

1 *Senate* BILL NO. *81*
 2 INTRODUCED BY *Demetri Lockren Holt Lou Kiesel*
 3 *Shimel Brown Rasmussen Hays Doster Stony Murray*
 4 *Goodover Devine*
 5 *Warden*
 6 *McCallum*
 7 *Stiggen*
 8 *Summit*
 9 *STEPHENS*
 10 *Smith*
 11 *Thomas*
 12 *Marching*
 13 *R. Smith*
 14 *Etchart*
 15 *Turney*

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW POSTSECONDARY
 EDUCATION TUITION AND STUDENT FEES TO BE DEDUCTED IN
 COMPUTING NET INCOME; AMENDING 84-4906, R.C.M. 1947."

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

Section 1. Section 84-4906, R.C.M. 1947, is amended to
 read as follows:

"84-4906. Deductions allowed in computing net income.
 In computing net income, there shall be allowed as
 deductions:

(1) ~~the~~ *the* items referred to in sections 161 and
 211 of the Internal Revenue Code of 1954 or as sections 161
 and 211 shall be labeled or amended, except that state
 income tax paid shall not be deductible and also subject to
 the exceptions provided in section 84-4909, relating to
 items not deductible;

(2) ~~Federal~~ *federal* income tax paid within the
 taxable year;

(3) all tuition and student fees paid to an
 institution of postsecondary education under the following
 guidelines:

(a) for income tax purposes, "institution of

1 postsecondary education" means an academic, vocational,
 2 technical, home study, business, professional, or other
 3 school, college, or university offering education services
 4 to persons who have completed or terminated their secondary
 5 education or who are beyond the age of compulsory school
 6 attendance;
 7 (b) payment of tuition and student fees to a
 8 postsecondary educational institution must be verified in a
 9 manner prescribed by the department."

-End-

SB 81

STATE OF MONTANA

REQUEST NO. 69-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 13, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 81 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.

Page 2

the state would experience a decrease in income tax collections of between \$900,000 and \$1,500,000 during each fiscal year.

LONG-RANGE EFFECT

As individuals become aware of this deduction it is likely that it would be utilized even more frequently -- thus further decreasing collections of income tax revenue.

TECHNICAL NOTE

The proposed amendment should be made effective for tax years beginning after December 31, 1976 and the act itself should be made effective on passage and approval rather than having to wait until July 1, 1977 for implementation.

PREPARED BY DEPARTMENT OF REVENUE


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-18-77

STATE OF MONTANA

REQUEST NO. 69-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 13, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 81 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

The proposed legislation provides that tuition and fees expended for advanced education (beyond secondary level) are to be allowed as deductions in computing taxable income.

ASSUMPTIONS

1. In 1975 approximately 75% of the income tax returns utilized itemized deductions. This percentage will remain constant throughout the biennium.
2. In 1976 there were approximately 19,000 Residents of Montana in the Montana university system and 1,000 in private colleges. This number will remain constant through calendar 1979. These students will pay an average of \$400 in tuition and fees deductible under this bill. (Here, the assumption is that such things as board and room and books are not included in the concept of fee used in the proposed legislation.)
3. In 1976 there were 3,560 students in votech schools throughout the state. There will be 3,600 through calendar 1979. These students pay an average of \$300 in tuition and fees deductible under this bill.
4. In 1976 there were about 2,000 students in community colleges. This number will remain constant through calendar 1979. These students pay an average of \$300 in tuition and fees deductible under this bill.
5. There will be approximately 18,000 Montana residents in universities outside the state each year through calendar 1979. Each of these students would have \$1500 in potential deductions.
6. Individuals in beauty schools, private mechanical trade schools, and home study are not included since no reliable data exists in these areas.
7. 60%-70% of the total potential deduction will be taken by eligible individuals.
8. Since no data exists on the income levels of the individuals who would be eligible for the deduction, it is assumed that the amount being deducted under the proposed legislation would be taxed at an average rate somewhere between 4% and 6%.
9. Estimated income tax collections: FY 78 \$123.732M FY 79 \$140.093M
10. There will be no change in administrative expense if the proposed legislation is passed.

FISCAL IMPACT

It is impossible to precisely project the change in state revenue which would result if the proposed legislation is enacted. However, based on the assumptions above it appears that

(Continued on page 2)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

STATE OF MONTANA

REQUEST NO. _____

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 81 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.

Page 2.

that the state would experience a decrease in income tax collections of between \$400,000 and \$720,000 during each fiscal year.

LONG-RANGE EFFECT

As individuals become aware of this deduction it is likely that it would be utilized even more frequently--thus further decreasing individual income tax collections.

TECHNICAL NOTE

The proposed legislation should be made effective for tax years beginning after December 31, 1976 and the act itself should be made effective upon passage and approval in order that those having short tax years may avail themselves of the deduction.

PREPARED BY THE DEPARTMENT OF REVENUE

Richard L. Dwyer
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-27-77

STATE OF MONTANA

REQUEST NO. 69-77
AMENDED

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 81 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

The proposed legislation provides that tuition and fees expended for advanced education (beyond secondary level) are to be allowed as deductions in computing taxable income.

ASSUMPTIONS

1. In 1975 approximately 75% of the income tax returns utilized itemized deductions. This percentage will remain constant throughout the biennium.
2. In 1976 there were approximately 19,000 Residents of Montana in the Montana university system and 1,000 in private colleges. This number will remain constant through calendar 1979. These students will pay an average of \$400 in tuition and fees deductible under this bill. (Here, the assumption is that such things as board and room and books are not included in the concept of fee used in the proposed legislation.)
3. In 1976 there were 3,560 students in votech schools throughout the state. There will be 3,600 through calendar 1979. These students pay an average of \$300 in tuition and fees deductible under this bill.
4. In 1976 there were about 2,000 students in community colleges. This number will remain constant through calendar 1979. These students pay an average of \$300 in tuition and fees deductible under this bill.
5. There will be approximately 4,900 Montana residents in universities outside the state each year through calendar 1979. Each of these students would have \$1500 in potential deductions.
6. Individuals in beauty schools, private mechanical trade schools, and home study are not included since no reliable data exists in these areas.
7. 60%-70% of the total potential deduction will be taken by eligible individuals.
8. Since no data exists on the income levels of the individuals who would be eligible for the deduction, it is assumed that the amount being deducted under the proposed legislation would be taxed at an average rate somewhere between 4% and 6%.
9. Estimated income tax collections: FY 78 \$123.732M FY 79 \$140.093M.
10. There will be no change in administrative expense if the proposed legislation is passed.

FISCAL IMPACT

It is impossible to precisely project the change in state revenue which would result if the proposed legislation is enacted. However, based on the assumptions above it appears

(Continued on page 2)

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: _____