

1 *Senate* BILL NO. *394*  
 2 INTRODUCED BY *McHenry, Lee, Hedy, Manly*  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION  
 5 84-4910, R.C.M. 1947, TO PROVIDE FOR A PERSONAL EXEMPTION OF  
 6 \$750 IN COMPUTING TAXABLE INCOME; PROVIDING AN EFFECTIVE  
 7 DATE."

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

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

12 "84-4910. Exemptions. ~~(a) Allowance of Personal~~  
 13 Exemptions (1) In the case of an individual, the exemptions  
 14 provided by this section shall be allowed as deductions in  
 15 computing taxable income.

16 ~~(b)(2) Taxpayer and Spouse~~ An exemption of six  
 17 ~~hundred-fifty dollars--(\$650)~~ \$750 shall be allowed for  
 18 taxable years beginning after December 31, 1973 1976, for  
 19 the taxpayer; and an additional exemption of six hundred  
 20 ~~fifty dollars--(\$650)~~ \$750 shall be allowed for taxable years  
 21 beginning after December 31, 1973 1976, for the spouse of  
 22 the taxpayer if a separate return is made by the taxpayer,  
 23 and if the spouse, for the calendar year in which the  
 24 taxable year of the taxpayer begins, has no gross income and  
 25 is not the dependent of another taxpayer.

1 ~~(c)(3) Additional Exemption for Taxpayer or Spouse~~  
 2 ~~Aged Sixty-five (65) or More~~ ~~(1)(a) For taxpayers~~ An  
 3 additional exemption of six hundred-fifty dollars--(\$650)  
 4 \$750 shall be allowed for taxable years beginning after  
 5 December 31, 1973 1976, for the taxpayer if he has attained  
 6 the age of sixty-five (65) before the close of his taxable  
 7 year.

8 ~~(2)(b) For spouse~~ An additional exemption of six  
 9 ~~hundred-fifty dollars--(\$650)~~ \$750 shall be allowed for  
 10 taxable years beginning after December 31, 1973 1976, for  
 11 the spouse of the taxpayer if a separate return is made by  
 12 the taxpayer, and if the spouse has attained the age of  
 13 sixty-five (65) years before the close of such taxable year  
 14 and, for the calendar year in which the taxable year of the  
 15 taxpayer begins, has no gross income and is not the  
 16 dependent of another taxpayer.

17 ~~(d)(4) Additional Exemption for Blindness of Taxpayer~~  
 18 ~~or Spouse~~ ~~(1)(a) For taxpayers~~ An additional exemption of  
 19 six hundred-fifty dollars--(\$650) \$750 shall be allowed for  
 20 taxable years beginning after December 31, 1973 1976, for  
 21 the taxpayer if he is blind at the close of his taxable  
 22 year.

23 ~~(2)(b) For spouse~~ An additional exemption of six  
 24 ~~hundred-fifty dollars--(\$650)~~ \$750 shall be allowed for  
 25 taxable years beginning after December 31, 1973 1976, for

1 the spouse of the taxpayer if a separate return is made by  
 2 the taxpayer and if the spouse is blind and, for the  
 3 calendar year in which the taxable year of the taxpayer  
 4 begins, has no gross income and is not the dependent of  
 5 another taxpayer. For the purposes of this paragraph, the  
 6 determination of whether the spouse is blind shall be made  
 7 as of the close of the taxable year of the taxpayer, except  
 8 that if the spouse dies during such taxable year such the  
 9 determination shall be made as of the time of such death.

10 ~~(3)(c) Blindness--defined.~~ For purposes of this  
 11 subsection, an individual is blind only if his central  
 12 visual acuity does not exceed 20/200 in the better eye with  
 13 correcting lenses, or if his visual acuity is greater than  
 14 20/200 but is accompanied by a limitation in the fields of  
 15 vision such that the widest diameter of the visual field  
 16 subtends an angle no greater than 20 degrees.

17 ~~(e)(5) Additional Exemption for Dependents.~~ ~~(i)(a) In~~  
 18 ~~general.~~ An exemption of ~~six-hundred-fifty-dollars--(\$650)~~  
 19 ~~\$150~~ shall be allowed for taxable years beginning after  
 20 December 31, ~~1973~~ 1976, for each dependent:

21 ~~(i)(i) Whose~~ whose gross income for the calendar year  
 22 in which the taxable year of the taxpayer begins is less  
 23 than ~~six-hundred-fifty-dollars--(\$650)~~ \$150 shall be allowed  
 24 for taxable years beginning after December 31, 1973, or

25 ~~(i)(iii) Who who~~ is a child of the taxpayer and who

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

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

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

11 ~~(3)(c) Child--defined.~~ For purposes of paragraph ~~(i)~~  
 12 ~~(b)~~, subsection ~~(5)(a)(iii)~~, the term "child" means an  
 13 individual who is a son, stepson, daughter, or stepdaughter  
 14 of the taxpayer.

15 ~~(4)(d) Student--and--educational--institution--defined.~~  
 16 For purposes of paragraph ~~(i)~~ ~~(b)~~ ~~(iii)~~, subsection  
 17 ~~(5)(a)(iii)(B)~~, the term "student" means an individual who  
 18 during each of five (5) calendar months during the calendar  
 19 year in which the taxable year of the taxpayer begins;

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

22 ~~(i)(iii) is is~~ pursuing a ~~full-time~~ full-time course of  
 23 institutional on-farm training under the supervision of an  
 24 accredited agent of an educational institution or of a state  
 25 or political subdivision of a state. For purposes of this

1 paragraph, the term "educational institution" means only an  
2 educational institution which normally maintains a regular  
3 faculty and curriculum and normally has a regularly  
4 organized body of students in attendance at the place where  
5 its educational activities are carried on.

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

11 ~~(1)(a)~~ \* a son or daughter of the taxpayer or a  
12 descendant of either;

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

14 ~~(3)(c)~~ \* a brother, sister, stepbrother, or stepsister  
15 of the taxpayer;

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

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

19 ~~(6)(f)~~ \* a son or daughter of a brother or sister of  
20 the taxpayer;

21 ~~(7)(g)~~ \* a brother or sister of the father or mother  
22 of the taxpayer;

23 ~~(8)(h)~~ \* a son-in-law, daughter-in-law, father-in-law,  
24 mother-in-law, brother-in-law, or sister-in-law of the  
25 taxpayer;

1 ~~(9)(i)~~ An ~~an~~ individual who, for the taxable year of  
2 the taxpayer, has as his principal place of abode the home  
3 of the taxpayer, and is a member of the taxpayer's  
4 household; or

5 ~~(10)(j)~~ An ~~an~~ individual who is  
6 ~~(A)(i)~~ is a descendant of a brother or sister of the  
7 father or mother of the taxpayer;

8 ~~(B)(ii)~~ for the taxable year of the taxpayer received  
9 institutional care required by reason of a physical or  
10 mental disability; and

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

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

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

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

22 ~~(h)(8) Determination-of-Marital-Status~~ For purposes  
23 of this part;

24 ~~(1)(a)~~ The ~~the~~ determination of whether an individual  
25 is married shall be made as of the close of his taxable

1 year, except that if his spouse dies during his taxable  
2 year such determination shall be made as of the time of such  
3 death; and

4 ~~(2)(b)~~ An individual legally separated from his  
5 spouse under a decree of divorce or of separate maintenance  
6 shall not be considered as married.

7 ~~(i)(9) Proration of exemption deduction in the case of~~  
8 ~~a nonresident taxpayer :~~

9 (i) The exemption deduction shall be prorated  
10 according to the ratio the taxpayer's Montana adjusted gross  
11 income bears to his federal adjusted gross income."

12 Section 2. Effective date. This act is effective for  
13 taxable years beginning on or after January 1, 1977.

-End-

## STATE OF MONTANA

REQUEST NO. 370-77

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 394 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

This bill provides for a personal exemption of \$750 in computing taxable income; provides an effective date.

ASSUMPTIONS

1. The Department of Revenue income tax revenue projections of \$123.732M in FY 78 and \$140.093M in FY 79 were assumed to be correct.
2. The portion of tax, within each of the \$1000 brackets of Montana taxable income (up to \$50,000), will remain constant throughout the biennium.
3. The change in taxes resulting from this legislation equals \$100 x average number of exemptions x the marginal tax rate for each bracket x the number of taxpayers in each bracket.
4. There will be additional refunds in FY 78 because taxes will be withheld assuming a \$650 exemption in the last half of FY 77. This will result in an additional 2% loss of revenue in FY 78.
5. The margin for error was set at 1% for this calculation.
6. The tax tables will remain unchanged throughout the biennium.
7. Administrative costs will remain unchanged over the biennium.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
Income tax collections under current law.	\$123.732M	\$140.093M
Income tax collection by increasing the amount of the exemption under proposed law.	<u>\$120.780M-\$118.388M</u>	<u>\$136.843M-\$134.133M</u>
DECREASE IN REVENUE	<u>\$2.95M - \$5.344M</u>	<u>\$3.250M - \$5.960M</u>

LONG-RANGE EFFECT

There will be a decline in income tax collections of around 3.5% in future years due to this proposed legislation.

TECHNICAL NOTE

In order to allow those with short tax years the advantage of this bill it is suggested that the bill become effective upon passage and approval.

*Richard L. Dancy for*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-77

PREPARED BY DEPARTMENT OF REVENUE