

1 SENATE BILL NO. 28
2 INTRODUCED BY WATT

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPLEMENT A
5 RECOMMENDATION OF THE INTERIM SUBCOMMITTEE ON TAXATION TO
6 CONVERT THE PERSONAL EXEMPTIONS UNDER THE INCOME TAX INTO
7 CREDITS AGAINST INCOME TAX LIABILITY; AMENDING SECTION
8 84-4910, R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

13 "84-4910. Exemptions Dependency credits.
14 ~~(1)(a) Allowance of Personal Exemptions~~ In the case of an
15 individual, the ~~exemptions provided~~ dependency relationships
16 recognized under by this section shall be allowed as
17 ~~deductions in computing taxable income~~ credits against tax
18 liability. Each credit to which the taxpayer is entitled
19 shall reduce the final tax liability determined under
20 84-4902 and 84-4902.1 by \$35. Total credits claimed may not
21 exceed income tax liability for the year as determined prior
22 to the credits allowed under 84-2214 and 84-4237.

23 ~~(b)(2) Taxpayer and Spouse~~ An exemption of ~~six~~
24 ~~hundred-fifty-dollars (\$50)~~ One credit shall be allowed
25 for taxable years beginning after December 31, 1973 1976.

1 for the taxpayer, and an additional exemption ~~of six~~
2 ~~hundred-fifty-dollars (\$50) credit~~ shall be allowed for
3 taxable years beginning after December 31, 1973 1976, for
4 the spouse of the taxpayer if a separate return is made by
5 the taxpayer, and if the spouse, for the calendar year in
6 which the taxable year of the taxpayer begins, has no gross
7 income and is not the dependent of another taxpayer.

8 ~~(c)(3) (a) Additional Exemption for Taxpayer or Spouse~~
9 ~~Aged Sixty-five (65) or More (1) For taxpayers~~ An additional
10 ~~exemption of six hundred-fifty-dollars (\$50) credit~~ shall
11 be allowed for taxable years beginning after December 31,
12 1973 1976, for the taxpayer if he has attained the age of
13 ~~sixty-five (65)~~ before the close of his taxable year.

14 ~~(2)(b) For spouses~~ An additional exemption ~~of six~~
15 ~~hundred-fifty-dollars (\$50) credit~~ 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 has attained the age of
19 ~~sixty-five (65)~~ before the close of such taxable year and,
20 for the calendar year in which the taxable year of the
21 taxpayer begins, has no gross income and is not the
22 dependent of another taxpayer.

23 ~~(d)(4) (a) Additional Exemption for Blindness of~~
24 ~~Taxpayer or Spouse (1) For taxpayers~~ An additional
25 ~~exemption of six hundred-fifty-dollars (\$50) credit~~ shall

1 be allowed for taxable years beginning after December 31,
2 ~~1973 1976~~, for the taxpayer if he is blind at the close of
3 his taxable year.

4 ~~(2)(b) For--spouse~~ An additional exemption--of-six
5 hundred-fifty-dollars-~~(5650)~~ credit shall be allowed for
6 taxable years beginning after December 31, ~~1973 1976~~, for
7 the spouse of the taxpayer if a separate return is made by
8 the taxpayer and if the spouse is blind and, for the
9 calendar year in which the taxable year of the taxpayer
10 begins, has no gross income and is not the dependent of
11 another taxpayer. For the purposes of this paragraph
12 subsection, the determination of whether the spouse is blind
13 shall be made as of the close of the taxable year of the
14 taxpayer, except that if the spouse dies during such
15 taxable year such determination shall be made as of the time
16 of such death.

17 ~~(3)(c) Blindness--defined~~ For purposes of this
18 subsection, an individual is blind only if his central
19 visual acuity does not exceed 20/200 in the better eye with
20 correcting lenses, or if his visual acuity is greater than
21 20/200 but is accompanied by a limitation in the fields of
22 vision such that the widest diameter of the visual field
23 subtends an angle no greater than 20 degrees.

24 ~~(e)(5)(a) Additional--Exemption--for--dependents~~
25 ~~(i)--in-general--An-exemption-of-six-hundred-fifty--dollars~~

1 ~~(5650) A credit~~ shall be allowed for taxable years beginning
2 after December 31, ~~1973 1976~~, for each dependent:

3 ~~(A)(i) whose whose~~ gross income for the calendar year
4 in which the taxable year of the taxpayer begins is
5 less than six-hundred-fifty-dollars-~~(5650)~~; shall be
6 ~~allowed-for-taxable-years-beginning-after-December--31--~~
7 ~~1973~~ or

8 ~~(B)(ii) who who~~ is a child of the taxpayer and who
9 ~~(i)(A)~~ has not attained the age of nineteen-~~(19)~~ years
10 at the close of the calendar year in which the taxable year
11 of the taxpayer begins; or

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

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

19 ~~(3)(c) Child--defined~~ For purposes of paragraph-(i)
20 ~~(B) subsection (5)(a)(ii)~~, the term "child" means an
21 individual who is a son, stepson, daughter, or stepdaughter
22 of the taxpayer.

23 ~~(4)(d) Student-and--educational--institution--defined~~
24 For purposes of paragraph--(i)--(B)--(ii) subsection
25 ~~(5)(a)(i)(B)~~, the term "student" means an individual who

1 during each of ~~five~~(5) calendar months during the calendar
2 year in which the taxable year of the taxpayer begins;

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

5 ~~(*)~~ (iii) ~~is~~ is pursuing a full-time course of
6 institutional on-farm training under the supervision of
7 an accredited agent of an educational institution or of
8 a state or political subdivision of a state. For
9 purposes of this paragraph subsection, the term
10 "educational institution" means only an educational
11 institution which normally maintains a regular faculty
12 and curriculum and normally has a regularly organized
13 body of students in attendance at the place where its
14 educational activities are carried on.

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

20 ~~(*)~~(a) ~~A~~ a son or daughter of the taxpayer, or a
21 descendant of either;

22 ~~(*)~~(b) ~~A~~ a stepson or stepdaughter of the taxpayer;

23 ~~(*)~~(c) ~~A~~ a brother, sister, stepbrother, or stepsister
24 of the taxpayer;

25 ~~(*)~~(d) ~~The~~ the father or mother of the taxpayer, or an

1 ancestor of either;

2 ~~(*)~~(e) ~~A~~ a stepfather or stepmother of the taxpayer;

3 ~~(*)~~(f) ~~A~~ a son or daughter of a brother or sister of
4 the taxpayer;

5 ~~(*)~~(g) ~~A~~ a brother or sister of the father or mother
6 of the taxpayer;

7 ~~(*)~~(h) ~~A~~ a son-in-law, daughter-in-law, father-in-law,
8 mother-in-law, brother-in-law, or sister-in-law of the
9 taxpayer;

10 ~~(*)~~(i) ~~An~~ an individual who, for the taxable year of
11 the taxpayer, has as his principal place of abode the home
12 of the taxpayer, and is a member of the taxpayer's
13 household; or

14 ~~(*)~~(j) ~~An~~ an individual who:

15 ~~(*)~~(i) is a descendant of a brother or sister of
16 the father or mother of the taxpayer;

17 ~~(*)~~(ii) for the taxable year of the taxpayer,
18 received institutional care required by reason of a
19 physical or mental disability; and

20 ~~(*)~~(iii) before receiving such institutional care,
21 was a member of the same household as the taxpayer.

22 ~~(*)~~(7) ~~Rules--Relating--to--General--Definition.~~ For
23 purposes of this section:

24 ~~(*)~~(a) ~~The~~ the terms "brother" and "sister" include a
25 brother or sister by the half blood;

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

5 ~~(h)(8) Determination of Marital Status.~~ For purposes
6 of this part chapter:

7 ~~(i) The (a) the~~ determination of whether an
8 individual is married shall be made as of the close of his
9 taxable year~~s~~, except that if his spouse dies during his
10 taxable year such determination shall be made as of the time
11 of such death; and

12 ~~(2) An (b) an~~ individual legally separated from his
13 spouse under a decree of divorce or of separate maintenance
14 shall not be considered as married.

15 ~~(i)(9) Proration of exemption deduction in~~ In the case
16 of a nonresident taxpayer, ~~(i) The exemption deduction the~~
17 credit shall be prorated according to the ratio the
18 taxpayer's Montana adjusted gross income bears to his
19 federal adjusted gross income."

20 Section 2. Effective date. This act is effective upon
21 passage and approval.

-End-

Approved by Committee
on Taxation

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4 A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPLEMENT A
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15 individual, the ~~exemptions provided~~ dependency relationships
16 recognized under by this section shall be allowed as
17 ~~deductions in computing taxable income~~ credits against tax
18 liability. Each credit to which the taxpayer is entitled
19 shall reduce the final tax liability determined under
20 84-4902 and 84-4902.1 by \$35 \$40. Total credits claimed may
21 not exceed income tax liability for the year as determined
22 prior to the credits allowed under 84-3514 and 84-4937.

23 ~~{b}(2) Taxpayer and Spouse~~ An exemption of six
24 hundred fifty dollars (\$650) One credit shall be allowed
25 for taxable years beginning after December 31, 1973 1976.

1 for the taxpayer~~s~~ and an additional ~~exemption of six~~
2 ~~hundred fifty dollars (\$650) credit~~ shall be allowed for
3 taxable years beginning after December 31, ~~1973~~ 1976. for
4 the spouse of the taxpayer if a separate return is made by
5 the taxpayer, and if the spouse, for the calendar year in
6 which the taxable year of the taxpayer begins, has no gross
7 income and is not the dependent of another taxpayer.

8 ~~{c}(3) (a) Additional Exemption for Taxpayer or Spouse~~
9 ~~Aged Sixty-five (65) or More~~ ~~{1} For taxpayer~~ An additional
10 ~~exemption of six hundred fifty dollars (\$650) credit~~ shall
11 be allowed for taxable years beginning after December 31,
12 ~~1973~~ 1976. for the taxpayer if he has attained the age of
13 ~~sixty-five (65)~~ before the close of his taxable year.

14 ~~{2}(b) For spouse~~ An additional ~~exemption of six~~
15 ~~hundred fifty dollars (\$650) credit~~ 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 has attained the age of
19 ~~sixty-five (65)~~ before the close of such taxable year and,
20 for the calendar year in which the taxable year of the
21 taxpayer begins, has no gross income and is not the
22 dependent of another taxpayer.

23 ~~{d}(4) (a) Additional Exemption for Blindness of~~
24 ~~Taxpayer or Spouse~~ ~~{1} For taxpayer~~ An additional
25 ~~exemption of six hundred fifty dollars (\$650) credit~~ shall

~~REFERENCE BILL~~

1 be allowed for taxable years beginning after December 31,
2 1973 1976, for the taxpayer if he is blind at the close of
3 his taxable year.

4 ~~{2}(b)~~ For ~~spouse~~. An additional ~~exemption of six~~
5 ~~hundred-fifty-dollars-(\$650)~~ credit shall be allowed for
6 taxable years beginning after December 31, 1973 1976, for
7 the spouse of the taxpayer if a separate return is made by
8 the taxpayer and if the spouse is blind and, for the
9 calendar year in which the taxable year of the taxpayer
10 begins, has no gross income and is not the dependent of
11 another taxpayer. For the purposes of this paragraph
12 ~~subsection~~, the determination of whether the spouse is blind
13 shall be made as of the close of the taxable year of the
14 taxpayer ~~is~~ except that if the spouse dies during such
15 taxable year such determination shall be made as of the time
16 of such death.

17 ~~{3}(c)~~ Blindness ~~defined~~. For purposes of this
18 subsection, an individual is blind only if his central
19 visual acuity does not exceed 20/200 in the better eye with
20 correcting lenses, or if his visual acuity is greater than
21 20/200 but is accompanied by a limitation in the fields of
22 vision such that the widest diameter of the visual field
23 subtends an angle no greater than 20 degrees.

24 ~~{e}(5)(a)~~ Additional ~~Exemption for Dependents~~
25 ~~{1}~~ ~~In general~~. An exemption of six hundred fifty dollars

1 ~~(\$650)~~ A credit shall be allowed for taxable years beginning
2 after December 31, 1973 1976, for each dependent:

3 ~~{A}(i)~~ Whose ~~whose~~ gross income for the calendar year
4 in which the taxable year of the taxpayer begins is
5 less than six hundred fifty dollars-(\$650); shall be
6 ~~allowed for taxable years beginning after December 31,~~
7 ~~1973~~ or

8 ~~{B}(iii)~~ Who ~~who~~ is a child of the taxpayer and who
9 ~~{1}(A)~~ has not attained the age of nineteen-~~(19)~~ years
10 at the close of the calendar year in which the taxable year
11 of the taxpayer begins; or

12 ~~{1}(B)~~ is a student.

13 ~~{2}(b)~~ Exemption ~~denied in case of certain married~~
14 ~~dependents~~. No exemption shall ~~credit may~~ be allowed under
15 this subsection for any dependent who has made a joint
16 return with his spouse for the taxable year beginning in the
17 calendar year in which the taxable year of the taxpayer
18 begins.

19 ~~{3}(c)~~ Child ~~defined~~. For purposes of paragraph ~~{1}~~
20 ~~{B}~~ ~~subsection (5)(a)(ii)~~, the term "child" means an
21 individual who is a son, stepson, daughter, or stepdaughter
22 of the taxpayer.

23 ~~{4}(d)~~ Student ~~and educational institution defined~~.
24 For purposes of paragraph ~~{1}~~ ~~{B}~~ ~~{1}~~ ~~subsection~~
25 ~~(5)(a)(iii)(B)~~, the term "student" means an individual who

1 during each of ~~five~~(5) calendar months during the calendar
2 year in which the taxable year of the taxpayer begins;

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

5 (B) (iii) ~~is~~ is pursuing a full-time course of
6 institutional on-farm training under the supervision of
7 an accredited agent of an educational institution or of
8 a state or political subdivision of a state. For
9 purposes of this paragraph subsection, the term
10 "educational institution" means only an educational
11 institution which normally maintains a regular faculty
12 and curriculum and normally has a regularly organized
13 body of students in attendance at the place where its
14 educational activities are carried on.

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

20 (1)(a) * a son or daughter of the taxpayer or a
21 descendant of either;

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

23 (3)(c) * a brother, sister, stepbrother, or stepsister
24 of the taxpayer;

25 (4)(d) ~~The~~ the father or mother of the taxpayer or an

1 ancestor of either;

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

3 (6)(f) * a son or daughter of a brother or sister of
4 the taxpayer;

5 (7)(g) * a brother or sister of the father or mother
6 of the taxpayer;

7 (8)(h) * a son-in-law, daughter-in-law, father-in-law,
8 mother-in-law, brother-in-law, or sister-in-law of the
9 taxpayer;

10 (9)(i) An individual who, for the taxable year of
11 the taxpayer, has as his principal place of abode the home
12 of the taxpayer and is a member of the taxpayer's
13 household; or

14 (10)(j) An individual who:

15 (A)(i) is a descendant of a brother or sister of
16 the father or mother of the taxpayer;

17 (B)(iii) for the taxable year of the taxpayer,
18 received institutional care required by reason of a
19 physical or mental disability; and

20 (C)(iii) before receiving such institutional care,
21 was a member of the same household as the taxpayer.

22 (9)(l) ~~Rules--Relating--to--General--Definition.~~ For
23 purposes of this section:

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

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

5 ~~(h)(8)~~ ~~Determination of Marital Status.~~ For purposes
6 of this part chapter:

7 ~~(1)~~ ~~The~~ (a) ~~the~~ determination of whether an
8 individual is married shall be made as of the close of his
9 taxable year, except that if his spouse dies during his
10 taxable year such determination shall be made as of the time
11 of such death; and

12 ~~(2)~~ ~~An~~ (b) ~~an~~ individual legally separated from his
13 spouse under a decree of divorce or of separate maintenance
14 shall not be considered as married.

15 ~~(1)~~ ~~Proration of exemption deduction in~~ In the case
16 of a nonresident taxpayer, ~~(1)~~ ~~The exemption deduction~~ the
17 credit shall be prorated according to the ratio the
18 taxpayer's Montana adjusted gross income bears to his
19 federal adjusted gross income."

20 Section 2. Effective date. This act is effective upon
21 passage and approval.

-End-