

*Davis* 1 *Kropp* *House* BILL NO. *267* *James* *Ellison* *Paul* *Henry*  
 INTRODUCED BY *Thom* *George* *Mark* *Rennin*  
*Barnett* *Edwards* *Lynch* *Dylan* *Menchon* *FARR*  
*Porter* *Olanshell* *Reynolds* *Booth* *mean* *Sept*  
 A BILL FOR AN ACT ENTITLED: *HAN* ACT TO EXEMPT FROM ADJUSTED *Hannitz*  
 GROSS INCOME FORMAL PRIVATE OR CORPORATE RETIREMENT BENEFITS  
 NOT IN EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION *Trague*  
 84-4905, R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE. *NATH* *Ellis* *Loz* *Ston* *Barney*  
 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: *Reyn*  
 Section 1. Section 84-4905, R.C.M. 1947, is amended to *Mayer*  
 read as follows:

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

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

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

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

(a) Interest income from obligations of the United

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

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

(c) All benefits received by a retired person as an annuity, pension, or endowment under a formal, private or corporate, retirement plan or system, not in excess of \$3,600.

(d) All benefits paid under the Montana Teachers Retirement Act which are specified as exempt from taxation by section 75-6215.

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

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

(g) Montana income tax refunds or credits thereof.

(h) All benefits paid under sections 11-1925, 11-1926, and 11-1927 to retired and disabled firemen, their surviving spouses and orphans.

(i) All benefits paid by first or second class cities for the policemen's retirement system provided for by

1 the Metropolitan Police Law.

2 {3} In the case of a shareholder of a corporation with  
3 respect to which the election provided for under subchapter  
4 S. of the Internal Revenue Code of 1954, as amended, is in  
5 effect, but with respect to which the election provided for  
6 under section 84-1501.2, as amended, is not in effect,  
7 adjusted gross income does not include any part of the  
8 corporation's undistributed taxable income, net operating  
9 loss, capital gains or other gains, profits or losses  
10 required to be included in the shareholder's federal income  
11 tax adjusted gross income by reason of the said election  
12 under subchapter S. However, the shareholder's adjusted  
13 gross income shall include actual distribution from the  
14 corporation to the extent they would be treated as taxable  
15 dividends if the subchapter S. election were not in effect."

16 Section 2. Effective date. This act shall apply to  
17 taxable years beginning on and after January 1, 1977.

-End-

STATE OF MONTANA

REQUEST NO. 125-77  
~~125-77~~

FISCAL NOTE

Form BD-15

In compliance with a written request received January 21, 19 77, there is hereby submitted a Fiscal Note for House Bill 267 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 revises the exemptions allowed in calculating adjusted gross income, providing that \$3,600 of all retirement benefits shall be exempt.

ASSUMPTIONS

1. It is virtually impossible to give a precise estimate of the fiscal impact of this bill. However, the expected minimum and maximum effects may be identified.
2. The Department of Revenue income tax revenue projections of \$123.732 in FY 78 and \$140.093 in FY 79 were assumed correct.
3. The minimum effect assumes 10,000 taxpayers would receive the full \$3,600 exemption at the marginal tax rate of 2.5%.
4. The maximum effect assumes 15,000 taxpayers would receive the full \$3,600 exemption at the marginal tax rate of 3%.
5. Administrative costs would remain unchanged.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
Income tax collections under current law.	\$123.732M	\$140.093M
Income tax collections - reductions due to exemption of retirement benefits under proposed law.	<u>\$122.112M-\$122.832M</u>	<u>\$138.473M-\$139.193M</u>
<b>DECREASE IN INCOME TAX COLLECTIONS</b>	<u><u>\$ .900M - \$1.620M</u></u>	<u><u>\$ .900M - \$1.620M</u></u>

LONG-RANGE EFFECTS

The state will lose between \$.900M and \$1.620M each fiscal year this act is in effect.

TECHNICAL NOTE

In order to accommodate taxpayers who have short tax years, it is suggested that the bill be made effective upon passage and approval.

PREPARED BY DEPARTMENT OF REVENUE

*Richard L. Dancy*  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: 1-25-77

Approved by Committee  
on Taxation

*Davis*  
*Hamm*  
*Stevenson*  
*Word*  
*Eubank*  
*Argey*  
*DeWitt*  
*Smith*

*Kropp* *House* BILL NO. *267*  
INTRODUCED BY *Thom* *George* *Mark* *Ramirez*  
*Barnett* *Edwards* *Lynch* *Sullivan* *Manahan* *FARR*  
*Porter* *Olanick* *Hoyer* *Regier* *Robb* *Meier* *Sept*  
*Ward* *Ward* *Ward* *Ward* *Ward* *Ward* *Ward*  
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GROSS INCOME FORMAL PRIVATE OR CORPORATE RETIREMENT BENEFITS  
NOT IN EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION  
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7 (c) All benefits received by a retired person as an  
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9 corporate retirement plan or system, not in excess of  
10 \$3,600.

11 ~~(d)~~ All benefits paid under the Montana Teachers  
12 Retirement Act which are specified as exempt from taxation  
13 by section 75-6215.

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

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

21 ~~(h)~~ All benefits paid under sections 11-1925,  
22 11-1926, and 11-1927 to retired and disabled firemen, their  
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*HB 267*

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*Kropp* *House* BILL NO. *267*  
INTRODUCED BY *Thom* *George* *Mark* *Ramirez*  
*Barnett* *John* *Lynch* *Richard* *Manahan* *FARR*  
*Porter* *Olanickell* *Regan* *Robt* *meur* *depi*

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