

HOUSE BILL 161

IN THE HOUSE

January 13, 1979

Introduced and referred to
Committee on Taxation.

March 27, 1979

Committee recommend bill,
do pass.

March 27, 1979

Second reading, as amended,
do pass.

1 *HOUSE* BILL NO. *161*
 2 INTRODUCED BY *Richard Hunsicker Vincent Thore*
 3 *introduced by*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW A PERSONAL
 5 INCOME TAX DEDUCTION FOR 20% OF RENT PAID ON RESIDENTIAL
 6 DWELLINGS AS THE PORTION OF RENT CONSTITUTING PROPERTY TAX
 7 PAYMENTS; AMENDING SECTION 15-30-121, MCA; AND PROVIDING AN
 8 EFFECTIVE DATE."

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

11 Section 1. Section 15-30-121, MCA, is amended to read:

12 "15-30-121. Deductions allowed in computing net
 13 income. In computing net income, there are allowed as
 14 deductions:

15 (1) the items referred to in sections 161 and 211 of
 16 the Internal Revenue Code of 1954, or as sections 161 and
 17 211 shall be labeled or amended, subject to the following
 18 exceptions which are not deductible:

- 19 (a) items provided for in 15-30-123;
- 20 (b) state income tax paid;
- 21 (2) federal income tax paid within the taxable year;
- 22 (3) child and dependent care expenses determined in
 23 accordance with the provisions of section 214 of the
 24 Internal Revenue Code of 1954 that were in effect for the
 25 taxable year that began January 1, 1974;

1 (4) that portion of an energy-related investment
 2 allowed as a deduction under 15-32-103;

3 ~~(5) 20% of rent paid by the taxpayer within the~~
 4 ~~taxable year for a dwelling used as his primary residence."~~

5 Section 2. Effective date. This act is effective for
 6 taxable years beginning after December 31, 1978.

-End-

INTRODUCED BILL
HB 161

STATE OF MONTANA

REQUEST NO. 32-79

FISCAL NOTE

Form BD-15

In compliance with a written request received April 18, 19 79, there is hereby submitted a Fiscal Note for H.B. 161 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 allows a personal income tax deduction for 20% of rent paid on residential dwellings as the portion of rent constituting property tax payments and provides an effective date.

ASSUMPTIONS

- a) The Department of Revenue forecast of individual income tax receipts for the 80-81 biennium is assumed to be the basis for comparison.
- b) Approximately 33% of all returns filed under the proposed law will claim the rent deduction.
- c) The average monthly rent is about \$150.
- d) The effective tax rate is approximately 5.59%.
- e) The percentage reduction in income tax receipts which would have obtained under assumptions (b), (c) & (d) if the proposed law had been in effect for income earned in calendar year 1977 will apply equally to FY80 and FY81 for the proposed law.

FISCAL IMPACT

	<u>FY 80</u>	<u>FY 81</u>
Individual Income Tax Collections		
under current law	\$154.268 M	\$169.790 M
under proposed law	<u>151.005 M</u>	<u>166.199 M</u>
ESTIMATED DECREASE	<u>(\$ 3.263 M)</u>	<u>(\$ 3.591 M)</u>

FUND INFORMATION

General Fund		
under current law	\$ 98.732 M	\$108.666 M
under proposed law	<u>96.643 M</u>	<u>106.367 M</u>
Estimated Decrease	<u>(\$ 2.089 M)</u>	<u>(\$ 2.299 M)</u>
Earmarked Rev. Fund (Sch. Found. Program)		
under current law	\$ 38.567 M	\$ 42.447 M
under proposed law	<u>37.751 M</u>	<u>41.550 M</u>
Estimated Decrease	<u>(\$ 0.816 M)</u>	<u>(\$ 0.897 M)</u>

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BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

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FUND INFORMATION (Cont.)

	<u>FY80</u>	<u>FY81</u>
Sinking Fund		
under current law	\$16.969 M	\$18,677 M
under proposed law	<u>16,611 M</u>	<u>18.282 M</u>
Estimated Decrease	<u>(\$ 0.358 M)</u>	<u>(\$ 0.395 M)</u>

It is noted that revenues to the Public School Earmarked Revenue Account are used to support the Public School Foundation Program; therefore, any decrease in revenues to that accounting entity either (1) results in a decrease in the Foundation Program schedules, (2) requires additional support from other contributors to the Foundation Program (oil and gas royalties, corporation license tax, individual income tax, State General Fund appropriation, etc.), or (3) requires a state deficiency levy.

Also, for all practicable purposes, revenue decreases to the Long-range Building Sinking Account are decreases to the General Fund since collections in excess of debt service requirements are transferred to the General Fund.

LONG-RANGE EFFECTS

Individual income tax receipts would decrease by 2.115% from what they would be without the proposed deduction.

Richard L. Drayton
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/27/79