household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals.

Nonwage Income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may find that you owe additional tax at the end of the year.

Two-Earner/Two-Jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form

W-4. This total should be divided among all jobs. Your withholding will usually be most accurate when all allowances are claimed on the W-4 filed for the highest paying job and zero allowances are claimed for the others.

Advance Earned Income Credit. If you are eligible for this credit, you can receive it added to your paycheck throughout the year. For details, obtain Form W-5 from your employer.

Check Your Withholding. After your W-4 takes effect, you can use **Publication 919**, Is My Withholding Correct for 1990?, to see how the dollar amount you are having withheld compares to your estimated total annual tax. Call 1-800-424-3676 (in Hawaii and Alaska, check your local telephone directory) to order this publication. Check your local telephone directory for the IRS assistance number if you need further help.

Personal Allowances Worksheet

- A** Enter "1" for **yourself** if no one else can claim you as a dependent **A** _____
- B** Enter "1" if:
 1. You are single and have only one job; or
 2. You are married, have only one job, and your spouse does not work; or
 3. Your wages from a second job or your spouse's wages (or the total of both) are \$2,500 or less. **B** _____
- C** Enter "1" for your **spouse**. But, you may choose to enter "0" if you are married and have either a working spouse or more than one job (this may help you avoid having too little tax withheld) **C** _____
- D** Enter number of **dependents** (other than your spouse or yourself) whom you will claim on your tax return **D** _____
- E** Enter "1" if you will file as a **head of household** on your tax return (see conditions under "Head of Household," above) **E** _____
- F** Enter "1" if you have at least \$1,500 of **child or dependent care expenses** for which you plan to claim a credit **F** _____
- G** Add lines A through F and enter total here **G** _____

For accuracy, do all worksheets that apply.

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, turn to the Deductions and Adjustments Worksheet on page 2.
- If you are **single** and have **more than one job** and your combined earnings from all jobs exceed \$25,000 OR if you are **married** and have a **working spouse or more than one job**, and the combined earnings from all jobs exceed \$44,000, then turn to the Two-Earner/Two-Job Worksheet on page 2 if you want to avoid having too little tax withheld.
- If **neither** of the above situations applies to you, **stop here** and enter the number from line G on line 4 of Form W-4 below.

----- Cut here and give the certificate to your employer. Keep the top portion for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service	Employee's Withholding Allowance Certificate ▶ For Privacy Act and Paperwork Reduction Act Notice, see reverse.	OMB No. 1545-0010 <div style="font-size: 2em; font-weight: bold;">1990</div>
1 Type or print your first name and middle initial _____ Last name _____		2 Your social security number _____
Home address (number and street or rural route) _____ City or town, state, and ZIP code _____		3 Marital status <div style="display: flex; align-items: center;"> <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. </div> <p style="font-size: 0.8em;">Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.</p>
4 Total number of allowances you are claiming (from line G above or from the Worksheets on back if they apply) . . . 4 _____		
5 Additional amount, if any, you want deducted from each pay 5 \$ _____		[Shaded Box]
6 I claim exemption from withholding and I certify that I meet ALL of the following conditions for exemption: • Last year I had a right to a refund of ALL Federal income tax withheld because I had NO tax liability; AND • This year I expect a refund of ALL Federal income tax withheld because I expect to have NO tax liability; AND • This year if my income exceeds \$500 and includes nonwage income, another person cannot claim me as a dependent.		
If you meet all of the above conditions, enter the year effective and "EXEMPT" here ▶ 6 19		
7 Are you a full-time student? (Note: Full-time students are not automatically exempt.) 7 <input type="checkbox"/> Yes <input type="checkbox"/> No		
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status.		
Employee's signature ▶ _____		Date ▶ _____, 19____
8 Employer's name and address (Employer: Complete 8 and 10 only if sending to IRS) _____		9 Office code (optional) _____
		10 Employer identification number _____

DATE 2-8-91

Montana ~~Income~~ Severance Tax 19

Subcomm.

FORM 2441M
(Rev. 8-90)

DEDUCTION FOR CHILD AND DEPENDENT CARE EXPENSES

LAST NAME	Your First Name & Middle Initial	Your Social Security No. _ _ _
Spouse's Last Name if Different	Spouse's First Name & Initial	Spouse's Social Security No. _ _ _

1. Number of qualifying persons cared for (see D below) 1. _____
2. Enter actual amount paid during year not to exceed limitations below 2. _____
 - Limitation:** \$2,400 for one person
 - Not more than \$3,600 for two persons
 - \$4,800 for three or more persons
3. Combine amounts in columns A & B from line 36, Form 2, Page 2 3. _____
 - A) **If Line 3 is less than \$18,000 STOP HERE.** Enter amount from line 2 above on line 82, Form 2A, Schedule I. (Married couples filing separate enter 1/2 of Line 2 in each column).
 - OR
 - B) If Line 3 is over \$18,000 continue below
4. Enter amount from Line 3 4. _____
5. Base wage amount 5. 18,000
6. Subtract \$18,000 from line 4 6. _____
7. Multiply line 6 by .50 7. _____
8. Subtract line 7 from Line 2 (If zero or less no deduction allowed) 8. _____

Enter amount from Line 8 on Line 82, Form 2A, Schedule I. (Married couples filing separate enter 1/2 of Line 8 in each column.)

GENERAL INSTRUCTIONS

A. Who May Claim This Deduction—If you maintain a household which includes as a member, one or more qualifying individuals (See specific employment-related expenses PAID during the taxable year).

You will be treated as maintaining a household for any year only if you furnish over half the cost of maintaining the household for that year. If you are married for a year, you and your spouse must provide over half the maintenance cost for that year.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. They do not include the cost of clothing, education, medical treatment, vacations, life insurance or transportation.

B. Special Rules—

Married couples may now take the child care deduction while filing separately on the same form. The deduction must be divided equally between the spouses. You may not claim the deduction if you are married filing separately on separate forms (filing status 4).

Gainful employment requirement—if you are married for any period during the taxable year, take into account employment-related expenses incurred during any month of that year only if:

- (a) Both you and your spouse are gainfully employed on a substantially full-time or part-time basis, or actually seeking gainful employment, or
- (b) Your spouse is physically or mentally incapable of self-care.

Self-employment is considered gainful employment for the purpose of this deduction.

C. Child Care Deduction vs. Medical Expenses Deduction—If an expense qualifies as both employment-related and medical, you may treat it either way, as long as you do not deduct it twice.

If you treat the expense as medical, then the part of it that is not deductible because of the 7½% medical deduction limitation cannot be used as part of your employment-related expenses.

Specific Instructions

D. Enter the number of qualifying persons cared for during the year.

A qualifying person must be:

- (a) a dependent under age 15 for whom an exemption may be claimed;
- (b) a dependent who, regardless of age, is unable to care for himself or herself because of a physical or mental illness; or
- (c) a spouse who is unable to care for himself or herself because of a physical or mental illness.

State of Montana

Stan Stephens, Governor

DATE 2-8-91

EXHIBIT 7
Income / Severance
Tax Subcomm.



Department of Revenue

Denis Adams, Director

Income and
Miscellaneous Tax Division

Jeff Miller, Administrator

MEMORANDUM

TO: Representative Ream, Chairman and
Members of the House Tax Subcommittee on Income & Natural
Resource Taxation

FROM: Denis Adams, Director

RE: Information Requested - Individual Income Tax

DATE: January 25, 1991

Following up on our discussions of last week, we have assembled the attached information in response to your Committee's questions.

1. Provide a count of returns filed by filing status ?

Please see attached EXHIBIT I - a recap of 1989 filings.

2. Provide a description of, the purpose of, and the utilization of Montana Income Tax Credits and specific deductions .

Please see attached EXHIBIT II - Credits

EXHIBIT III - Deductions

3. What would be the impact if Montana adopted the federal child care mechanism in lieu of the present deduction?

FEDERAL CHILD CARE CREDIT - GENERAL DESCRIPTION

A. Amount of Credit.

For households with adjusted gross income (AGI) of \$10,000 or less:

30% of "Employment-Related Expenses"

This percentage decreases by 1% for every \$2,000 of AGI over \$10,000--but not below 20 percent. That is, for households with AGI over \$28,000 the applicable percentage is 20 percent.

B. Maximum "Employment-Related Expenses".

The maximum employment-related expenses that can be used to compute the credit is:

\$2,400 for one qualifying individual, and
\$4,800 for two or more qualifying individuals.

C. Qualifications.

- 1) Taxpayer - must furnish more than half the cost of maintaining the household, and must incur employment-related expenses that enable the taxpayer to be gainfully employed.
- 2) Qualifying Individual - qualifying individuals must meet one of the following:
 - a) under age 13, and for whom taxpayer is entitled to dependency deduction;
 - b) dependent, regardless of age, who is physically or mentally incapable of self care;
 - c) spouse, if physically or mentally incapable of self care; or
 - d) child meeting special dependency test of divorced parents.

Representative Ream
January 25, 1991
Page 3

3) Employment-Related Expense - qualifying expenses include expenses for household services and for care of qualifying individuals, whether incurred inside or outside of home. For example, costs of housekeeper, maid, babysitter, or cook usually qualify.

Expenses incurred for services performed by a dependent care center qualify only if the center complies with all applicable laws and regulations of state and/or local governments.

COST OF TYING TO FEDERAL CHILD CARE CREDIT

The cost of providing a state child care credit tied to the federal credit will depend on the specifications of the proposal.

HB 293, introduced during the 1989 Legislative Session, provided for a credit equal to 25% of the federal credit.

Federal tax expenditure estimates provided by the Joint Committee on Taxation provide for federal child care credit expenditures of \$4.3 billion in tax year 1991, and \$4.5 billion in tax year 1992. Historically, Montana's share of the federal credit amount has been 0.2412 percent (IRS data).

In addition, when calculating the cost of tying to the federal credit, it is assumed that the current law child care deduction would be repealed. The tax expenditure associated with this deduction is projected to be \$84,000 in FY92, and \$70,000 in FY93 (DOR Tax Expenditure Report for FY92 and FY93).

Based on the above information, the following table shows the cost of tying to the federal credit at alternative allowable percentages (in millions of dollars):

<u>Year</u>	<u>100%</u> ^{Full Child Value}	<u>75%</u>	<u>50%</u>	<u>25%</u>
FY92	10.29	7.70	5.10	2.51
FY93	10.78	8.07	5.36	2.64
Biennium	21.07	15.77	10.46	5.15

The biennial impact shown on HB 293 (1989) was \$4.45 ^{million} billion. This is comparable to the \$5.15 billion shown above under the 25% option for the coming biennium.

* * * * *

Representative Ream
January 25, 1991
Page 4

HB 293 was later revised to provide that married couples could claim the credit only if their household income was less than \$40,000. Heads of households could claim the credit only if their household income was less than \$25,000.

IRS data indicates that married couples claim two-thirds of the federal credit, and heads of households claim the remaining third. In addition, 64.33 percent of the credit is claimed by households with less than \$40,000 income, and 37.08 percent of the credit is claimed by households with less than \$25,000.

Using this information, the current estimated impact of tying to the federal credit under the revised parameters of HB 293 would be \$2.78 million over the coming biennium (\$1.35 million in FY92, and \$1.43 million in FY93).

Thank you for your interest in these topics. If we can provide you anything further, we will be pleased to respond to your specific requests.

1989 MONTANA INDIVIDUAL TAX CREDITS
FROM FORM 2A SCHEDULE II

NUMBER OF TAX RETURNS AND DOLLARS CLAIMED

LINE 95 ELDERLY CARE CREDIT

MCA 15-30-128

Description

A tax credit for qualified elderly care expense paid by an individual for the care of a qualifying family member that is at least 70 years of age or diagnosed as having senile dementia of the alzheimer type.

Purpose

Help provide financial assistance to families who must provide additional care for family members.

FY 1989 Returns 34 \$25,568

LINE 96 INCOME TAXES PAID TO OTHER STATES OR COUNTRIES

MCA 15-30-124

Description

Residents whose Montana adjusted gross income includes income from a state or country which does not allow a credit for Montana income tax are allowed a credit for income tax paid the other state or country.

Purpose

Prevents the double taxation of income.

FY 1989 Returns 5,174 \$3,549,128

LINE 97 CONTRACTOR'S GROSS RECEIPTS

MCA 15-50-207

Description

Public contractors are required to pay an additional license fee equal to 1% of the gross receipts from public contracts during the income year for which the license is issued. This additional fee is allowed as a credit against the contractor's individual income tax liability.

Purpose

These provisions of tax law facilitate the taxation of primary and secondary contractors while protecting the primary contractor from being taxed twice on the same earnings.

FY 1989 Returns 74 \$91,179

LINE 98 INVESTMENT CREDIT

MCA 15-30-162

Description

Montana allows an investment credit equal to 5% of the federal investment credit up to a maximum of \$500 in any given taxable year. The Tax Reform Act of 1986 repealed the federal investment credit. Consequently, the tax expenditures associated with this credit in future years will reflect only the carryforward amounts allowed under current law.

Purpose

Investment credit provisions are designed to stimulate investment and economic development.

FY 1989 Returns 1,163 \$694,083

LINE 99 INSTALLATION OF NONFOSSIL ENERGY SYSTEMS

MCA 15-32-201

Description

A resident taxpayer who installs an energy system using a nonfossil form of energy generation in his principle dwelling prior to January 1, 1993, is entitled to a credit equal to 10% of the first \$1,000 and 5% of the next \$3,000 of the installed cost of such a system.

Purpose

Provide an economic incentive for the installation of nonfossil energy systems, promote conservation of fossil fuels.

FY 1989 Returns 514 \$55,595

LINE 100 INVESTMENT IN ENERGY CONSERVATION INSTALLMENTS

MCA 15-32-109

Description

A resident taxpayer who makes a capital investment in a building for an energy conservation purpose is allowed a credit equal to 5% of the expenditure up to \$150 for a residential building and 5% of the expenditure up to \$300 for a commercial building.

Purpose

Provide an economic incentive for energy conservation installments, promote conservation of fossil fuels.

FY 1989 Returns 1,459 \$101,421

LINE 101 WIND-POWERED GENERATION EQUIPMENT

MCA 15-32-402

Description

Taxpayers are allowed a credit for 35% of the eligible costs for investments of \$5,000 or more in commercial wind-generation systems. Eligible costs include only expenditures that qualify under Section 38 of the Internal Revenue Code of 1954, as amended, and that are for generating equipment, safety devices or transmission lines.

If the investment receives federal wind-generation credits, the state credit must be reduced by the amount of federal credit such that the effective credit does not exceed 60% of the eligible costs.

Purpose

To encourage the development of a wind energy industry in Montana.

FY 1989 Returns 7 \$317

LINE 102 OTHER CREDITS

EXHIBIT 4
DATE 2-12-91
HB 77

MCA 90-8-202(5)

Description

Taxpayers are allowed an income tax credit for investing in certified Montana capital companies. The credit is limited to 50% of the investment up to \$150,000 per taxpayer per capital company.

Purpose

Provide an incentive to encourage the formation for venture and equity capital in Montana.

FY 1989 Returns 181 \$1,490,748

1989 MONTANA INDIVIDUAL TAX ITEMIZED DEDUCTIONS

NUMBER OF TAX RETURNS AND DOLLARS CLAIMED

LINE 82 CONTRIBUTIONS

MCA 15-30-121(1)

Description

Contributions to organizations that are religious, charitable, educational, scientific, or literary in purpose are deductible.

Purpose

This deduction helps to reduce the cost of making charitable contributions, thereby increasing the amount of those types of contributions.

FY 1989 Returns 144,118 \$136,229,269

LINE 83 CHILD/DEPENDENT CARE EXPENSE

MCA 15-30-121(3)

Description

This deduction is not provided at the federal level, but is provided specifically through state statutes. Subject to specific rules and limitations, taxpayers are allowed a deduction for employment-related expenses associated with child and/or dependent care.

Purpose

This deduction is intended to provide economic relief to households where the expense of caring for dependents, necessary to allow gainful employment, is detrimentally burdensome.

FY 1989 Returns 2,648 \$2,826,262

LINE 84 CASUALTY/THEFT LOSSES

MCA 15-30-121(1)

Description

Losses caused by casualty or theft of property that is not trade or business, income producing, or rent/royalty property is deductible.

Purpose

Casualty and theft losses are viewed as "negative" income in the year of loss, and are hence, allowed as a deduction. The validity of this deduction is sometimes called into question on the grounds that almost all such losses are covered by insurance.

FY 1989 Returns 572 \$2,550,317

LINE 85 MOVING EXPENSES

MCA 15-30-121(1)

Description

Beginning in 1987, the costs associated with a job-related move were no longer a deduction towards federal adjusted gross income, but became an itemized deduction. All direct, and certain indirect, costs associated with a job-related move are deductible.

Purpose

The purpose of allowing this deduction is two-fold: first, the deduction represents a cost of producing income; second, the deduction contributes to increasing in the mobility of labor.

FY 1989 Returns 5,014 \$12,714,702

INCOME TAX / NAT. RES.

BILL NO.

INFORMATIONAL MEETING

PLEASE PRINT

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.