

1 *Senate* BILL NO. *305*
 2 INTRODUCED BY *Watt McHenry*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION
 5 84-4905, R.C.M. 1947, TO PROVIDE THAT ADJUSTED GROSS INCOME
 6 DOES NOT INCLUDE BENEFITS PAID FROM POLICE RESERVE FUNDS TO
 7 RETIRED POLICEMEN."
 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

INTRODUCED BILL

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 paid under the Montana Teachers
 8 Retirement Act which are specified as exempt from taxation
 9 by section 75-2713.

10 (d) All benefits paid under the Montana Public
 11 Employees Act which are specified as exempt from taxation by
 12 section 68-1303.

13 (e) All benefits paid under the Montana Highway Patrol
 14 Retirement Act which are specified as exempt from taxation
 15 by section 31-221.

16 (f) Montana income tax refunds or credits thereof.

17 (g) All benefits paid by first or second class cities
 18 for the policemen's retirement system provided for by the
 19 Metropolitan Police Law.

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

1 corporation's undistributed taxable income, net operating
2 loss, capital gains or other gains, profits or losses
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-End-

STATE OF MONTANA

REQUEST NO. 134-75

FISCAL NOTE

Form BD-15

In compliance with a written request received January 30, 19 75, there is hereby submitted a Fiscal Note for Senate Bill 305 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:

Senate Bill 305 provides that adjusted gross income does not include benefits paid from police reserve funds to retired policemen.

ASSUMPTIONS:

1. Senate Bill 305 would be effective for taxable years beginning after December 31, 1974.
2. Benefits paid in CY 73 were \$1,065,000; assume an increase of 5% per year. Approximately 95% of such benefits are taxable under current law (the employee contribution has been fully recovered).
3. Montana income tax as a percentage of adjusted gross income will average approximately 3.9% in CY 75, 4.2% in CY 76 and 4.5% in CY 77.

FISCAL IMPACT:

	FY 76	FY 77
Income tax collections under current law	\$ 104,800,000	\$ 124,000,000
Income tax collections under proposed law	<u>104,758,000</u>	<u>123,950,400</u>
Decrease in collections	<u>\$ 42,000</u>	<u>\$ 49,600</u>

CONCLUSION:

Enactment of Senate Bill 305 would result in a revenue loss to the State of approximately \$92,000 during the biennium. Income tax collections are allocated 64% to the General Fund, 25% to Public School Equalization ERA, and 11% to the Long-Range Building Program.

TECHNICAL NOTE:

Section 75-2713 and Section 68-1303, referred to on line 9, page 2 and line 12, page 2, have been repealed.

Michael H. Billings
by *Raven Wilson*
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 4, 1975

Approved by Committee
on Taxation

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9 SECTION 2. THIS ACT SHALL BE EFFECTIVE FOR ALL TAXABLE
10 YEARS BEGINNING AFTER DECEMBER 31, 1974.

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