

1 H BILL NO. 583
 2 INTRODUCED BY Ramsey Day

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE ACCRUAL
 5 CHARACTERISTICS OF THE CORPORATION LICENSE TAX; AMENDING
 6 SECTION 84-1501, R.C.M. 1947."

7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Section 84-1501, R.C.M. 1947, is amended to
 10 read as follows:

11 "84-1501. Corporation license tax -- organizations
 12 exempt therefrom -- alternative tax based on gross sales.
 13 The term corporation includes associations, joint-stock
 14 companies, common-law trusts and business trusts which do
 15 business in an organized capacity, and all other
 16 corporations whether created, organized or existing under
 17 and pursuant to the laws, agreements, or declarations of
 18 trust of any state, country, or the United States. Every
 19 corporation, except as hereinafter provided and except as
 20 provided in section 40-2821 (5), R.C.M. 1947, engaged in
 21 business in the state of Montana shall annually pay to the
 22 state treasurer as a license fee for the privilege of
 23 carrying on business in this state such percentage or
 24 percentages of its total net income for the preceding year
 25 at the rate hereinafter set forth. In the case of

1 corporations having income from business activity which is
 2 taxable both within and without this state, the license fee
 3 shall be measured by the net income derived from or
 4 attributable to Montana sources as determined under section
 5 84-1503. This tax is due and payable on the 15th day of the
 6 fifth month following the close of the taxable year of the
 7 corporation; however, the tax becomes a lien as provided in
 8 this chapter on the last day of the taxable year in which
 9 the income was earned.

10 The percentage of net income to be paid under this
 11 section shall be six and three-quarters per cent (6 3/4%) of
 12 all net income for the taxable period. The rate set forth in
 13 this act shall be effective for all taxable years ending on
 14 or after February 28, 1971. This rate is retroactive to and
 15 effective for all taxable years ending on or after February
 16 28, 1971. Every corporation subject to taxation under this
 17 act shall, in any event, pay a minimum tax of not less than
 18 fifty dollars (\$50).

19 Pursuant to the provisions of article III, section 2,
 20 of the Multistate Tax Compact (Title 84, chapter 67, R.C.M.
 21 1947) every corporation deriving income from sources both
 22 within and without the state of Montana and required to file
 23 a return and whose only activity in Montana consists of
 24 making sales and which does not own or rent real estate or
 25 tangible personal property within Montana and whose annual

1 gross volume of sales made in Montana during the taxable
 2 year does not exceed one hundred thousand dollars
 3 (\$100,000), may elect to pay a tax of one-half of one
 4 percent (0.5%) of gross sales made in Montana during the
 5 taxable year. Such tax shall be in lieu of the tax otherwise
 6 imposed under this section. The gross volume of sales made
 7 in Montana during the taxable year shall be determined
 8 according to the provisions of article IV, sections 16 and
 9 17, of the Multistate Tax Compact.

10 There shall not be taxed under this Title any income
 11 received by any--:

12 (a) Labor, agricultural or horticultural organization;

13 (b) Fraternal beneficiary, society, order or
 14 association operating under the lodge system or for the
 15 exclusive benefit of the members of a fraternity itself
 16 operating under the lodge system, and providing for the
 17 payment of life, sick, accident or other benefits to the
 18 members of such society, order or association or their
 19 dependents;

20 (c) Cemetery company owned and operated exclusively
 21 for the benefit of its members;

22 (d) Corporation or association organized and operated
 23 exclusively for religious, charitable, scientific or
 24 educational purposes, no part of the net income of which
 25 inures to the benefit of any private stockholder or

1 individual;

2 (e) Business league, chamber of commerce, or board of
 3 trade, not organized for profit, and no part of the net
 4 income of which inures to the benefit of any private
 5 stockholder or individual;

6 (f) Civic league or organization not organized for
 7 profit, but operated exclusively for the promotion of social
 8 welfare;

9 (g) Club organized and operated exclusively for
 10 pleasure, recreation and other nonprofitable purposes, no
 11 part of the net income of which inures to the benefit of any
 12 private stockholder or members;

13 (h) Farmers' or other mutual hail, cyclone or fire
 14 insurance company, mutual ditch or irrigation company,
 15 mutual or co-operative telephone company, or like
 16 organization of a purely local character, the income of
 17 which consists solely of assessments, dues and fees
 18 collected from members for the sole purpose of meeting its
 19 expenses;

20 (i) Any co-operative association or corporation
 21 engaged in the business of operating a rural electrification
 22 system or systems for the transmission or distribution of
 23 electrical energy on a co-operative basis;

24 (j) Corporations or associations organized for the
 25 exclusive purpose of holding title to property, collecting

1 income therefrom, and turning over the entire amount
2 thereof, less expenses, to an organization which itself is
3 exempt from the tax imposed by this Title;

4 (k) In determining the license fee to be paid under
5 this act, there shall not be included any earnings derived
6 from any public utility managed or operated by any
7 subdivision of the state, or from the exercise of any
8 governmental function."

-End-

Approved by Committee
on Taxation

HOUSE BILL NO. 583

INTRODUCED BY RAMIREZ, DAY

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE ACCRUAL CHARACTERISTICS OF THE CORPORATION LICENSE TAX; AMENDING SECTION 84-1501, R.C.M. 1947."

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

Section 1. Section 84-1501, R.C.M. 1947, is amended to read as follows:

"84-1501. Corporation license tax -- organizations exempt therefrom -- alternative tax based on gross sales. The term corporation includes associations, joint-stock companies, common-law trusts and business trusts which do business in an organized capacity, and all other corporations whether created, organized or existing under and pursuant to the laws, agreements, or declarations of trust of any state, country, or the United States. Every corporation, except as hereinafter provided and except as provided in section 40-2821 (5), R.C.M. 1947, engaged in business in the state of Montana shall annually pay to the state treasurer as a license fee for the privilege of carrying on business in this state such percentage or percentages of its total net income for the preceding year at the rate hereinafter set forth. In the case of

corporations having income from business activity which is taxable both within and without this state, the license fee shall be measured by the net income derived from or attributable to Montana sources as determined under section 84-1501. This tax is due and payable on the 15th day of the fifth month following the close of the taxable year of the corporation; however, the tax becomes a lien as provided in this chapter on the last day of the taxable year in which the income was earned AND IS FOR THE PRIVILEGE OF CARRYING ON BUSINESS IN THIS STATE FOR THE YEAR IN WHICH THE INCOME WAS EARNED.

The percentage of net income to be paid under this section shall be six and three-quarters per cent (6 3/4%) of all net income for the taxable period. The rate set forth in this act shall be effective for all taxable years ending on or after February 28, 1971. This rate is retroactive to and effective for all taxable years ending on or after February 28, 1971. Every corporation subject to taxation under this act shall, in any event, pay a minimum tax of not less than fifty dollars (\$50).

Pursuant to the provisions of article III, section 2, of the Multistate Tax Compact (Title 84, chapter 67, R.C.M. 1947) every corporation deriving income from sources both within and without the state of Montana and required to file a return and whose only activity in Montana consists of

SECOND READING

1 making sales and which does not own or rent real estate or
 2 tangible personal property within Montana and whose annual
 3 gross volume of sales made in Montana during the taxable
 4 year does not exceed one hundred thousand dollars
 5 (\$100,000), may elect to pay a tax of one-half of one
 6 percent (0.5%) of gross sales made in Montana during the
 7 taxable year. Such tax shall be in lieu of the tax otherwise
 8 imposed under this section. The gross volume of sales made
 9 in Montana during the taxable year shall be determined
 10 according to the provisions of article IV, sections 16 and
 11 17, of the Multistate Tax Compact.

12 There shall not be taxed under this Title any income
 13 received by any--

14 (a) Labor, agricultural or horticultural organization;

15 (b) Fraternal beneficiary, society, order or
 16 association operating under the lodge system or for the
 17 exclusive benefit of the members of a fraternity itself
 18 operating under the lodge system, and providing for the
 19 payment of life, sick, accident or other benefits to the
 20 members of such society, order or association or their
 21 dependents;

22 (c) Cemetery company owned and operated exclusively
 23 for the benefit of its members;

24 (d) Corporation or association organized and operated
 25 exclusively for religious, charitable, scientific or

1 educational purposes, no part of the net income of which
 2 inures to the benefit of any private stockholder or
 3 individual;

4 (e) Business league, chamber of commerce, or board of
 5 trade, not organized for profit, and no part of the net
 6 income of which inures to the benefit of any private
 7 stockholder or individual;

8 (f) Civic league or organization not organized for
 9 profit, but operated exclusively for the promotion of social
 10 welfare;

11 (g) Club organized and operated exclusively for
 12 pleasure, recreation and other nonprofitable purposes, no
 13 part of the net income of which inures to the benefit of any
 14 private stockholder or members;

15 (h) Farmers' or other mutual hail, cyclone or fire
 16 insurance company, mutual ditch or irrigation company,
 17 mutual or co-operative telephone company, or like
 18 organization of a purely local character, the income of
 19 which consists solely of assessments, dues and fees
 20 collected from members for the sole purpose of meeting its
 21 expenses;

22 (i) Any co-operative association or corporation
 23 engaged in the business of operating a rural electrification
 24 system or systems for the transmission or distribution of
 25 electrical energy on a co-operative basis;

1 (j) Corporations or associations organized for the
2 exclusive purpose of holding title to property, collecting
3 income therefrom, and turning over the entire amount
4 thereof, less expenses, to an organization which itself is
5 exempt from the tax imposed by this title;

6 (k) In determining the license fee to be paid under
7 this act, there shall not be included any earnings derived
8 from any public utility managed or operated by any
9 subdivision of the state, or from the exercise of any
10 governmental function."

-End-

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16 corporations whether created, organized or existing under
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20 provided in section 40-2821 (5), R.C.M. 1947, engaged in
21 business in the state of Montana shall annually pay to the
22 state treasurer as a license fee for the privilege of
23 carrying on business in this state such percentage or
24 percentages of its total net income for the preceding year
25 at the rate hereinafter set forth. In the case of

1 corporations having income from business activity which is
2 taxable both within and without this state, the license fee
3 shall be measured by the net income derived from or
4 attributable to Montana sources as determined under section
5 84-1503. This tax is due and payable on the 15th day of the
6 fifth month following the close of the taxable year of the
7 corporation; however, the tax becomes a lien as provided in
8 this chapter on the last day of the taxable year in which
9 the income was earned AND IS FOR THE PRIVILEGE OF CARRYING
10 ON BUSINESS IN THIS STATE FOR THE YEAR IN WHICH THE INCOME
11 HAS EARNED.

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13 section shall be six and three-quarters per cent (6 3/4%) of
14 all net income for the taxable period. The rate set forth in
15 this act shall be effective for all taxable years ending on
16 or after February 28, 1971. This rate is retroactive to and
17 effective for all taxable years ending on or after February
18 28, 1971. Every corporation subject to taxation under this
19 act shall, in any event, pay a minimum tax of not less than
20 fifty dollars (\$50).

21 Pursuant to the provisions of article III, section 2,
22 of the Multistate Tax Compact (Title 84, chapter 67, R.C.M.
23 1947) every corporation deriving income from sources both
24 within and without the state of Montana and required to file
25 a return and whose only activity in Montana consists of

1 making sales and which does not own or rent real estate or
 2 tangible personal property within Montana and whose annual
 3 gross volume of sales made in Montana during the taxable
 4 year does not exceed one hundred thousand dollars
 5 (\$100,000), may elect to pay a tax of one-half of one
 6 percent (0.5%) of gross sales made in Montana during the
 7 taxable year. Such tax shall be in lieu of the tax otherwise
 8 imposed under this section. The gross volume of sales made
 9 in Montana during the taxable year shall be determined
 10 according to the provisions of article IV, sections 16 and
 11 17, of the Multistate Tax Compact.

12 There shall not be taxed under this Title any income
 13 received by any--:

- 14 (a) Labor, agricultural or horticultural organization;
- 15 (b) Fraternal beneficiary, society, order or
 16 association operating under the lodge system or for the
 17 exclusive benefit of the members of a fraternity itself
 18 operating under the lodge system, and providing for the
 19 payment of life, sick, accident or other benefits to the
 20 members of such society, order or association or their
 21 dependents;
- 22 (c) Cemetery company owned and operated exclusively
 23 for the benefit of its members;
- 24 (d) Corporation or association organized and operated
 25 exclusively for religious, charitable, scientific or

1 educational purposes, no part of the net income of which
 2 inures to the benefit of any private stockholder or
 3 individual;

4 (e) Business league, chamber of commerce, or board of
 5 trade, not organized for profit, and no part of the net
 6 income of which inures to the benefit of any private
 7 stockholder or individual;

8 (f) Civic league or organization not organized for
 9 profit, but operated exclusively for the promotion of social
 10 welfare;

11 (g) Club organized and operated exclusively for
 12 pleasure, recreation and other nonprofitable purposes, no
 13 part of the net income of which inures to the benefit of any
 14 private stockholder or members;

15 (h) Farmers' or other mutual hail, cyclone or fire
 16 insurance company, mutual ditch or irrigation company,
 17 mutual or co-operative telephone company, or like
 18 organization of a purely local character, the income of
 19 which consists solely of assessments, dues and fees
 20 collected from members for the sole purpose of meeting its
 21 expenses;

22 (i) Any co-operative association or corporation
 23 engaged in the business of operating a rural electrification
 24 system or systems for the transmission or distribution of
 25 electrical energy on a co-operative basis;

1 (j) Corporations or associations organized for the
2 exclusive purpose of holding title to property, collecting
3 income therefrom, and turning over the entire amount
4 thereof, less expenses, to an organization which itself is
5 exempt from the tax imposed by this Title;

6 (k) In determining the license fee to be paid under
7 this act, there shall not be included any earnings derived
8 from any public utility managed or operated by any
9 subdivision of the state, or from the exercise of any
10 governmental function."

-End-

March 17, 1977

STANDING COMMITTEE REPORT
Senate Committee on Taxation

That House Bill No. 583 be amended as follows:

1. Amend page 1, section 1, line 24.
Following: "preceding"
Insert: "taxable"

2. Amend page 2, section 1, line 10.
Following: "FOR THE"
Insert: "taxable"

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of corporations having income from business activity which is taxable both within and without this state, the license fee shall be measured by the net income derived from or attributable to Montana sources as determined under section 84-1503. This tax is due and payable on the 15th day of the fifth month following the close of the taxable year of the corporation; however, the tax becomes a lien as provided in this chapter on the last day of the taxable year in which the income was earned AND IS FOR THE PRIVILEGE OF CARRYING ON BUSINESS IN THIS STATE FOR THE TAXABLE YEAR IN WHICH THE INCOME WAS EARNED.

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Pursuant to the provisions of article III, section 2, of the Multistate Tax Compact (Title 84, Chapter 27, R.C.M. 1947) every corporation deriving income from sources both within and without the state of Montana and required to file a return and whose only activity in Montana consists of

1 making sales and which does not own or rent real estate or
 2 tangible personal property within Montana and whose annual
 3 gross volume of sales made in Montana during the taxable
 4 year does not exceed one hundred thousand dollars
 5 (\$100,000), may elect to pay a tax of one-half of one
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-End-