

1 HOUSE BILL NO. 9
 2 INTRODUCED BY MOORE, BURNETT, WYRICK, KROPP, SMITH, MARKS, TURNER,
 3 BARRETT, RAMIREZ, WOOD, SEIFERT, CURTISS, FAGG, O'KEEFE, TOWER,
 4 MEYER, PORTER, AAGESON, NATHE, LUND, McLANE, ERNST, COX, ELLERD,
 5 ELLIS, LORY, FEDA, SEVERSON, VINGER, KEYSER, KVAALLEN, FABREGA
 6 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
 7 84-4908, R.C.M. 1947, TO PROVIDE FOR A STANDARD DEDUCTION OF
 8 15% IN COMPUTING NET INCOME AND TO INCREASE THE MAXIMUM
 9 STANDARD DEDUCTION TO \$1,000 FOR A SINGLE RETURN AND TO
 10 \$2,000 FOR A JOINT RETURN."

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

12 Section 1. Section 84-4908, R.C.M. 1947, is amended to
 13 read as follows:

14 "84-4908. Alternative deduction allowed in computing
 15 net income. In the case of a resident individual, a standard
 16 deduction equal to ~~ten-per-cent-(10%)~~ 15% of adjusted gross
 17 income shall be allowed if elected by the taxpayer on his
 18 return. The standard deduction shall be in lieu of all
 19 deductions allowed under section 84-4906, R. C. M. 1947. The
 20 maximum standard deduction shall be ~~five-hundred-dollars~~
 21 ~~(\$500)~~ \$1,000, except ~~that~~ in the case of a single joint
 22 return of husband and wife the maximum standard deduction
 23 shall be ~~one-thousand-dollars-(1,000)~~ \$2,000. The standard
 24 deduction shall not be allowed to either the husband or the
 25 wife if the tax of one of the spouses is determined without
 regard to the standard deduction. For purposes of this

1 section, the determination of whether an individual is
 2 married shall be made as of the last day of the taxable
 3 year; ~~provided,~~ however, if one of the spouses dies during
 4 the taxable year, the determination shall be made as of the
 5 date of death."

-End-

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INTRODUCED BILL

FISCAL NOTE

Form BD-15

compliance with a written request received January 5, 19 77, there is hereby submitted a Fiscal Note for House Bill 9 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

This bill increases the allowable standard deduction on income tax from 10% to 15% of adjusted gross income. This bill also raises the maximum standard deduction from \$1000 to \$2000 for joint returns.

ASSUMPTIONS

1. The Department of Revenue income tax revenue projections of \$123.732M in FY 78 and \$140.093M in FY 79 were assumed to be correct.
2. The percentage of taxpayers that take the standard deduction will remain relatively unchanged. This assumption is supported by the large difference between the average size of the standard deduction and the average size of the itemized deduction in each tax bracket.
3. Due to the small number of taxpayers that take the standard deduction a 5% variation in each direction was assumed in each \$1000 tax bracket.
4. The amount of the new standard deduction will be 1.5 times the amount of the current standard deduction.
5. Administrative costs will remain unchanged over the biennium.

LONG-RANGE EFFECTS

There will be a slight decline (less than 1%) in income tax collections in future years under this proposed law.

TECHNICAL NOTE

No mention of what tax years are affected. Should probably have:

"Section 2. This act is effective for taxable years beginning on or after January 1, 1977."

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
Income tax collections under current law	\$123.732M	\$140.093M
Income tax collections by increasing standard deduction under proposed law	<u>\$123.138M-\$123.076M</u>	<u>\$139.421M-\$139.351M</u>
Decrease in revenue	<u>(\$.594M)-(\$.656M)</u>	<u>(\$.672M)-(\$.742M)</u>

CONCLUSION

The decline in income tax collections resulting from this bill will be about 0.5% below the levels that would occur in the absence of this bill.

PREPARED BY: Department of Revenue

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Office of Budget and Program Planning

Date: 1-11-77