

*Senate* BILL NO. 424  
INTRODUCED BY *Fashenden Kalsbad*

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4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT INCOME OF A  
5 DOMESTIC INTERNATIONAL SALES CORPORATION FROM THE  
6 CORPORATION LICENSE TAX; AMENDING SECTION 84-1501, R.C.M.  
7 1947."

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

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

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

1 at the rate hereinafter set forth. In the case of  
2 corporations having income from business activity which is  
3 taxable both within and without this state, the license fee  
4 shall be measured by the net income derived from or  
5 attributable to Montana sources as determined under section  
6 84-1503.

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

16 Pursuant to the provisions of article III, section 2,  
17 of the Multistate Tax Compact (Title 84, chapter 67, R.C.M.  
18 1947) every corporation deriving income from sources both  
19 within and without the state of Montana and required to file  
20 a return and whose only activity in Montana consists of  
21 making sales and which does not own or rent real estat or  
22 tangible personal property within Montana and whose annual  
23 gross volume of sales made in Montana during the taxable  
24 year does not exceed one hundred thousand dollars  
25 (\$100,000), may elect to pay a tax of one-half of one

1 percent (0.5%) of gross sales made in Montana during the  
 2 taxable year. Such tax shall be in lieu of the tax otherwise  
 3 imposed under this section. The gross volume of sales made  
 4 in Montana during the taxable year shall be determined  
 5 according to the provisions of article IV, sections 16 and  
 6 17, of the Multistate Tax Compact.

7 There shall not be taxed under this Title any income  
 8 received by any--

9 (a) Labor, agricultural or horticultural organization;

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

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

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

24 (e) Business league, chamber of commerce, or board of  
 25 trade, not organized for profit, and no part of the net

1 income of which inures to the benefit of any private  
 2 stockholder or individual;

3 (f) Civic league or organization not organized for  
 4 profit, but operated exclusively for the promotion of social  
 5 welfare;

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

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

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

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

1           ~~(k) In determining the license fee to be paid under~~  
2 ~~this act, there shall not be included any earnings~~ Earnings  
3 derived from any public utility managed or operated by any  
4 subdivision of the state, or from the exercise of any  
5 governmental functions;

6           ~~(l) Income of a "domestic international sales~~  
7 ~~corporation, to the extent and for the period such income is~~  
8 ~~shown as exempt on the federal tax returns."~~

-End-

STATE OF MONTANA

REQUEST NO. 560-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 17, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 424 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 exempts income of a domestic international sales corporation from the corporation license tax.

ASSUMPTION

There are not a substantial amount of domestic international sales corporations (DISCS) operating currently in Montana. However, Montana does receive a share of revenue produced by DISCS if the parent company of a DISC corporation has operations or branches in Montana. There would be a fairly substantial loss in revenues if DISCS were exempted because the incomes from these companies would be exempted from taxation. There is no data on which to base a precise estimate.

LONG-RANGE EFFECTS

The long-range effect could be a significant reduction in corporation license tax revenues. Large agricultural corporations could set up DISCS within themselves to shelter part of their income from corporation license tax payment.

PREPARED BY DEPARTMENT OF REVENUE

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Office of Budget and Program Planning

Date: 2-21-77