

HOUSE BILL NO. 15

INTRODUCED BY LOCKREM, JACK K. MOORE, MARKS, BABCOCK, FABREGA, RASMUSSEN, SIVERTSEN, ELLISON, LUND, FAGG, BARRETT, CASEY, KROPP, ELLERD, AAGESON, JOHN H. ANDERSON, JR., HAGER,

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 84-4910, R.C.M. 1947, TO PROVIDE FOR A PERSONAL EXEMPTION OF SEVEN HUNDRED FIFTY DOLLARS (\$750) IN COMPUTING TAXABLE INCOME."

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

Section 1. Section 84-4910, R.C.M. 1947, is amended to read as follows:

\*84-4910. Exemptions. (a) Allowance of Personal Exemption. In the case of an individual, the exemptions provided by this section shall be allowed as deductions in computing taxable income.

(b) Taxpayer and Spouse. An exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the taxpayer; and an additional exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(c) Additional Exemption for Taxpayer or Spouse Aged Sixty-five (65) or More. (1) For taxpayer. An additional exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the taxpayer if he has attained the age of sixty-five (65) before the close of his taxable year.

(2) For spouse. An additional exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse has attained the age of sixty-five (65) before the close of such taxable year and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(d) Additional Exemption for Blindness of Taxpayer or Spouse. (1) For taxpayer. An additional exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the taxpayer if he is blind at the close of his taxable year.

(2) For spouse. An additional exemption of ~~six~~ seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning after December 31, ~~1973~~ 1974 for the spouse of the taxpayer if a separate return is made by the

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1 taxpayer and if the spouse is blind and, for the calendar  
 2 year in which the taxable year of the taxpayer begins, has  
 3 no gross income and is not the dependent of another  
 4 taxpayer. For the purposes of this paragraph, the  
 5 determination of whether the spouse is blind shall be made  
 6 as of the close of the taxable year of the taxpayer; except  
 7 that if the spouse dies during such taxable year such  
 8 determination shall be made as of the time of such death.

9 (3) Blindness defined. For purposes of this  
 10 subsection, an individual is blind only if his central  
 11 visual acuity does not exceed 20/200 in the better eye with  
 12 correcting lenses, or if his visual acuity is greater than  
 13 20/200 but is accompanied by a limitation in the fields of  
 14 vision such that the widest diameter of the visual field  
 15 subtends an angle no greater than 20 degrees.

16 (e) Additional Exemption for Dependents. (1) In  
 17 general. An exemption of ~~six~~ seven hundred fifty dollars  
 18 ~~(\$650)~~ (\$750) shall be allowed for taxable years beginning  
 19 after December 31, ~~1973~~ 1974 for each dependent:

20 (A) Whose gross income for the calendar year in which  
 21 the taxable year of the taxpayer begins is less than ~~six~~  
 22 seven hundred fifty dollars ~~(\$650)~~ (\$750) shall be allowed  
 23 for taxable years beginning after December 31, ~~1973~~ 1974, or

24 (B) Who is a child of the taxpayer and who (i) has not  
 25 attained the age of nineteen (19) years at the close of the

1 calendar year in which the taxable year of the taxpayer  
 2 begins, or (ii) is a student.

3 (2) Exemption denied in case of certain married  
 4 dependents. No exemption shall be allowed under this  
 5 subsection for any dependent who has made a joint return  
 6 with his spouse for the taxable year beginning in the  
 7 calendar year in which the taxable year of the taxpayer  
 8 begins.

9 (3) Child defined. For purposes of paragraph (1) (B),  
 10 the term "child" means an individual who is a son, stepson,  
 11 daughter, or stepdaughter of the taxpayer.

12 (4) Student and educational institution defined. For  
 13 purposes of paragraph (1) (B) (ii), the term "student" means  
 14 an individual who during each of five (5) calendar months  
 15 during the calendar year in which the taxable year of the  
 16 taxpayer begins.

17 (A) Is a full-time student at an educational  
 18 institution; or

19 (B) Is pursuing a full time course of institutional  
 20 on-farm training under the supervision of an accredited  
 21 agent of an educational institution or of a state or  
 22 political subdivision of a state. For purposes of this  
 23 paragraph, the term "educational institution" means only an  
 24 educational institution which normally maintains a regular  
 25 faculty and curriculum and normally has a regularly

1 organized body of students in attendance at the place where  
2 its educational activities are carried on.

3 (f) General Definition. For purposes of this section,  
4 the term "dependent" means any of the following individuals  
5 over half of whose support, for the calendar year in which  
6 the taxable year of the taxpayer begins, was received from  
7 the taxpayer:

8 (1) A son or daughter of the taxpayer, or a descendant  
9 of either,

10 (2) A stepson or stepdaughter of the taxpayer,

11 (3) A brother, sister, stepbrother, or stepsister of  
12 the taxpayer,

13 (4) The father or mother of the taxpayer, or an  
14 ancestor of either,

15 (5) A stepfather or stepmother of the taxpayer,

16 (6) A son or daughter of a brother or sister of the  
17 taxpayer,

18 (7) A brother or sister of the father or mother of the  
19 taxpayer,

20 (8) A son-in-law, daughter-in-law, father-in-law,  
21 mother-in-law, brother-in-law, or sister-in-law of the  
22 taxpayer,

23 (9) An individual who, for the taxable year of the  
24 taxpayer, has as his principal place of abode the home of  
25 the taxpayer, and is a member of the taxpayer's household,

1 or

2 (10) An individual who

3 (A) is a descendant of a brother or sister of the  
4 father or mother of the taxpayer,

5 (B) for the taxable year of the taxpayer received  
6 institutional care required by reason of a physical or  
7 mental disability, and

8 (C) before receiving such institutional care, was a  
9 member of the same household as the taxpayer.

10 (g) Rules Relating to General Definition. For purposes  
11 of this section:

12 (1) The terms "brother" and "sister" include a brother  
13 or sister by the half blood.

14 (2) In determining whether any of the relationships  
15 specified in subsection (a) or paragraph (1) of this  
16 subsection exists, a legally adopted child of an individual  
17 shall be treated as a child of such individual by blood.

18 (h) Determination of Marital Status. For purposes of  
19 this part

20 (1) The determination of whether an individual is  
21 married shall be made as of the close of his taxable year;  
22 except that if his spouse dies during his taxable year such  
23 determination shall be made as of the time of such death;  
24 and

25 (2) An individual legally separated from his spouse

1 under a decree of divorce or of separate maintenance shall  
2 not be considered as married.

3 (i) Proration of exemption deduction in the case of a  
4 nonresident taxpayer

5 (1) The exemption deduction shall be prorated according  
6 to the ratio the taxpayer's Montana adjusted gross income  
7 bears to his federal adjusted gross income."

-End-

STATE OF MONTANA

REQUEST NO. 13-75

FISCAL NOTE

Form BD-15

In compliance with a written request received January 7, 19 75, there is hereby submitted a Fiscal Note for House Bill 15 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to increase the personal exemption to \$750 for Montana individual income tax purposes.

ASSUMPTIONS:

- 1. Based on a sample of 1973 Montana tax returns, loss of income tax revenue will be approximately 2.8%.
2. House Bill 15 will not be passed in time to affect FY 75 tax collections.

FISCAL IMPACT:

Table with 3 columns: FISCAL IMPACT, FY 76, FY 77. Rows include Income tax collections under current law, Income tax collections under proposed law, and Decrease in collections.

CONCLUSION:

Enactment of House Bill 15 would result in a revenue loss of approximately \$6.4 million during the biennium. Income tax collections are allocated 64% to the General Fund, 25% to the Public School Equalization Aid Earmarked Revenue Account, and 11% to the Long-Range Building Program.

Signature of Michael Billings, BUDGET DIRECTOR, Office of Budget and Program Planning, Date: January 10, 1975

## STATE OF MONTANA

REQUEST NO. 13-75

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 7, 19 75, there is hereby submitted a Fiscal Note for House Bill 15 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act to increase the personal exemption for Montana income tax purposes from \$650 to \$750 for years beginning after December 31, 1974.

## ASSUMPTIONS:

1. There will be 670,000 exemptions in CY 75, 680,000 in CY 76, and 690,000 in CY 77.
2. Effective tax rates assuming a 10% surcharge are 5.44% in CY 75, 5.68% in CY 76, and 5.92% in CY 77.
3. Estimated income tax collections under current law are \$104.8 million in FY 76 and \$124.0 million in FY 77.
4. Withholding table will be adjusted for CY 75 income as of July 1, 1975. Thus underwithholding will occur from July 1 to December 31 to balance overwithholding from January 1 to June 30.
5. All CY 75 loss will be realized in FY 76; ¼ of CY 76 loss will be realized in FY 76 and ¾ in FY 77; ¼ of CY 77 loss will be realized in FY 77.

## FISCAL IMPACT:

	FY 76	FY 77
Income tax collections under current law	\$ 104.8 million	\$ 124.0 million
Income tax collections under proposed law	<u>100.2 million</u>	<u>120.1 million</u>
Decrease in collections	<u>\$ 4.6 million</u>	<u>\$ 3.9 million</u>

## CONCLUSION:

Enactment of House Bill 15 would result in a revenue loss of approximately \$8.5 million during the biennium. Income tax collections are allocated 64% to the General Fund, 25% to the Public School Equalization Aid Earmarked Revenue Account, and 11% to the Long-Range Building Program.

*Michael G. Billings*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: January 16, 1975