

1 (iv) \$6,000 - \$6,999.99-----\$2,800

2 (v) Where the taxpayers adjusted gross income does not
3 exceed six thousand dollars (\$6,000) the deduction shall be
4 three thousand dollars (\$3,000)."

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received Jan. 20, 19 75, there is hereby submitted a Fiscal Note for House Bill 94 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 standard deduction to 15%; to increase the maximum standard deduction to \$1,000 for a single return and \$2,000 for a joint return; to provide for an alternative deduction for low income families and persons over 65 years.

ASSUMPTIONS:

1. Married couples with Montana Adjusted Gross Income (MAGI) under \$10,000 will find it advantageous to file jointly under the proposed law.
2. The \$650 personal exemption will remain in effect through the biennium.
3. The average deduction taken on joint returns in MAGI brackets above \$10,000 exceeds the maximum standard deduction allowed. Thus, it is assumed that taxpayers in those brackets will continue to itemize deductions and will not be affected by proposed law. For single returns, this assumption is made for MAGI brackets above \$7,000.
4. Based on a 1% sampling of returns using the above assumptions, it is estimated that tax liability under the proposed law would decrease 5.8% in CY75, 5.5% in CY76 and 5.2% in CY77.
5. No data is compiled on single heads of household nor taxpayers over 65 with MAGI less than \$10,000. Single heads of households are included in data pertaining to single taxpayers. It is assumed that for persons over 65, the tax paid by such persons is small in relation to total taxes and would not contribute substantially to the percentage drop.
6. All of CY75 loss plus one fourth of CY76 loss will be realized in FY 76. Three-fourth of CY 76 loss and one-fourth of CY 77 loss will be realized in FY 77.
7. Under current law, estimated tax collections would be \$100.85 million in CY 75, \$118.47 million in CY 76, and \$139.93 million in CY 77.
8. There will be no added expenditures under proposed law.

FISCAL IMPACT:

	<u>FY 76</u>	<u>FY 77</u>
Income tax collections under current law	\$104.8 million	\$124.0 million
Income tax collections under proposed law	<u>97.3 million</u>	<u>117.3 million</u>
Decrease in collections	<u>\$ 7.5 million</u>	<u>\$ 6.7 million</u>

CONCLUSION:

Enactment of House Bill 94 would result in a revenue loss of \$14.2 million during the 76-77 biennium. Income tax collections are allocated 64% to the General Fund, 25% to the School Equalization Aid Earmarked Revenue Fund, and 11% to the Long-Range Building Program.


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/25/75

Objection Raised to Adverse Committee Report

1 HOUSE BILL NO. 94
 2 INTRODUCED BY VINCENT, TRAVIS O'CONNELL
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
 5 84-4908, R.C.M. 1947, TO PROVIDE FOR A STANDARD DEDUCTION
 6 OF FIFTEEN PERCENT IN COMPUTING NET INCOME, AND TO INCREASE
 7 THE MAXIMUM STANDARD FOR A SINGLE TO ONE THOUSAND DOLLARS
 8 AND TO TWO THOUSAND DOLLARS FOR A JOINT RETURN AND TO
 9 PROVIDE FOR AN ALTERNATIVE STANDARD DEDUCTION FOR LOW-INCOME
 10 FAMILIES AND PERSONS OVER SIXTY-FIVE."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 Section 1. Section 84-4908, R.C.M. 1947, is amended to
 14 read as follows:
 15 "84-4908. Alternative deduction allowed in computing
 16 net income. (1) In the case of a resident individual, a
 17 standard deduction equal to ~~ten--per--cent--(10%)~~ fifteen
 18 percent (15%) of adjusted gross income shall be allowed if
 19 elected by the taxpayer on his return. The standard
 20 deduction shall be in lieu of all deductions allowed under
 21 section 84-4906, R.C.M. 1947. The maximum standard deduction
 22 shall be ~~five--hundred--dollars--(\$500)~~ one thousand dollars
 23 (\$1000) except in the case of a single joint return of
 24 husband and wife the maximum standard deduction shall be one
 25 thousand--dollars--(\$1,000) two thousand dollars (\$2000). The

1 standard deduction shall not be allowed to either the
 2 husband or the wife if the tax of one of the spouses is
 3 determined without regard to the standard deduction. For
 4 purposes of this section, the determination of whether an
 5 individual is married shall be made as of the last day of
 6 the taxable year; provided, however, if one of the spouses
 7 dies during the taxable year, the determination shall be
 8 made as of the date of death.

9 (2) There shall be an alternative deduction for
 10 low-income families and persons over sixty-five (65). For
 11 married persons filing joint returns and for persons
 12 claiming head of household status as defined in section 1 of
 13 the Internal Revenue Code of 1954 where the adjusted gross
 14 income of the persons filing jointly or the adjusted gross
 15 income of the taxpayer claiming head of household status
 16 does not exceed ten thousand dollars (\$10,000) and for
 17 persons over age sixty-five (65) whose adjusted gross income
 18 does not exceed ten thousand dollars (\$10,000) the deduction
 19 set forth in the table below may be taken in lieu of all
 20 deductions allowed under section 84-4906, R.C.M. 1947.

Where the taxpayers adjusted gross income is:	The alternative deduction shall be:
(i) \$9,000 - \$10,000-----	\$2,500
(ii) \$8,000 - \$8,999.99-----	\$2,600
(iii) \$7,000 - \$7,999.99-----	\$2,700

- 1 (iv) \$6,000 - \$6,999.99-----\$2,800
2 (v) Where the taxpayers adjusted gross income does not
3 exceed six thousand dollars (\$6,000) the deduction shall be
4 three thousand dollars (\$3,000)."

-End-