

1 H BILL NO. 501  
2 INTRODUCED BY Vicent

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION  
5 84-4908, R.C.M. 1947, TO INCREASE THE STANDARD DEDUCTION AND  
6 TO PROVIDE AN ALTERNATIVE DEDUCTION FOR THE LOW-INCOME AND  
7 ELDERLY; AMENDING SECTION 84-4910, R.C.M. 1947, TO INCREASE  
8 PERSONAL EXEMPTIONS; REPEALING SECTION 84-4902.1, R.C.M.  
9 1947, TO REPEAL THE SURTAX; PROVIDING A DELAYED EFFECTIVE  
10 DATE."

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

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

15 \*84-4908. Alternative deduction allowed in computing  
16 net income. (1) In the case of a resident individual, a  
17 standard deduction equal to ~~ten-per-cent-(10%)~~ 12% of  
18 adjusted gross income shall be allowed if elected by the  
19 taxpayer on his return. The standard deduction shall be in  
20 lieu of all deductions allowed under section 84-4906, R.C.M.  
21 1947. The maximum standard deduction shall be ~~five-hundred~~  
22 ~~dollars--(\$500)~~ \$1,000 except in the case of a single joint  
23 return of husband and wife the maximum standard deduction  
24 shall be ~~one-thousand-dollars-(\$1,000)~~ \$2,000. The standard  
25 deduction shall not be allowed to either the husband or the

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1 wife if the tax of one of the spouses is determined without  
2 regard to the standard deduction. For purposes of this  
3 section, the determination of whether an individual is  
4 married shall be made as of the last day of the taxable  
5 year; provided, however, if one of the spouses dies during  
6 the taxable year, the determination shall be made as of the  
7 date of death.

8 ~~(2) There shall be an alternative deduction for~~  
9 ~~low-income families and persons over 62 years of age. For~~  
10 ~~married persons filing joint returns and for persons~~  
11 ~~claiming head of household status as defined in section 1 of~~  
12 ~~the Internal Revenue Code of 1954 where the adjusted gross~~  
13 ~~income of the persons filing jointly or the adjusted gross~~  
14 ~~income of the taxpayer claiming head of household status~~  
15 ~~does not exceed \$10,000 and for persons over age 62 whose~~  
16 ~~adjusted gross income does not exceed \$10,000, the deduction~~  
17 ~~set forth in the table below may be taken in lieu of all~~  
18 ~~deductions allowed under 84-4906.~~

19 ~~where the taxpayers adjusted gross income is:~~ The alternative deduction  
20 ~~gross income is:~~ shall be:  
21 (a) ~~\$9,000 - \$10,000-----~~ \$2,500  
22 (b) ~~\$8,000 - \$8,999.99-----~~ \$2,600  
23 (c) ~~\$7,000 - \$7,999.99-----~~ \$2,700  
24 (d) ~~\$6,000 - \$6,999.99-----~~ \$2,800  
25 (e) ~~Under \$6,000-----~~ \$3,000"

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1 Section 2. Section 84-4910, R.C.M. 1947, is amended to  
2 read as follows:

3 ~~"84-4910. Exemptions. (a) Allowance of Personel~~  
4 ~~Exemption (1) In the case of an individual, the exemptions~~  
5 ~~provided by this section shall be allowed as deductions in~~  
6 ~~computing taxable income.~~

7 ~~(b)(2) Taxpayer and Spouse. An exemption of six~~  
8 ~~hundred fifty dollars (\$650) \$750 shall be allowed for~~  
9 ~~taxable years beginning after December 31, 1973 1976, for~~  
10 ~~the taxpayer; and an additional exemption of six hundred~~  
11 ~~fifty dollars (\$650) \$750 shall be allowed for taxable years~~  
12 ~~beginning after December 31, 1973 1976, for the spouse of~~  
13 ~~the taxpayer if a separate return is made by the taxpayer,~~  
14 ~~and if the spouse, for the calendar year in which the~~  
15 ~~taxable year of the taxpayer begins, has no gross income and~~  
16 ~~is not the dependent of another taxpayer.~~

17 ~~(c)(3) Additional Exemption for Taxpayer or Spouse~~  
18 ~~Aged Sixty-five (65) or More. (1)(a) For taxpayer. An~~  
19 ~~additional exemption of six hundred fifty dollars (\$650)~~  
20 ~~\$750 shall be allowed for taxable years beginning after~~  
21 ~~December 31, 1973 1976, for the taxpayer if he has attained~~  
22 ~~the age of sixty-five (65) before the close of his taxable~~  
23 ~~year.~~

24 ~~(2)(b) For spouse. An additional exemption of six~~  
25 ~~hundred fifty dollars (\$650) \$750 shall be allowed for~~

1 taxable years beginning after December 31, 1973 1976, for  
2 the spouse of the taxpayer if a separate return is made by  
3 the taxpayer, and if the spouse has attained the age of  
4 sixty-five (65) years before the close of such taxable year  
5 and, for the calendar year in which the taxable year of the  
6 taxpayer begins, has no gross income and is not the  
7 dependent of another taxpayer.

8 ~~(d)(4) Additional Exemption for Blindness of Taxpayer~~  
9 ~~or Spouse (1)(a) For taxpayer. An additional exemption of~~  
10 ~~six hundred fifty dollars (\$650) \$750 shall be allowed for~~  
11 ~~taxable years beginning after December 31, 1973 1976, for~~  
12 ~~the taxpayer if he is blind at the close of his taxable~~  
13 ~~year.~~

14 ~~(2)(b) For spouse. An additional exemption of six~~  
15 ~~hundred fifty dollars (\$650) \$750 shall be allowed for~~  
16 ~~taxable years beginning after December 31, 1973 1976, for~~  
17 ~~the spouse of the taxpayer if a separate return is made by~~  
18 ~~the taxpayer and if the spouse is blind and, for the~~  
19 ~~calendar year in which the taxable year of the taxpayer~~  
20 ~~begins, has no gross income and is not the dependent of~~  
21 ~~another taxpayer. For the purposes of this paragraph, the~~  
22 ~~determination of whether the spouse is blind shall be made~~  
23 ~~as of the close of the taxable year of the taxpayer, except~~  
24 ~~that if the spouse dies during such taxable year such the~~  
25 ~~determination shall be made as of the time of such death.~~

~~(3)(c) Blindness--defined.~~ For purposes of this subsection, an individual is blind only if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

~~(4)(5) Additional Exemption for Dependents.~~ ~~(i)(a) In general.~~ An exemption of ~~six-hundred-fifty-dollars-(\$50)~~ ~~\$750~~ shall be allowed for taxable years beginning after December 31, ~~1973~~ ~~1976~~, for each dependent:

~~(i)(i) Whose~~ ~~whose~~ gross income for the calendar year in which the taxable year of the taxpayer begins is less than ~~six-hundred-fifty-dollars-(\$50)~~ ~~\$750~~ ~~shall be allowed for taxable years beginning after December 31, 1973;~~ or

~~(i)(ii) Who~~ ~~who~~ is a child of the taxpayer and who:

~~(i)(A) has not attained the age of nineteen (19) years at the close of the calendar year in which the taxable year of the taxpayer begins;~~ or

~~(i)(B) is a student.~~

~~(2)(b) Exemption denied in case of certain married dependents.~~ No exemption shall be allowed under this subsection for any dependent who has made a joint return with his spouse for the taxable year beginning in the calendar year in which the taxable year of the taxpayer

begins.

~~(3)(c) Child--defined.~~ For purposes of paragraph ~~(1)~~ ~~(8)~~, ~~(i)~~ ~~(ii)~~, ~~(iii)~~, the term "child" means an individual who is a son, stepson, daughter, or stepdaughter of the taxpayer.

~~(4)(d) Student and educational institution--defined.~~ For purposes of paragraph ~~(1)~~ ~~(8)~~ ~~(i)~~ ~~(ii)~~, ~~(iii)~~ ~~(B)~~, the term "student" means an individual who during each of ~~five (5)~~ calendar months during the calendar year in which the taxable year of the taxpayer begins:

~~(i)(i) is~~ ~~is~~ a full-time student at an educational institution; or

~~(i)(ii) is~~ ~~is~~ pursuing a ~~full-time~~ ~~full-time~~ course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a state or political subdivision of a state. For purposes of this paragraph, the term "educational institution" means only an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.

~~(7)(6) General Definition.~~ For purposes of this section, the term "dependent" means any of the following individuals over half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from

1 the taxpayer:

2 (1)(a) \* a son or daughter of the taxpayer or a  
3 descendant of either;

4 (2)(b) \* a stepson or stepdaughter of the taxpayer;

5 (3)(c) \* a brother, sister, stepbrother, or stepsister  
6 of the taxpayer;

7 (4)(d) The ~~the~~ father or mother of the taxpayer or an  
8 ancestor of either;

9 (5)(e) \* a stepfather or stepmother of the taxpayer;

10 (6)(f) \* a son or daughter of a brother or sister of  
11 the taxpayer;

12 (7)(g) \* a brother or sister of the father or mother  
13 of the taxpayer;

14 (8)(h) \* a son-in-law, daughter-in-law, father-in-law,  
15 mother-in-law, brother-in-law, or sister-in-law of the  
16 taxpayer;

17 (9)(i) \* an individual who, for the taxable year of  
18 the taxpayer, has as his principal place of abode the home  
19 of the taxpayer, and is a member of the taxpayer's  
20 household; or

21 (10)(j) \* an individual who is  
22 (A)(i) is a descendant of a brother or sister of the  
23 father or mother of the taxpayer;

24 (B)(ii) for the taxable year of the taxpayer received  
25 institutional care required by reason of a physical or

1 mental disability; and

2 (E)(iii) before receiving such institutional care, was  
3 a member of the same household as the taxpayer.

4 (g)(7) ~~Rules---Relating---to---General---Definition~~ For  
5 purposes of this section:

6 (1)(a) The ~~the~~ terms "brother" and "sister" include a  
7 brother or sister by the half blood;

8 (2)(b) In ~~in~~ determining whether any of the  
9 relationships specified in subsection (a) or paragraph (1)  
10 of this subsection exists, a legally adopted child of an  
11 individual shall be treated as a child of such individual by  
12 blood.

13 (h)(8) ~~Determination-of-Marital-Status~~ For purposes  
14 of this part:

15 (1)(a) The ~~the~~ determination of whether an individual  
16 is married shall be made as of the close of his taxable  
17 year; except that if his spouse dies during his taxable  
18 year such determination shall be made as of the time of such  
19 death; and

20 (2)(b) \* an individual legally separated from his  
21 spouse under a decree of divorce or of separate maintenance  
22 shall not be considered as married.

23 (i)(9) ~~Proration-of-exemption-deduction-in-the-case-of~~  
24 ~~a-nonresident-taxpayer~~

25 (1) The exemption deduction shall be prorated

1 according to the ratio the taxpayer's Montana adjusted gross  
2 income bears to his federal adjusted gross income."

3 Section 3. Repealer. Section 84-4902.1, R.C.M. 1947,  
4 is repealed.

5 Section 4. Effective date. This act applies to all  
6 taxable years beginning after December 31, 1977.

-End-

STATE OF MONTANA

REQUEST NO. 238-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 77, there is hereby submitted a Fiscal Note for House Bill 501 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

Pertaining to the following proposed changes in individual income tax: increases standard deduction, provides an alternative deduction for low-income families and the elderly, increases the personal exemption allowance, and repeals the surtax.

ASSUMPTIONS

1. 40% of taxpayers with taxable income less than \$6,000 will be eligible to claim the alternative deduction allowed by the proposed law.
2. 40% of taxpayers with taxable incomes in the range \$6,000-\$7,999 and who do not file itemized returns, will be eligible to claim the alternative deduction allowed by the proposed law.
3. The percentage decrease in calendar year tax liability which results from a simulation of the 15% standard deduction (maximum of \$2,000 for married-joint returns, and \$1,000 for others), a \$750 personal exemption allowance, assumptions 1 & 2, present tax rate schedule, and elimination of the surtax on data obtained from returns for calendar year 1975 will apply equally to the Department of Revenue forecast of individual income tax liability for calendar years 1978 and 1979.
4. The individual income tax liability for calendar year 1977 is determined so as to be consistent with present law assumptions.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
Individual Income Tax Collections under present law.	\$123.732M	\$140.093M
Individual Income Tax collections under proposed law.	<u>\$120.148M</u>	<u>\$118.897M</u>
DECREASE IN INCOME TAX COLLECTIONS	<u>\$ 3.584M</u>	<u>\$ 21.196M</u>

LONG-RANGE EFFECT

The proposed law would reduce fiscal year collections by 15.5% from the values that would obtain without a change in the present law.

PREPARED BY DEPARTMENT OF REVENUE

*Richard L. ...*  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: 2-1-77