

1 H BILL NO. 383
 2 INTRODUCED BY [Signature] by request

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 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ALL TEACHER
 5 RETIREMENT BENEFITS FROM INCOME TAX; AMENDING SECTION
 6 84-4905, R.C.M. 1947."

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

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

11 "84-4905. Adjusted gross income. (1) Adjusted gross
 12 income shall be the taxpayer's federal income tax adjusted
 13 gross income as defined in section 62 of the Internal
 14 Revenue Code of 1954 or as that section may be labeled or
 15 amended, and in addition shall include the following:

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

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

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

24 (a) Interest income from obligations of the United
 25 States government, the state of Montana, county,

1 municipality, district, or other political subdivision
 2 thereof:

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

6 (c) All benefits paid under the Montana Teachers
 7 Retirement Act, which are specified as exempt from taxation
 8 by section 75-6215, or paid under any other state's
 9 teachers' retirement plan.

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 under sections 11-1925, 11-1926,
 18 and 11-1927 to retired and disabled firemen, their surviving
 19 spouses and orphans.

20 (h) All benefits paid by first or second class cities
 21 for the policeman's retirement system provided for by the
 22 Metropolitan Police Law.

23 (3) In the case of a shareholder of a corporation with
 24 respect to which the election provided for under subchapter
 25 S. of the Internal Revenue Code of 1954, as amended, is in

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

-End-

STATE OF MONTANA

REQUEST NO. 186-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, 19 77, there is hereby submitted a Fiscal Note for House Bill 383 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 exempts benefits paid by out of state teachers retirement programs from Montana individual income tax.

ASSUMPTIONS

No data exists concerning how many Montana individual income taxpayers have income from teachers' retirement plans in other states, nor is there any data which suggests how much income Montanans might be receiving from such sources. Thus, no estimate of the fiscal impact can be given.

In order to give some perspective to the discussion it is well to consider that about 3600 retired teachers are currently receiving about \$13 million in benefits from the Montana teachers' retirement plan. The tax loss to the state stemming from the fact that this income is exempt is probably between \$325,000 and \$500,000 annually.

TECHNICAL NOTE

If it is desired that this bill be in effect only for 1977 and subsequent years a section such as "Section 2. This act is effective for taxable years beginning on or after January 1, 1977" should be considered.

Also in order to extend coverage to all those who are alive at the time of approval it should be made effective upon passage and approval.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. ...
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-27-77