

HOUSE BILL 255

IN THE HOUSE

January 18, 1979

Introduced and referred to
Committee on Taxation.

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House BILL NO. 255 Nordtrett
INTRODUCED BY *Markus* *Wagner*
Wagner *Wagner* *Wagner* *Wagner* *Wagner*
A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM INCOME
TAXATION PRIVATE OR CORPORATE RETIREMENT BENEFITS NOT IN
EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 15-30-111,
MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-30-111, MCA, is amended to read:

"15-30-111. Adjusted gross income. (1) Adjusted gross income shall be the taxpayer's federal income tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954 or as that section may be labeled or amended and in addition shall include the following:

(a) interest received on obligations of another state or territory or county, municipality, district, or other political subdivision thereof;

(b) refunds received of federal income tax, to the extent the deduction of such tax resulted in a reduction of Montana income tax liability.

(2) Adjusted gross income does not include the following which are exempt from taxation under this chapter:

(a) interest income from obligations of the United States government, the state of Montana, county,

municipality, district, or other political subdivision thereof;

(b) all benefits received under the Federal Employees' Retirement Act not in excess of \$3,600;

~~(c) all benefits, not in excess of \$3,600, received by a retired person as an annuity, pension, or endowment under any private or corporate retirement plan or system, except those received under a deferred compensation program, an individual retirement account as defined in section 408 of the Internal Revenue Code, as amended, or any similar program in which contributions made by an individual are tax exempt when first made;~~

~~(d) all benefits paid under the teachers' retirement law which are specified as exempt from taxation by 19-4-706;~~

~~(e) all benefits paid under The Public Employees' Retirement System Act which are specified as exempt from taxation by 19-3-105;~~

~~(f) all benefits paid under the highway patrol retirement law which are specified as exempt from taxation by 19-6-705;~~

~~(g) all Montana income tax refunds or credits thereof;~~

~~(h) all benefits paid under 19-11-602, 19-11-604, and 19-11-605 to retired and disabled firefighters, their~~

1 surviving spouses and orphans;

2 ~~(h)(i)~~ all benefits paid by first- or second-class
3 cities for the policemen's retirement system provided for by
4 Title 19, chapter 9.

5 (3) In the case of a shareholder of a corporation with
6 respect to which the election provided for under subchapter
7 S. of the Internal Revenue Code of 1954, as amended, is in
8 effect but with respect to which the election provided for
9 under 15-31-202, as amended, is not in effect, adjusted
10 gross income does not include any part of the corporation's
11 undistributed taxable income, net operating loss, capital
12 gains or other gains, profits, or losses required to be
13 included in the shareholder's federal income tax adjusted
14 gross income by reason of the said election under subchapter
15 S. However, the shareholder's adjusted gross income shall
16 include actual distributions from the corporation to the
17 extent they would be treated as taxable dividends if the
18 subchapter S. election were not in effect."

19 Section 2. Effective date. This act is effective on
20 passage and approval and applies to taxable years beginning
21 after December 31, 1978.

-End-

STATE OF MONTANA

REQUEST NO. 63-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 22, 19 79, there is hereby submitted a Fiscal Note for House Bill 255 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 from income taxation private or corporate retirement benefits not in excess of a certain amount and provides an effective date.

ASSUMPTIONS

- a) It is estimated that approximately \$35 M dollars in retirement benefits from private or corporate retirement plans were received by Montanans in 1977.
- b) The percentage decrease in total tax liability for individual income tax which apparently would have occurred if the proposed law had been in effect throughout calendar year 1977 will apply equally to FY80 and FY81 under 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>\$151.803 M to \$152.419 M</u>	<u>\$167.078 M to \$167.755 M</u>
Estimated Decrease	<u>(\$ 1.849 M to \$ 2.465 M)</u>	<u>(\$ 2.035 M to \$ 2.712 M)</u>

FUND INFORMATION

General Fund		
under current law	\$ 98.732 M	\$108.666 M
under proposed law	<u>\$ 97.154 M to \$ 97.548 M</u>	<u>\$106.930 M to \$107.363 M</u>
Estimated Decrease	<u>(\$ 1.184 M to \$ 1.578 M)</u>	<u>(\$ 1.303 M to \$ 1.736 M)</u>
Earmarked Revenue Fund		
under current law	\$ 38.567 M	\$ 42.447 M
under proposed law	<u>\$ 37.951 M to \$ 38.105 M</u>	<u>\$ 41.770 M to \$ 41.939 M</u>
Estimated Decrease	<u>(\$ 0.462 M to \$ 0.616 M)</u>	<u>(\$ 0.508 M to \$ 0.677 M)</u>
Sinking Fund*		
under current law	\$ 16.969 M	\$ 18.677 M
under proposed law	<u>\$ 16.698 M to \$ 16.766 M</u>	<u>\$ 18.378 M to \$ 18.453 M</u>
Estimated Decrease	<u>(\$ 0.203 M to \$ 0.271 M)</u>	<u>(\$ 0.224 M to \$ 0.299 M)</u>

Richard L. Drury
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/25/79

It is noted that revenues to the Public School Equalization 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 about 1 1/2% from what they would be without the proposed change.