

1 *Zause* BILL NO. *506*
 2 INTRODUCED BY *John Thasew Felbridge Grand W. Boeth*
 3 *Lester*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM ADJUSTED
 5 GROSS INCOME FORMAL PRIVATE RETIREMENT BENEFITS NOT IN
 6 EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 84-4905, R.C.M.
 7 1947; AND PROVIDING AN EFFECTIVE DATE."

8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 84-4905, R.C.M. 1947, is amended to
 11 read as follows:

12 "84-4905. Adjusted gross income. (1) Adjusted gross
 13 income shall be the taxpayer's federal income tax adjusted
 14 gross income as defined in section 62 of the Internal
 15 Revenue Code of 1954 or as that section may be labeled or
 16 amended, and in addition shall include the following:

17 (a) Interest received on obligations of another state
 18 or territory, or county, municipality, district, or other
 19 political subdivision thereof:

20 (b) Refunds received of federal income tax, to the
 21 extent the deduction of such tax resulted in a reduction of
 22 Montana income tax liability.

23 (2) Adjusted gross income does not include the
 24 following which are exempt from taxation under this act:

25 (a) Interest income from obligations of the United

1 States government, the state of Montana, county,
 2 municipality, district, or other political subdivision
 3 thereof:

4 (b) All benefits received under the Federal Employees
 5 Retirement Act not in excess of three thousand six hundred
 6 dollars (\$3,600).

7 (c) All benefits received by a retired person as an
 8 annuity, pension, or endowment under a formal private
 9 retirement plan or system not in excess of three thousand
 10 six hundred dollars (\$3,600).

11 ~~(d)~~ (d) All benefits paid under the Montana Teachers
 12 Retirement Act which are specified as exempt from taxation
 13 by section 75-2713.

14 ~~(d)~~ (e) All benefits paid under the Montana Public
 15 Employees Act which are specified as exempt from taxation by
 16 section 68-1303.

17 ~~(f)~~ (f) All benefits paid under the Montana Highway
 18 Patrol Retirement Act which are specified as exempt from
 19 taxation by section 31-221.

20 ~~(f)~~ (g) Montana income tax refunds or credits thereof.

21 (3) In the case of a shareholder of a corporation with
 22 respect to which the election provided for under subchapter
 23 S. of the Internal Revenue Code of 1954, as amended, is in
 24 effect, but with respect to which the election provided for
 25 under section 84-1501.2, as amended, is not in effect,

1 adjusted gross income does not include any part of the
2 corporation's undistributed taxable income, net operating
3 loss, capital gains or other gains, profits or losses
4 required to be included in the shareholder's federal income
5 tax adjusted gross income by reason of the said election
6 under subchapter S. However, the shareholder's adjusted
7 gross income shall include actual distribution from the
8 corporation to the extent they would be treated as taxable
9 dividends if the subchapter S. election were not in effect."

10 Section 2. This act shall apply to taxable years
11 beginning on and after January 1, 1975.

-End-

STATE OF MONTANA

REQUEST NO. 117-75

FISCAL NOTE

Form BD 15

In compliance with a written request received February 6, 19 75, there is hereby submitted a Fiscal Note for H.B. 506 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 exempt from Montana income tax the first \$3,600 of retirement benefits received under a formal private retirement plan.

Fiscal Impact:

No data is available on the amount of benefits received by Montana taxpayers under formal private retirement plans. Thus, no quantifiable estimate of the impact on income tax revenue is possible. Assuming an effective tax rate of 5.68% in CY 76 and 5.92% in CY 77, the reduction in tax liability would be \$204 in CY 76 and \$213 in CY 77 for each qualifying individual with taxable income in excess of \$3,600.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 11, 1975

Approved by Committee
on Taxation

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2 INTRODUCED BY *Rep. Thomas Talbot Grand W. Baeth*
3 *Lester*

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 3 *Lester*

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