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INTRODUCED BY *Senators* BILL NO. *110*  
*Frank H. Heston Goodover Rastine*

A BILL FOR AN ACT ENTITLED: "AN ACT TO CUT INDIVIDUAL STATE  
INCOME TAXES FIFTEEN PERCENT (15%) BY REPEALING THE SURTAX  
AND PROVIDING FURTHER REDUCTION OF FIVE PERCENT (5%);  
REPEALING SECTION 84-4902.1, R.C.M. 1947."

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

Section 1. Percentage reduction. For each taxable  
year commencing after December 31, 1974, each person filing  
a Montana individual income tax return shall subtract five  
percent (5%) of the tax liability determined under section  
84-4902, and the amount so arrived at is the amount due the  
state of Montana.

Section 2. Section 84-4902.1, R.C.M. 1947, is  
repealed.

-End-

SB 110

## FISCAL NOTE

Form BD-15

In compliance with a written request received Jan. 20, 19 75, there is hereby submitted a Fiscal Note for Senate Bill 110 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 repeal the 10% surtax and providing a further reduction of 5% of tax liability.

## ASSUMPTIONS:

1. Income tax collection under current law will be \$104.8 million in FY76 and \$124.0 million in FY77.
2. If Senate Bill 110 is enacted, withholding tables will be adjusted accordingly to reflect the tax decrease on entire CY75 income. Reduced withholding on CY75 income will not be collected until FY76. Withholding tables will again be adjusted for CY76 income.
3. Cost of revising and distributing withholding tables will cost an additional \$10,000 in FY76. No additional costs are expected in FY77.
4. All of CY75 loss will be realized in FY76.

## FISCAL IMPACT:

<u>Revenue</u>	<u>FY76</u>	<u>FY77</u>
Income tax collections under current law	\$104.8 million	\$124.0 million
Income tax collections under proposed law	<u>90.5 million</u>	<u>107.1 million</u>
Decrease in collections	\$ 14.3 million	\$ 16.9 million
 <u>Expenditure</u>	 <u>FY76</u>	 <u>FY77</u>
Additional expenditures under proposed law		
Personal Services	\$ 500	\$ 0
Operating Expenses	<u>9,500</u>	<u>0</u>
	<u>\$10,000</u>	<u>\$ 0</u>

## CONCLUSION:

Enactment of Senate Bill 110 would result in a revenue loss of \$31.2 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.

NOTE: The title of Senate Bill 110 is misleading as the effect is not to reduce taxes by 15%. Repeal of the surtax with an additional reduction of 5% results in a decrease in tax liability of 13.64%.

*Michael B. Bellings*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: January 24, 1975