

1 House BILL NO. 303 *Ramsey*  
2 INTRODUCED BY *Winfred Leslie Taylor W.L.*  
3 *Leonard Leslie Roeth F.A.C.* *Sly Johnson*  
4 *Gordon Taylor George Martin* *Mark*  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE INCOME *Long*  
5 TAX STRUCTURE BY REQUIRING THAT THE TAX BRACKETS, *Kappman*  
6 EXEMPTIONS, STANDARD DEDUCTIONS, AND MINIMUM FILING *Byatt*  
7 REQUIREMENTS BE ADJUSTED ANNUALLY FOR INFLATION; AMENDING *Byatt*  
8 SECTIONS 15-30-101, 15-30-103, 15-30-112, 15-30-122, AND *Thelen*  
9 15-30-142, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

12 Section 1. Section 15-30-101, MCA, is amended to read:

13 "15-30-101. Definitions. For the purpose of this

14 chapter, unless otherwise required by the context, the

15 following definitions apply:

16 (1) "Base year structure" means the following elements  
17 of the income tax structure:

18 (a) the tax brackets established in 15-30-103 in  
19 effect on January 1, 1978;

20                   (b) the exemptions contained in 15-30-112 in effect on  
21                   January 1, 1978:

(c) the maximum standard deduction provided in  
15-30-122 in effect on January 1, 1978.

24 (2) "Consumer price index" means the consumer price  
25 index, United States city averages, for all items, using the

1       1967 base of 100 as published by the bureau of labor  
2       statistics of the U.S. department of labor.

3       t47131 "Department" means the department of revenue.

4       t29141 "Dividend" means any distribution made by a  
5       corporation out of its earnings or profits to its  
6       shareholders or members, whether in cash or in other  
7       property or in stock of the corporation, other than stock  
8       dividends as herein defined. "Stock dividends" means new  
9       stock issued, for surplus or profits capitalized, to  
10       shareholders in proportion to their previous holdings.

11       t39151 "Fiduciary" means a guardian, trustee,  
12       executor, administrator, receiver, conservator, or any  
13       person, whether individual or corporate, acting in any  
14       fiduciary capacity for any person, trust, or estate.

15       t47161 "Foreign country" or "foreign government" means  
16       any jurisdiction other than the one embraced within the  
17       United States, its territories and possessions.

18       (7) "Inflation factor" means a percentage determined  
19       for each taxable year by dividing the consumer price index  
20       for June of the taxable year by the consumer price index for  
21       June, 1979.

22       t57181 "Information agents" include all individuals,  
23       corporations, associations, and partnerships, in whatever  
24       capacity acting, including lessees or mortgagors of real or  
25       personal property, fiduciaries, employers, and all officers

1 and employees of the state or of any municipal corporation  
 2 or political subdivision of the state, having the control,  
 3 receipt, custody, disposal, or payment of interest, rent,  
 4 salaries, wages, premiums, annuities, compensations,  
 5 remunerations, emoluments, or other fixed or determinable  
 6 annual or periodical gains, profits, and income with respect  
 7 to which any person or fiduciary is taxable under this  
 8 chapter.

9 ~~167191~~ "Net income" means the adjusted gross income of  
 10 a taxpayer less the deductions allowed by this chapter.

11 ~~1771101~~ "Paid", for the purposes of the deductions and  
 12 credits under this chapter, means paid or accrued or paid or  
 13 incurred, and the terms "paid or incurred" and "paid or  
 14 accrued" shall be construed according to the method of  
 15 accounting upon the basis of which the taxable income is  
 16 computed under this chapter.

17 ~~1871111~~ "Received", for the purpose of computation of  
 18 taxable income under this chapter, means received or accrued  
 19 and the term "received or accrued" shall be construed  
 20 according to the method of accounting upon the basis of  
 21 which the taxable income is computed under this chapter.

22 ~~1971121~~ "Resident" applies only to natural persons and  
 23 includes, for the purpose of determining liability to the  
 24 tax imposed by this chapter with reference to the income of  
 25 any taxable year, any person domiciled in the state of

1 Montana and any other person who maintains a permanent place  
 2 of abode within the state even though temporarily absent  
 3 from the state and has not established a residence  
 4 elsewhere.

5 ~~1871111~~ "Taxable income" means the adjusted gross  
 6 income of a taxpayer less the deductions and exemptions  
 7 provided for in this chapter.

8 ~~1871141~~ "Taxable year" means the taxpayer's taxable  
 9 year for federal income tax purposes.

10 ~~1871151~~ "Taxpayer" includes any person or fiduciary,  
 11 resident or nonresident, subject to a tax imposed by this  
 12 chapter and does not include corporations."

13 Section 2. Section 15-30-103, MCA, is amended to read:  
 14 "15-30-103. Rate of tax. ~~111~~ There shall be levied,  
 15 collected, and paid for each taxable year commencing on or  
 16 after December 31, 1968, upon the taxable income of every  
 17 taxpayer subject to this tax, after making allowance for  
 18 exemptions and deductions as hereinafter provided, a tax ~~as~~  
 19 the following brackets of taxable income as adjusted under  
 20 subsection (2) at the following rates:

21 ~~1871151~~ on the first \$1,000 of taxable income or any  
 22 part thereof, 2%;

23 ~~1871161~~ on the next \$1,000 of taxable income or any  
 24 part thereof, 3%;

25 ~~1871171~~ on the next \$2,000 of taxable income or any

1 part thereof, 4%;  
 2 ~~471d1~~ on the next \$2,000 of taxable income or any  
 3 part thereof, 5%;  
 4 ~~471d1~~ on the next \$2,000 of taxable income or any  
 5 part thereof, 6%;  
 6 ~~471d1~~ on the next \$2,000 of taxable income or any  
 7 part thereof, 7%;  
 8 ~~471d1~~ on the next \$4,000 of taxable income or any  
 9 part thereof, 8%;  
 10 ~~471d1~~ on the next \$6,000 of taxable income or any  
 11 part thereof, 9%;  
 12 ~~471d1~~ on the next \$15,000 of taxable income or any  
 13 part thereof, 10%;  
 14 ~~471d1~~ on any taxable income in excess of \$35,000 or  
 15 any part thereof, 11%.  
 16 121. By November 1 of each year, the department shall  
 17 multiply the bracket amount contained in subsection (1) by  
 18 the inflation factor for that taxable year and round the  
 19 product to the nearest \$100. The resulting adjusted brackets  
 20 are effective for that taxable year and shall be used as the  
 21 basis for imposition of the tax in subsection (1) of this  
 22 section."

23 Section 3. Section 15-30-112, MCA, is amended to read:  
 24 "15-30-112. Exemptions. (1) In the case of an  
 25 individual, the exemptions provided by this section and

1 adjusted under the procedure established in subsection (7)  
 2 shall be allowed as deductions in computing taxable income.  
 3 (2) (a) An exemption of \$650 shall be allowed for  
 4 taxable years beginning after December 31, 1973, for the  
 5 taxpayer.  
 6 (b) An additional exemption of \$650 shall be allowed  
 7 for taxable years beginning after December 31, 1973, for the  
 8 spouse of the taxpayer if a separate return is made by the  
 9 taxpayer and if the spouse, for the calendar year in which  
 10 the taxable year of the taxpayer begins, has no gross income  
 11 and is not the dependent of another taxpayer.  
 12 (3) (a) An additional exemption of \$650 shall be  
 13 allowed for taxable years beginning after December 31, 1973,  
 14 for the taxpayer if he has attained the age of 65 before the  
 15 close of his taxable year.  
 16 (b) An additional exemption of \$650 shall be allowed  
 17 for taxable years beginning after December 31, 1973, for the  
 18 spouse of the taxpayer if a separate return is made by the  
 19 taxpayer and if the spouse has attained the age of 65 before  
 20 the close of such taxable year and, for the calendar year in  
 21 which the taxable year of the taxpayer begins, has no gross  
 22 income and is not the dependent of another taxpayer.  
 23 (4) (a) An additional exemption of \$650 shall be  
 24 allowed for taxable years beginning after December 31, 1973,  
 25 for the taxpayer if he is blind at the close of his taxable

1       year.

2           (b) An additional exemption of \$650 shall be allowed  
 3 for taxable years beginning after December 31, 1973, for the  
 4 spouse of the taxpayer if a separate return is made by the  
 5 taxpayer and if the spouse is blind and, for the calendar  
 6 year in which the taxable year of the taxpayer begins, has  
 7 no gross income and is not the dependent of another  
 8 taxpayer. For the purposes of this subsection (4)(b), the  
 9 determination of whether the spouse is blind shall be made  
 10 as of the close of the taxable year of the taxpayer, except  
 11 that if the spouse dies during such taxable year, such  
 12 determination shall be made as of the time of such death.

13           (c) For purposes of this subsection (4), an individual  
 14 is blind only if his central visual acuity does not exceed  
 15 20/200 in the better eye with correcting lenses or if his  
 16 visual acuity is greater than 20/200 but is accompanied by a  
 17 limitation in the fields of vision such that the widest  
 18 diameter of the visual field subtends an angle no greater  
 19 than 20 degrees.

20           (5) (a) An exemption of \$650 shall be allowed for  
 21 taxable years beginning after December 31, 1973, for each  
 22 dependent:

23           (i) whose gross income for the calendar year in which  
 24 the taxable year of the taxpayer begins is less than \$650;  
 25 or

1           (ii) who is a child of the taxpayer and who:

2           (A) has not attained the age of 19 years at the close  
 3 of the calendar year in which the taxable year of the  
 4 taxpayer begins; or  
 5           (B) is a student.  
 6           (b) 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           (c) For purposes of subsection (5)(a)(ii), the term  
 12 "child" means an individual who is a son, stepson, daughter,  
 13 or stepdaughter of the taxpayer.

14           (d) For purposes of subsection (5)(a)(ii)(B), the term  
 15 "student" means an individual who, during each of 5 calendar  
 16 months during the calendar year in which the taxable year of  
 17 the taxpayer begins:

18           (i) is a full-time student at an educational  
 19 institution; or

20           (ii) is pursuing a full-time course of institutional  
 21 on-farm training under the supervision of an accredited  
 22 agent of an educational institution or of a state or  
 23 political subdivision of a state. For purposes of this  
 24 subsection (5)(d)(ii), the term "educational institution"  
 25 means only an educational institution which normally

1 maintains a regular faculty and curriculum and normally has  
 2 a regularly organized body of students in attendance at the  
 3 place where its educational activities are carried on.

4 (6) In the case of a nonresident taxpayer, the  
 5 exemption deduction shall be prorated according to the ratio  
 6 the taxpayer's Montana adjusted gross income bears to his  
 7 federal adjusted gross income.

8 (7) By November 1 of each year, the department shall  
 9 multiply all the exemptions provided in this section by the  
 10 inflation factor for that taxable year and round the product  
 11 to the nearest \$1. The resulting adjusted exemptions are  
 12 effective for that taxable year and shall be used in  
 13 calculating the tax imposed in 15-30-103a."

14 Section 4. Section 15-30-122, MCA, is amended to read:  
 15  
 16 "15-30-122. Standard deduction. (1) In the case of a  
 17 resident individual, a standard deduction equal to 10% of  
 18 adjusted gross income shall be allowed if elected by the  
 19 taxpayer on his return. The standard deduction shall be in  
 20 lieu of all deductions allowed under 15-30-121. The maximum  
 21 standard deduction shall be \$500, as adjusted under the  
 22 provisions of subsection (2), except in the case of a single  
 23 joint return of husband and wife the maximum standard  
 24 deduction shall be \$1,000 as adjusted under the provisions  
of subsection (2). The standard deduction shall not be  
 25 allowed to either the husband or the wife if the tax of one

1 of the spouses is determined without regard to the standard  
 2 deduction. For purposes of this section, the determination  
 3 of whether an individual is married shall be made as of the  
 4 last day of the taxable year; provided, however, if one of  
 5 the spouses dies during the taxable year, the determination  
 6 shall be made as of the date of death.

7 (2) By November 1 of each year, the department shall  
 8 multiply the maximum standard deduction for single returns  
 9 and joint returns by the inflation factor for that taxable  
 10 year and round the product to the nearest \$10. The resulting  
 11 adjusted exemptions are effective for that taxable year and  
 12 shall be used in calculating the tax imposed in 15-30-103a."

13 Section 5. Section 15-30-142, MCA, is amended to read:  
 14  
 15 "15-30-142. Returns and payment of tax -- penalty and  
 16 interest -- refunds -- credits. (1) Every single individual  
 17 and every married individual not filing a joint return with  
 18 his or her spouse and having a gross income for the taxable  
 19 year of more than \$720, as adjusted under the provisions of  
subsection (1) and married individuals not filing separate  
 20 returns and having a combined gross income for the taxable  
 21 year of more than \$1,445, as adjusted under the provisions  
of subsection (1), shall be liable for a return to be filed  
 22 on such forms and according to such rules as the department  
 23 may prescribe. The gross income amounts referred to in the  
 24 preceding sentence shall be increased by \$650, as adjusted

1   under the provisions of 15-30-112(7), for each additional  
2   personal exemption allowance the taxpayer is entitled to  
3   claim for himself and his spouse under 15-30-112(3) and (4).  
4   A nonresident shall be required to file a return if his  
5   gross income for the taxable year derived from sources  
6   within Montana exceeds the amount of the exemption deduction  
7   he is entitled to claim for himself and his spouse under the  
8   provisions of 15-30-112(2), (3), and (4), as prorated  
9   according to 15-30-112(6).

10   (2) In accordance with instructions set forth by the  
11   department, every taxpayer who is married and living with  
12   husband or wife and is required to file a return may, at his  
13   or her option, file a joint return with husband or wife even  
14   though one of the spouses has neither gross income nor  
15   deductions. If a joint return is made, the tax shall be  
16   computed on the aggregate taxable income and the liability  
17   with respect to the tax shall be joint and several. If a  
18   joint return has been filed for a taxable year, the spouses  
19   may not file separate returns after the time for filing the  
20   return of either has expired unless the department so  
21   consents.

22   (3) If any such taxpayer is unable to make his own  
23   return, the return shall be made by a duly authorized agent  
24   or by a guardian or other person charged with the care of  
25   the person or property of such taxpayer.

1   (4) All taxpayers, including but not limited to those  
2   subject to the provisions of 15-30-202 and 15-30-241, shall  
3   compute the amount of income tax payable and shall, at the  
4   time of filing the return required by this chapter, pay to  
5   the department any balance of income tax remaining unpaid  
6   after crediting the amount withheld as provided by 15-30-202  
7   and/or any payment made by reason of an estimated tax return  
8   provided for in 15-30-241; provided, however, the tax so  
9   computed is greater by \$1 than the amount withheld and/or  
10   paid by estimated return as provided in this chapter. If the  
11   amount of tax withheld and/or payment of estimated tax  
12   exceeds by more than \$1 the amount of income tax as  
13   computed, the taxpayer shall be entitled to a refund of the  
14   excess.

15   (5) As soon as practicable after the return is filed,  
16   the department shall examine and verify the tax.

17   (6) If the amount of tax as verified is greater than  
18   the amount theretofore paid, the excess shall be paid by the  
19   taxpayer to the department within 30 days after notice of  
20   the amount of the tax as computed, with interest added at  
21   the rate of 9% per annum or fraction thereof on the  
22   additional tax. In such case there shall be no penalty  
23   because of such understatement, provided the deficiency is  
24   paid within 30 days after the first notice of the amount is  
25   mailed to the taxpayer.

1       171. By November 1 of each year, the department shall  
2       multiply the minimum amount of gross income necessitating  
3       the filing of a return by the inflation factor for that  
4       taxable year. These adjusted amounts are effective for that  
5       taxable year, and persons having gross incomes less than  
6       these adjusted amounts are not required to file a return."

7       ~~NEW SECTION~~ Section 6. Adjusted base year structure  
8       to appear on tax forms. Individual income tax forms  
9       distributed by the department for each taxable year must  
10      contain instructions and tables based on the adjusted base  
11      year structure for that taxable year.

12       Section 7. Effective date. This act is effective on  
13      passage and approval and applies to taxable years beginning  
14      after December 31, 1978.

-End-

HB 303

## STATE OF MONTANA

REQUEST NO. 86-79

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 23, 1979, there is hereby submitted a Fiscal Note for House Bill 303 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 proposed bill revises the income tax structure by requiring that the tax brackets, exemptions, standard deductions, and minimum filing requirements be adjusted annually for inflation and provides an effective date.

ASSUMPTIONS

a) 

| time | June 1978 | June 1979 | June 1980 | June 1981 |
|------|-----------|-----------|-----------|-----------|
| CPI  | 195.3     | 211.5     | 224.8     | 238.1     |

b) Under continuation of the present law, the income elasticity of income tax revenue will be between 1.25 and 1.5 over the 80-81 biennium (i.e., a 1% increase in total income will lead to a 1.25% to 1.5% increase in income tax receipts).

c) It is assumed that the proposed law will eliminate increases in income tax revenue associated with inflation.

d) The Department of Revenue forecast of individual income tax collections is assumed to be the basis for comparison.

e) 85% of income tax receipts in FY(t) are attributable to liabilities incurred in CY(t-1), and 15% of income tax receipts in FY(t) are attributable to liabilities incurred in CY(t).

FISCAL IMPACT

|                                | <u>FY 80</u>          | <u>FY 81</u>            |
|--------------------------------|-----------------------|-------------------------|
| Individual Income Tax Receipts |                       |                         |
| under current law              | \$ 154.268 M          | \$ 169.790 M            |
| under proposed law             | 152.292 to 152.622 M  | 155.368 to 157.771 M    |
| Estimated Decrease             | (\$ 1.646 to 1.976 M) | (\$ 12.019 to 14.422 M) |

FUND INFORMATION

## General Fund

|                    |                       |                       |
|--------------------|-----------------------|-----------------------|
| under current law  | \$ 98.732 M           | \$ 108.666 M          |
| under proposed law | 97.467 to 97.678 M    | 99.436 to 100.973 M   |
| Estimated Decrease | (\$ 1.054 to 1.265 M) | (\$ 7.693 to 9.230 M) |

## Earmarked Revenue Fund

|                    |                       |                       |
|--------------------|-----------------------|-----------------------|
| under current law  | \$ 38.567 M           | \$ 42.447 M           |
| under proposed law | 38.073 to 38.156 M    | 38.842 to 39.443 M    |
| Estimated Decrease | (\$ 0.411 to 0.494 M) | (\$ 3.004 to 3.605 M) |

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: \_\_\_\_\_

CONTINUED ON PAGE 2

## STATE OF MONTANA

REQUEST NO. 86-79

## FISCAL NOTE

Form BD 15

In compliance with a written request received January 23, 1979, there is hereby submitted a Fiscal Note for House Bill 303 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.

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FUND INFORMATION (Cont.)

|                    | <u>FY 80</u>          | <u>FY 81</u>          |
|--------------------|-----------------------|-----------------------|
| Sinking Fund*      |                       |                       |
| under current law  | \$ 16.969 M           | \$ 18.677 M           |
| under proposed law | \$ 16.752 to 16.788 M | \$ 17.090 to 17.355   |
| Estimated Decrease | (\$ 0.181 to 0.217 M) | (\$ 1.322 to 1.587 M) |

\*A portion of this account may be transferred to the general fund as long-range bond excess.

EFFECT ON LOCAL GOVERNMENTS

See Technical Note

LONG-RANGE EFFECTS

Under the proposed law individual income tax collections would keep pace with the "real" rate of growth (or decline) of income in the state. Therefore, given the historic 6% average inflation rate and the 10% average income growth, income tax receipts would only grow by about 4%; however, during periods of high inflation or depressed economic conditions, income tax receipts may decline.

TECHNICAL NOTE

It should be noted that receipts to the indicated Earmarked Revenue Fund are used to support the Public School Foundation Program. Therefore, any decrease in income to that account may necessitate additional support from other sources.

PREPARED BY DEPARTMENT OF REVENUE

*Richard L. Drayton*  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: 1/30/79

## STATE OF MONTANA

REQUEST NO. 86-79 Revised

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 8, 1979, there is hereby submitted a Fiscal Note for House Bill 303 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 proposed bill revises the income tax structure by requiring that the tax brackets, exemptions, standard deductions, and minimum filing requirements be adjusted annually for inflation and provides an effective date.

ASSUMPTIONS

| a) time | June 1978 | June 1979 | June 1980 | June 1981 |
|---------|-----------|-----------|-----------|-----------|
| CPI     | 195.3     | 211.5     | 224.8     | 238.1     |

b) Under continuation of the present law, the income elasticity of income tax revenue will be between 1.25 and 1.5 over the 80-81 biennium (i.e., a 1% increase in total income will lead to a 1.25% to 1.5% increase in income tax receipts)

c) It is assumed that the proposed law will eliminate certain increases in income tax revenue associated with inflation (e.g., increases attributable to devaluation of fixed deductions and exemptions, and increases attributable to "bracket-shift" effects of inflation).

d) The Department of Revenue forecast of individual income tax collections is assumed to be the basis for comparison.

e) 80% of income tax receipts in FY(t) are attributable to liabilities incurred in CY(t-1), and 20% of income receipts in FY(t) are attributable to liabilities incurred in CY(t).

FISCAL IMPACT

|                                   | FY 80                      | FY 81                      |
|-----------------------------------|----------------------------|----------------------------|
| Individual Income Tax Collections |                            |                            |
| under current law                 | \$154.268 M                | \$169.790 M                |
| under proposed law                | \$153.390 M to \$153.829 M | \$163.969 M to \$166.881 M |
| Estimated Decrease                | (\$ 0.439 M to \$ 0.878 M) | (\$ 2.909 M to \$ 5.821 M) |

(Continued on page 2)

*Richard A. Tracy Jr.*  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: 4/17/79

## STATE OF MONTANA

REQUEST NO. 86-79 Revised

## FISCAL NOTE

Form BD 15

In compliance with a written request received February 8, 19 79, there is hereby submitted a Fiscal Note for House Bill 303 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.

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FUND INFORMATION

|                               | <u>FY 80</u>               | <u>FY 81</u>               |
|-------------------------------|----------------------------|----------------------------|
| <b>General Fund</b>           |                            |                            |
| under current law             | \$ 98.732 M                | \$108.666 M                |
| under proposed law            | \$ 98.170 M to \$ 98.451 M | \$104.940 M to \$106.804 M |
| Estimated Decrease            | (\$ 0.281 M to \$ 0.562 M) | (\$ 1.862 M to \$ 3.726 M) |
| <b>Earmarked Revenue Fund</b> |                            |                            |
| under current law             | \$ 38.567 M                | \$ 42.447 M                |
| under proposed law            | \$ 38.347 M to \$ 38.457 M | \$ 40.992 M to \$ 41.720 M |
| Estimated Decrease            | (\$ 0.110 M to \$ 0.220 M) | (\$ 0.727 M to \$ 1.455 M) |
| <b>Sinking Fund*</b>          |                            |                            |
| under current law             | \$ 16.969 M                | \$ 18.677 M                |
| under proposed law            | \$ 16.873 M to \$ 16.921 M | \$ 18.037 M to \$ 18.357 M |
| Estimated Decrease            | (\$ 0.048 M to \$ 0.096 M) | (\$ 0.320 M to \$ 0.640 M) |

\*A portion of this account may be transferred to the general fund as long-range bond excess.

EFFECT ON LOCAL GOVERNMENTS

See Technical Note (b)

LONG-RANGE EFFECTS

Income tax receipts will increase from one year to the next whenever the "real" rate of growth (i.e., rate of growth adjusted for inflation) is greater than the rate of inflation divided by the negative of the income elasticity of income tax revenue (e.g., with 6% inflation, receipts will increase as long as the economy does not decline by more than about 4% after adjusting for inflation).

TECHNICAL NOTES

- This revision of the original fiscal note was necessitated by the discovery that fiscal note 86-79 overestimated the effect of HB 303 by adjusting taxes to 1979 levels.
- It should be noted that receipts to the indicated Earmarked Revenue Fund are used to support the Public School Foundation Program. Therefore, any increase in income to that account may necessitate additional support from other sources.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: \_\_\_\_\_

PREPARED BY DEPARTMENT OF REVENUE

STATE OF MONTANA

REQUEST NO. 86-79 Amended

FISCAL NOTE

Form BD-15

In compliance with a written request received April 2, 1979, there is hereby submitted a Fiscal Note for Amended House Bill 303 (Third Reading Version) 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.

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FUND INFORMATION (Cont.)

|                        | <u>FY80</u>        | <u>FY81</u>                       |
|------------------------|--------------------|-----------------------------------|
| Earmarked Revenue Fund |                    |                                   |
| under current law      | \$ 38.567 M        | \$ 42.447 M                       |
| under proposed law     | <u>\$ 38.567 M</u> | <u>\$ 42.219 M to \$ 42.333 M</u> |
| Estimated Decrease     | <u>(\$ 0 M)</u>    | <u>(\$ 0.114 M to \$ 0.228 M)</u> |
| Sinking Fund*          |                    |                                   |
| under current law      | \$ 16.969 M        | \$ 18.677 M                       |
| under proposed law     | <u>\$ 16.969 M</u> | <u>\$ 18.577 M to \$ 18.627 M</u> |
| Estimated Decrease     | <u>(\$ 0 M)</u>    | <u>(\$ 0.050 M to \$ 0.100 M)</u> |

\*A portion of this account may be transferred to the general fund as long-range bond excess.

LONG-RANGE EFFECTS

Income tax receipts will increase from one year to the next whenever the "real" rate of growth (i.e., rate of growth adjusted for inflation) is greater than the rate of inflation divided by the negative of the income elasticity of income tax revenue (e.g., with 6% inflation, receipts will increase as long as the economy does not decline by more than about 4% after adjusting for inflation). Assuming continuation of estimated economic trends in the 1981 Biennium in the 1983 Biennium it is likely that income tax collections will be decreased \$4 to \$5 million below the current law level in FY1982. This decrease would increase in FY1983.

TECHNICAL NOTE

It should be noted that receipts to the indicated Earmarked Revenue Fund are used to support the Public School Foundation Program. Therefore, any decrease in income to that account may necessitate additional support from other sources.

(Prepared by the Department of Revenue)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: \_\_\_\_\_

## STATE OF MONTANA

REQUEST NO. 86-79 Amended

## FISCAL NOTE

Form BD-15

In compliance with a written request received April 2, 19 79, there is hereby submitted a Fiscal Note for Amended House Bill 303 (Third Reading Version) 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 proposed bill would revise the income tax structure by requiring that the tax brackets, exemptions, standard deductions, and minimum filing requirements be adjusted annually for inflation, and providing a delayed applicability date.

ASSUMPTIONS

a) time      June 1980      June 1981  
 CPI      224.8      238.1

b) Under continuation of the present law, the income elasticity of income tax revenue will be between 1.25 and 1.5 over the 80-81 biennium (i.e., a 1% increase in total income will lead to a 1.25% to 1.5% increase in income tax receipts)

c) It is assumed that the proposed law will eliminate certain increases in income tax revenue associated with inflation (e.g., increases attributable to devaluation of fixed deductions and exemptions, and increases attributable to "bracket-shift" effects of inflation).

d) The Department of Revenue forecast of individual income tax collections is assumed to be the basis for comparison.

e) 80% of income tax receipts in FY (t) are attributable to liabilities incurred in CY (t-1), and 20% of income receipts in FY (t) are attributable to liabilities incurred in CY (t).

FISCAL IMPACT

|                                   | FY80        | FY81                       |
|-----------------------------------|-------------|----------------------------|
| Individual Income Tax Collections |             |                            |
| under current law                 | \$154.268 M | \$169.790 M                |
| under proposed law                | \$154.268 M | \$168.877 M to \$169.334 M |
| Estimated Decrease                | (\$ 0 )     | (\$ 0.456 M to \$ 0.913 M) |

FUND INFORMATION

## General Fund

|                    |             |                            |
|--------------------|-------------|----------------------------|
| under current law  | \$ 98.732 M | \$108.666 M                |
| under proposed law | 98.732 M    | \$108.081 M to \$108.374 M |
| Estimated Decrease | (\$ 0 )     | (\$ 0.292 M to \$ 0.585 M) |

Continued on Page 2

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4/4/79*Richard L. Jev*

Approved by Committee  
on Taxation

HOUSE BILL NO. 303

2 INTRODUCED BY NORDTVEDT, ROSKIE, FABREGA, UHDE, RAMIREZ,  
3 LENSINK, KESSLER, ROSENTHAL, FAGG, GOODDOVER, TEAGUE,  
4 TURNAGE, SIVERTSEN, SCULLY, IVERSON, MATHERS, BOYLAN,  
5 HAFFERMAN, RYAN, THIESSEN, HAZELBAKER, GALT, VINCENT

7 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE INCOME  
8 TAX STRUCTURE BY REQUIRING THAT THE TAX BRACKETS,  
9 EXEMPTIONS, STANDARD DEDUCTIONS, AND MINIMUM FILING  
10 REQUIREMENTS BE ADJUSTED ANNUALLY FOR INFLATION; AMENDING  
11 SECTIONS 15-30-101, 15-30-103, 15-30-112, 15-30-122, AND  
12 15-30-142, MCA; AND PROVIDING AN-EFFECTIVE AND DELAYED  
13 APPLICABILITY DATE."

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA,

16       Section 1. Section 15-30-101, MCA, is amended to read:

17       "15-30-101. Definitions. For the purpose of this

18 chapter, unless otherwise required by the context, the

19 following definitions apply:

20        ill. "Base\_year\_structure" means the following elements  
21        of the income tax structure:

22 all the tax brackets established in 1930-1931 in  
23 effect on January 1, 1938 1928

24                   **tbl\_\_the\_exemptions\_contained\_in\_15-30-112\_in\_effect\_on**  
25                   **January\_11\_1978\_1980:**

1        121 the maximum standard deduction provided in  
2        15-30-122 in effect on January 1, 1978 1980.  
3        121 "Consumer price index" means the consumer price  
4        index: United States city averages for all items, using the  
5        1967 base of 100 as published by the bureau of labor  
6        statistics of the U.S. department of labor.  
7        121 "Department" means the department of revenue.  
8        121 "Dividend" means any distribution made by a  
9        corporation out of its earnings or profits to its  
10        shareholders or members, whether in cash or in other  
11        property or in stock of the corporation, other than stock  
12        dividends as herein defined. "Stock dividends" means new  
13        stock issued, for surplus or profits capitalized, to  
14        shareholders in proportion to their previous holdings.  
15        121 "Fiduciary" means a guardian, trustee,  
16        executor, administrator, receiver, conservator, or any  
17        person, whether individual or corporate, acting in any  
18        fiduciary capacity for any person, trust, or estate.  
19        121 "Foreign country" or "foreign government" means  
20        any jurisdiction other than the one embraced within the  
21        United States, its territories and possessions.  
22        121 "Inflation factor" means a percentage NUMBER  
23        determined for each taxable year by dividing the consumer  
24        price index for June of the taxable year by the consumer  
25        price index for June 1978 1980.

1       ~~§511~~ "Information agents" include all individuals,  
 2 corporations, associations, and partnerships, in whatever  
 3 capacity acting, including lessees or mortgagors of real or  
 4 personal property, fiduciaries, employers, and all officers  
 5 and employees of the state or of any municipal corporation  
 6 or political subdivision of the state, having the control,  
 7 receipt, custody, disposal, or payment of interest, rent,  
 8 salaries, wages, premiums, annuities, compensations,  
 9 remunerations, emoluments, or other fixed or determinable  
 10 annual or periodical gains, profits, and income with respect  
 11 to which any person or fiduciary is taxable under this  
 12 chapter.

13       ~~§611~~ "Net income" means the adjusted gross income of  
 14 a taxpayer less the deductions allowed by this chapter.

15       ~~§710~~ "Paid", for the purposes of the deductions and  
 16 credits under this chapter, means paid or accrued or paid or  
 17 incurred, and the terms "paid or incurred" and "paid or  
 18 accrued" shall be construed according to the method of  
 19 accounting upon the basis of which the taxable income is  
 20 computed under this chapter.

21       ~~§8111~~ "Received", for the purpose of computation of  
 22 taxable income under this chapter, means received or accrued  
 23 and the term "received or accrued" shall be construed  
 24 according to the method of accounting upon the basis of  
 25 which the taxable income is computed under this chapter.

1       ~~§91121~~ "Resident" applies only to natural persons and  
 2 includes, for the purpose of determining liability to the  
 3 tax imposed by this chapter with reference to the income of  
 4 any taxable year, any person domiciled in the state of  
 5 Montana and any other person who maintains a permanent place  
 6 of abode within the state even though temporarily absent  
 7 from the state and has not established a residence  
 8 elsewhere.

9       ~~§10111~~ "Taxable income" means the adjusted gross  
 10 income of a taxpayer less the deductions and exemptions  
 11 provided for in this chapter.

12       ~~§11111~~ "Taxable year" means the taxpayer's taxable  
 13 year for federal income tax purposes.

14       ~~§121151~~ "Taxpayer" includes any person or fiduciary,  
 15 resident or nonresident, subject to a tax imposed by this  
 16 chapter and does not include corporations."

17       Section 2. Section 15-30-103, MCA, is amended to read:  
 18       "15-30-103. Rate of tax. ~~III~~ There shall be levied,  
 19 collected, and paid for each taxable year commencing on or  
 20 after December 31, 1968, upon the taxable income of every  
 21 taxpayer subject to this tax, after making allowance for  
 22 exemptions and deductions as hereinafter provided, a tax ~~on~~  
 23 the following brackets of taxable income as adjusted under  
 24 subsection 121 at the following rates:

25       ~~§111~~ on the first \$1,000 of taxable income or any

1 part thereof, 2%;  
 2       ~~t271b1~~ on the next \$1,000 of taxable income or any  
 3 part thereof, 3%;  
 4       ~~t371c1~~ on the next \$2,000 of taxable income or any  
 5 part thereof, 4%;  
 6       ~~t471d1~~ on the next \$2,000 of taxable income or any  
 7 part thereof, 5%;  
 8       ~~t571e1~~ on the next \$2,000 of taxable income or any  
 9 part thereof, 6%;  
 10      ~~t671f1~~ on the next \$2,000 of taxable income or any  
 11 part thereof, 7%;  
 12      ~~t771g1~~ on the next \$4,000 of taxable income or any  
 13 part thereof, 8%;  
 14      ~~t871h1~~ on the next \$6,000 of taxable income or any  
 15 part thereof, 9%;  
 16      ~~t971i1~~ on the next \$15,000 of taxable income or any  
 17 part thereof, 10%;  
 18      ~~t1071j1~~ on any taxable income in excess of \$35,000 or  
 19 any part thereof, 11%.  
 20      ~~121...By November 1 of each year, the department shall~~  
 21 ~~multiply the bracket amount contained in subsection (1) by~~  
 22 ~~the inflation factor for that taxable year and round the~~  
 23 ~~product to the nearest \$100. The resulting adjusted brackets~~  
 24 ~~are effective for that taxable year and shall be used as the~~  
 25 ~~basis for imposition of the tax in subsection (1) of this~~

1       sections"  
 2       Section 3. Section 15-30-112, MCA, is amended to read:  
 3       "15-30-112. Exemptions. (1) In the case of an  
 4 individual, the exemptions provided by this section and  
 5 adjusted under the procedure established in subsection 171  
 6 shall be allowed as deductions in computing taxable income.  
 7       (2) (a) An exemption of \$650 shall be allowed for  
 8 taxable years beginning after December 31, 1973, for the  
 9 taxpayer.  
 10      (b) An additional exemption of \$650 shall be allowed  
 11 for taxable years beginning after December 31, 1973, for the  
 12 spouse of the taxpayer if a separate return is made by the  
 13 taxpayer and if the spouse, for the calendar year in which  
 14 the taxable year of the taxpayer begins, has no gross income  
 15 and is not the dependent of another taxpayer.  
 16      (3) (a) An additional exemption of \$650 shall be  
 17 allowed for taxable years beginning after December 31, 1973,  
 18 for the taxpayer if he has attained the age of 65 before the  
 19 close of his taxable year.  
 20      (b) An additional exemption of \$650 shall be allowed  
 21 for taxable years beginning after December 31, 1973, for the  
 22 spouse of the taxpayer if a separate return is made by the  
 23 taxpayer and if the spouse has attained the age of 65 before  
 24 the close of such taxable year and, for the calendar year in  
 25 which the taxable year of the taxpayer begins, has no gross

1 income and is not the dependent of another taxpayer.

2 (4) (a) An additional exemption of \$650 shall be  
3 allowed for taxable years beginning after December 31, 1973,  
4 for the taxpayer if he is blind at the close of his taxable  
5 year.

6 (b) An additional exemption of \$650 shall be allowed  
7 for taxable years beginning after December 31, 1973, for the  
8 spouse of the taxpayer if a separate return is made by the  
9 taxpayer and if the spouse is blind and, for the calendar  
10 year in which the taxable year of the taxpayer begins, has  
11 no gross income and is not the dependent of another  
12 taxpayer. For the purposes of this subsection (4)(b), the  
13 determination of whether the spouse is blind shall be made  
14 as of the close of the taxable year of the taxpayer, except  
15 that if the spouse dies during such taxable year, such  
16 determination shall be made as of the time of such death.

17 (c) For purposes of this subsection (4), an individual  
18 is blind only if his central visual acuity does not exceed  
19 20/200 in the better eye with correcting lenses or if his  
20 visual acuity is greater than 20/200 but is accompanied by a  
21 limitation in the fields of vision such that the widest  
22 diameter of the visual field subtends an angle no greater  
23 than 20 degrees.

24 (5) (a) An exemption of \$650 shall be allowed for  
25 taxable years beginning after December 31, 1973, for each

1 dependent:

2 (i) whose gross income for the calendar year in which  
3 the taxable year of the taxpayer begins is less than \$650;  
4 or

5 (ii) who is a child of the taxpayer and who:  
6 (A) has not attained the age of 19 years at the close  
7 of the calendar year in which the taxable year of the  
8 taxpayer begins; or  
9 (B) is a student.

10 (b) No exemption shall be allowed under this  
11 subsection for any dependent who has made a joint return  
12 with his spouse for the taxable year beginning in the  
13 calendar year in which the taxable year of the taxpayer  
14 begins.

15 (c) For purposes of subsection (5)(a)(ii), the term  
16 "child" means an individual who is a son, stepson, daughter,  
17 or stepdaughter of the taxpayer.

18 (d) For purposes of subsection (5)(a)(ii)(B), the term  
19 "student" means an individual who, during each of 5 calendar  
20 months during the calendar year in which the taxable year of  
21 the taxpayer begins:

22 (i) is a full-time student at an educational  
23 institution; or

24 (ii) is pursuing a full-time course of institutional  
25 on-farm training under the supervision of an accredited

1 agent of an educational institution or of a state or  
 2 political subdivision of a state. For purposes of this  
 3 subsection (5)(d)(ii), the term "educational institution"  
 4 means only an educational institution which normally  
 5 maintains a regular faculty and curriculum and normally has  
 6 a regularly organized body of students in attendance at the  
 7 place where its educational activities are carried on.

8 (6) In the case of a nonresident taxpayer, the  
 9 exemption deduction shall be prorated according to the ratio  
 10 the taxpayer's Montana adjusted gross income bears to his  
 11 federal adjusted gross income.

12 ~~III. By November 1 of each year, the department shall  
 13 multiply all the exemptions provided in this section by the  
 14 inflation factor for that taxable year and round the product  
 15 to the nearest \$10. The resulting adjusted exemptions are  
 16 effective for that taxable year and shall be used in  
 17 calculating the tax imposed in 15-30-103.~~

18 Section 4. Section 15-30-122, MCA, is amended to read:  
 19  
 20 "15-30-122. Standard deduction. ~~III~~ In the case of a  
 21 resident individual, a standard deduction equal to 10% of  
 22 adjusted gross income shall be allowed if elected by the  
 23 taxpayer on his return. The standard deduction shall be in  
 24 lieu of all deductions allowed under 15-30-121. The maximum  
 25 standard deduction shall be \$500, ~~as adjusted under the~~  
~~provisions of subsection 121~~, except in the case of a single

1 joint return of husband and wife the maximum standard  
 2 deduction shall be \$1,000 ~~as adjusted under the provisions~~  
 3 ~~of subsection 121~~. The standard deduction shall not be  
 4 allowed to either the husband or the wife if the tax of one  
 5 of the spouses is determined without regard to the standard  
 6 deduction. For purposes of this section, the determination  
 7 of whether an individual is married shall be made as of the  
 8 last day of the taxable year; provided, however, if one of  
 9 the spouses dies during the taxable year, the determination  
 10 shall be made as of the date of death.

11 ~~121. By November 1 of each year, the department shall  
 12 multiply the maximum standard deduction for single returns  
 13 and joint returns by the inflation factor for that taxable  
 14 year and round the product to the nearest \$10. The resulting  
 15 adjusted exemptions are effective for that taxable year and  
 16 shall be used in calculating the tax imposed in 15-30-103.~~

17 Section 5. Section 15-30-142, MCA, is amended to read:  
 18  
 19 "15-30-142. Returns and payment of tax -- penalty and  
 20 interest -- refunds -- credits. (1) Every single individual  
 21 and every married individual not filing a joint return with  
 22 his or her spouse and having a gross income for the taxable  
 23 year of more than \$720 ~~as adjusted under the provisions of~~  
 24 ~~subsection 121~~ and married individuals not filing separate  
 25 returns and having a combined gross income for the taxable  
 year of more than \$1,445 ~~as adjusted under the provisions~~

1       of subsection 111 shall be liable for a return to be filed  
 2       on such forms and according to such rules as the department  
 3       may prescribe. The gross income amounts referred to in the  
 4       preceding sentence shall be increased by \$650 as adjusted  
 5       under the provisions of 15-30-112 for each additional  
 6       personal exemption allowance the taxpayer is entitled to  
 7       claim for himself and his spouse under 15-30-112(3) and (4).  
 8       A nonresident shall be required to file a return if his  
 9       gross income for the taxable year derived from sources  
 10      within Montana exceeds the amount of the exemption deduction  
 11      he is entitled to claim for himself and his spouse under the  
 12      provisions of 15-30-112(2), (3), and (4), as prorated  
 13      according to 15-30-112(6).

14       (2) In accordance with instructions set forth by the  
 15      department, every taxpayer who is married and living with  
 16      husband or wife and is required to file a return may, at his  
 17      or her option, file a joint return with husband or wife even  
 18      though one of the spouses has neither gross income nor  
 19      deductions. If a joint return is made, the tax shall be  
 20      computed on the aggregate taxable income and the liability  
 21      with respect to the tax shall be joint and several. If a  
 22      joint return has been filed for a taxable year, the spouses  
 23      may not file separate returns after the time for filing the  
 24      return of either has expired unless the department so  
 25      consents.

1       (3) If any such taxpayer is unable to make his own  
 2       return, the return shall be made by a duly authorized agent  
 3       or by a guardian or other person charged with the care of  
 4       the person or property of such taxpayer.

5       (4) All taxpayers, including but not limited to those  
 6       subject to the provisions of 15-30-202 and 15-30-241, shall  
 7       compute the amount of income tax payable and shall, at the  
 8       time of filing the return required by this chapter, pay to  
 9       the department any balance of income tax remaining unpaid  
 10      after crediting the amount withheld as provided by 15-30-202  
 11      and/or any payment made by reason of an estimated tax return  
 12      provided for in 15-30-241; provided, however, the tax so  
 13      computed is greater by \$1 than the amount withheld and/or  
 14      paid by estimated return as provided in this chapter. If the  
 15      amount of tax withheld and/or payment of estimated tax  
 16      exceeds by more than \$1 the amount of income tax as  
 17      computed, the taxpayer shall be entitled to a refund of the  
 18      excess.

19       (5) As soon as practicable after the return is filed,  
 20      the department shall examine and verify the tax.

21       (6) If the amount of tax as verified is greater than  
 22      the amount theretofore paid, the excess shall be paid by the  
 23      taxpayer to the department within 30 days after notice of  
 24      the amount of the tax as computed, with interest added at  
 25      the rate of 9% per annum or fraction thereof on the

1 additional tax. In such case there shall be no penalty  
2 because of such understatement, provided the deficiency is  
3 paid within 30 days after the first notice of the amount is  
4 mailed to the taxpayer.

5 111. By November 1 of each year, the department shall  
6 multiply the minimum amount of gross income necessitating  
7 the filing of a return by the inflation factor for that  
8 taxable year. These adjusted amounts are effective for that  
9 taxable year, and persons having gross incomes less than  
10 these adjusted amounts are not required to file a return."

11 NEW SECTION. Section 6. Adjusted base year structure  
12 to appear on tax forms. Individual income tax forms  
13 distributed by the department for each taxable year must  
14 contain instructions and tables based on the adjusted base  
15 year structure for that taxable year.

16 Section 7. Effective--date APPLICABILITY. This act is  
17 effective-on-passage-and-approval--and applies to taxable  
18 years beginning after December 31, 1978 1980.

-End-

1        for the maximum standard deduction provided in  
2        15-30-122 in effect on January 1, 1978 1980.  
3        121 "Consumer price index" means the consumer price  
4        index, United States city average, for all items, using the  
5        1967 base of 100, as published by the Bureau of Labor  
6        Statistics of the U.S. Department of Labor.  
7        121 "Department" means the Department of Revenue.  
8        121 "Dividend" means any distribution made by a  
9        corporation out of its earnings or profits to its  
10        shareholders or members, whether in cash or in other  
11        property or in stock of the corporation, other than stock  
12        dividends as herein defined. "Stock dividends" means new  
13        stock issued, for surplus or profits capitalized, to  
14        shareholders in proportion to their previous holdings.  
15        121 "Fiduciary" means a guardian, trustee,  
16        executor, administrator, receiver, conservator, or any  
17        person, whether individual or corporate, acting in any  
18        fiduciary capacity for any person, trust, or estate.  
19        121 "Foreign country" or "Foreign government" means  
20        any jurisdiction other than the one embraced within the  
21        United States, its territories and possessions.  
22        121 "Inflation factor" means a percentage NUMBER  
23        determined for each taxable year by dividing the consumer  
24        price index for June of the taxable year by the consumer  
25        price index for June, 1978 1980.

1        ~~5181~~ "Information agents" include all individuals,  
 2 corporations, associations, and partnerships, in whatever  
 3 capacity acting, including lessees or mortgagors of real or  
 4 personal property, fiduciaries, employers, and all officers  
 5 and employees of the state or of any municipal corporation  
 6 or political subdivision of the state, having the control,  
 7 receipt, custody, disposal, or payment of interest, rent,  
 8 salaries, wages, premiums, annuities, compensations,  
 9 remunerations, emoluments, or other fixed or determinable  
 10 annual or periodical gains, profits, and income with respect  
 11 to which any person or fiduciary, is taxable under this  
 12 chapter.

13        ~~6191~~ "Net income" means the adjusted gross income of  
 14 a taxpayer less the deductions allowed by this chapter.

15        ~~71101~~ "Paid", for the purposes of the deductions and  
 16 credits under this chapter, means paid or accrued or paid or  
 17 incurred, and the terms "paid or incurred" and "paid or  
 18 accrued" shall be construed according to the method of  
 19 accounting upon the basis of which the taxable income is  
 20 computed under this chapter.

21        ~~81111~~ "Received", for the purpose of computation of  
 22 taxable income under this chapter, means received or accrued  
 23 and the term "received or accrued" shall be construed  
 24 according to the method of accounting upon the basis of  
 25 which the taxable income is computed under this chapter.

1        ~~91121~~ "Resident" applies only to natural persons and  
 2 includes, for the purpose of determining liability to the  
 3 tax imposed by this chapter with reference to the income of  
 4 any taxable year, any person domiciled in the state of  
 5 Montana and any other person who maintains a permanent place  
 6 of abode within the state even though temporarily absent  
 7 from the state and has not established a residence  
 8 elsewhere.

9        ~~10111~~ "Taxable income" means the adjusted gross  
 10 income of a taxpayer less the deductions and exemptions  
 11 provided for in this chapter.

12        ~~111141~~ "Taxable year" means the taxpayer's taxable  
 13 year for federal income tax purposes.

14        ~~121151~~ "Taxpayer" includes any person or fiduciary,  
 15 resident or nonresident, subject to a tax imposed by this  
 16 chapter and does not include corporations."

17        Section 2. Section 15-30-103, MCA, is amended to read:  
 18        "15-30-103. Rate of tax. ~~111~~ There shall be levied,  
 19 collected, and paid for each taxable year commencing on or  
 20 after December 31, 1968, upon the taxable income of every  
 21 taxpayer subject to this tax, after making allowance for  
 22 exemptions and deductions as hereinafter provided, a tax on  
 23 the following brackets of taxable income as adjusted under  
 24 subsection ~~121~~ at the following rates:

25        ~~111~~ on the first \$1,000 of taxable income or any

1 part thereof, 2%;  
 2 ~~t271b1~~ on the next \$1,000 of taxable income or any  
 3 part thereof, 3%;  
 4 ~~t371c1~~ on the next \$2,000 of taxable income or any  
 5 part thereof, 4%;  
 6 ~~t471d1~~ on the next \$2,000 of taxable income or any  
 7 part thereof, 5%;  
 8 ~~t571e1~~ on the next \$2,000 of taxable income or any  
 9 part thereof, 6%;  
 10 ~~t671f1~~ on the next \$2,000 of taxable income or any  
 11 part thereof, 7%;  
 12 ~~t771g1~~ on the next \$4,000 of taxable income or any  
 13 part thereof, 8%;  
 14 ~~t871h1~~ on the next \$6,000 of taxable income or any  
 15 part thereof, 9%;  
 16 ~~t971i1~~ on the next \$15,000 of taxable income or any  
 17 part thereof, 10%;  
 18 ~~t1071j1~~ on any taxable income in excess of \$35,000 or  
 19 any part thereof, 11%.  
 20 ~~121~~ By November 1 of each year, the department shall  
 21 multiply the bracket amount contained in subsection III by  
 22 the inflation factor for that taxable year and round the  
 23 product to the nearest \$100. The resulting adjusted brackets  
 24 are effective for that taxable year and shall be used as the  
 25 basis for imposition of the tax in subsection III of this

1 sections."  
 2 Section 3. Section 15-30-112, MCA, is amended to read:  
 3 "15-30-112. Exemptions. (1) In the case of an  
 4 individual, the exemptions provided by this section and  
 5 adjusted under the procedure established in subsection III  
 6 shall be allowed as deductions in computing taxable income.  
 7 (2) (a) An exemption of \$650 shall be allowed for  
 8 taxable years beginning after December 31, 1973, for the  
 9 taxpayer.  
 10 (b) An additional exemption of \$650 shall be allowed  
 11 for taxable years beginning after December 31, 1973, for the  
 12 spouse of the taxpayer if a separate return is made by the  
 13 taxpayer and if the spouse, for the calendar year in which  
 14 the taxable year of the taxpayer begins, has no gross income  
 15 and is not the dependent of another taxpayer.  
 16 (3) (a) An additional exemption of \$650 shall be  
 17 allowed for taxable years beginning after December 31, 1973,  
 18 for the taxpayer if he has attained the age of 65 before the  
 19 close of his taxable year.  
 20 (b) An additional exemption of \$650 shall be allowed  
 21 for taxable years beginning after December 31, 1973, for the  
 22 spouse of the taxpayer if a separate return is made by the  
 23 taxpayer and if the spouse has attained the age of 65 before  
 24 the close of such taxable year and, for the calendar year in  
 25 which the taxable year of the taxpayer begins, has no gross

1 income and is not the dependent of another taxpayer.

2 (4) (a) An additional exemption of \$650 shall be  
3 allowed for taxable years beginning after December 31, 1973,  
4 for the taxpayer if he is blind at the close of his taxable  
5 year.

6 (b) An additional exemption of \$650 shall be allowed  
7 for taxable years beginning after December 31, 1973, for the  
8 spouse of the taxpayer if a separate return is made by the  
9 taxpayer and if the spouse is blind and, for the calendar  
10 year in which the taxable year of the taxpayer begins, has  
11 no gross income and is not the dependent of another  
12 taxpayer. For the purposes of this subsection (4)(b), the  
13 determination of whether the spouse is blind shall be made  
14 as of the close of the taxable year of the taxpayer, except  
15 that if the spouse dies during such taxable year, such  
16 determination shall be made as of the time of such death.

17 (c) For purposes of this subsection (4), an individual  
18 is blind only if his central visual acuity does not exceed  
19 20/200 in the better eye with correcting lenses or if his  
20 visual acuity is greater than 20/200 but is accompanied by a  
21 limitation in the fields of vision such that the widest  
22 diameter of the visual field subtends an angle no greater  
23 than 20 degrees.

24 (5) (a) An exemption of \$650 shall be allowed for  
25 taxable years beginning after December 31, 1973, for each

1 dependent:

2 (i) whose gross income for the calendar year in which  
3 the taxable year of the taxpayer begins is less than \$650;  
4 or

5 (ii) who is a child of the taxpayer and who:  
6 (A) has not attained the age of 19 years at the close  
7 of the calendar year in which the taxable year of the  
8 taxpayer begins; or  
9 (B) is a student.

10 (b) No exemption shall be allowed under this  
11 subsection for any dependent who has made a joint return  
12 with his spouse for the taxable year beginning in the  
13 calendar year in which the taxable year of the taxpayer  
14 begins.

15 (c) For purposes of subsection (5)(a)(ii), the term  
16 "child" means an individual who is a son, stepson, daughter,  
17 or stepdaughter of the taxpayer.

18 (d) For purposes of subsection (5)(a)(ii)(B), the term  
19 "student" means an individual who, during each of 5 calendar  
20 months during the calendar year in which the taxable year of  
21 the taxpayer begins:

22 (i) is a full-time student at an educational  
23 institution; or

24 (ii) is pursuing a full-time course of institutional  
25 on-farm training under the supervision of an accredited

1 agent of an educational institution or of a state or  
 2 political subdivision of a state. For purposes of this  
 3 subsection (5)(d)(ii), the term "educational institution"  
 4 means only an educational institution which normally  
 5 maintains a regular faculty and curriculum and normally has  
 6 a regularly organized body of students in attendance at the  
 7 place where its educational activities are carried on.

8 (6) In the case of a nonresident taxpayer, the  
 9 exemption deduction shall be prorated according to the ratio  
 10 the taxpayer's Montana adjusted gross income bears to his  
 11 federal adjusted gross income.

12 (7) By November 1 of each year, the department shall  
 13 multiply all the exemptions provided in this section by the  
 14 inflation factor for that taxable year and round the product  
 15 to the nearest \$1 \$10. The resulting adjusted exemptions are  
 16 effective for that taxable year and shall be used in  
 17 calculating the tax imposed in 15-30-103."

18 Section 4. Section 15-30-122, MCA, is amended to read:  
 19  
 20 "15-30-122. Standard deduction. (1) In the case of a  
 21 resident individual, a standard deduction equal to 10% of  
 22 adjusted gross income shall be allowed if elected by the  
 23 taxpayer on his return. The standard deduction shall be in  
 24 lieu of all deductions allowed under 15-30-121. The maximum  
 25 standard deduction shall be \$500, as adjusted under the  
 provisions of subsection (2) except in the case of a single

1 joint return of husband and wife the maximum standard  
 2 deduction shall be \$1,000 as adjusted under the provisions  
 3 of subsection (2). The standard deduction shall not be  
 4 allowed to either the husband or the wife if the tax of one  
 5 of the spouses is determined without regard to the standard  
 6 deduction. For purposes of this section, the determination  
 7 of whether an individual is married shall be made as of the  
 8 last day of the taxable year; provided, however, if one of  
 9 the spouses dies during the taxable year, the determination  
 10 shall be made as of the date of death.

11 (2) By November 1 of each year, the department shall  
 12 multiply the maximum standard deduction for single returns  
 13 and joint returns by the inflation factor for that taxable  
 14 year and round the product to the nearest \$10. The resulting  
 15 adjusted exemptions are effective for that taxable year and  
 16 shall be used in calculating the tax imposed in 15-30-103."

17 Section 5. Section 15-30-142, MCA, is amended to read:  
 18  
 19 "15-30-142. Returns and payment of tax -- penalty and  
 20 interest -- refunds -- credits. (1) Every single individual  
 21 and every married individual not filing a joint return with  
 22 his or her spouse and having a gross income for the taxable  
 23 year of more than \$720, as adjusted under the provisions of  
 24 subsection (1) and married individuals not filing separate  
 25 returns and having a combined gross income for the taxable  
 year of more than \$1,445, as adjusted under the provisions

1 of subsection 111a shall be liable for a return to be filed  
 2 on such forms and according to such rules as the department  
 3 may prescribe. The gross income amounts referred to in the  
 4 preceding sentence shall be increased by \$650~~s~~ as adjusted  
 5 under the provisions of 15-30-112~~111a~~ for each additional  
 6 personal exemption allowance the taxpayer is entitled to  
 7 claim for himself and his spouse under 15-30-112(3) and (4).  
 8 A nonresident shall be required to file a return if his  
 9 gross income for the taxable year derived from sources  
 10 within Montana exceeds the amount of the exemption deduction  
 11 he is entitled to claim for himself and his spouse under the  
 12 provisions of 15-30-112(2), (3), and (4), as prorated  
 13 according to 15-30-112(6).

14 (2) In accordance with instructions set forth by the  
 15 department, every taxpayer who is married and living with  
 16 husband or wife and is required to file a return may, at his  
 17 or her option, file a joint return with husband or wife even  
 18 though one of the spouses has neither gross income nor  
 19 deductions. If a joint return is made, the tax shall be  
 20 computed on the aggregate taxable income and the liability  
 21 with respect to the tax shall be joint and several. If a  
 22 joint return has been filed for a taxable year, the spouses  
 23 may not file separate returns after the time for filing the  
 24 return of either has expired unless the department so  
 25 consents.

1 (3) If any such taxpayer is unable to make his own  
 2 return, the return shall be made by a duly authorized agent  
 3 or by a guardian or other person charged with the care of  
 4 the person or property of such taxpayer.

5 (4) All taxpayers, including but not limited to those  
 6 subject to the provisions of 15-30-202 and 15-30-241, shall  
 7 compute the amount of income tax payable and shall, at the  
 8 time of filing the return required by this chapter, pay to  
 9 the department any balance of income tax remaining unpaid  
 10 after crediting the amount withheld as provided by 15-30-202  
 11 and/or any payment made by reason of an estimated tax return  
 12 provided for in 15-30-241; provided, however, the tax so  
 13 computed is greater by \$1 than the amount withheld and/or  
 14 paid by estimated return as provided in this chapter. If the  
 15 amount of tax withheld and/or payment of estimated tax  
 16 exceeds by more than \$1 the amount of income tax as  
 17 computed, the taxpayer shall be entitled to a refund of the  
 18 excess.

19 (5) As soon as practicable after the return is filed,  
 20 the department shall examine and verify the tax.

21 (6) If the amount of tax as verified is greater than  
 22 the amount theretofore paid, the excess shall be paid by the  
 23 taxpayer to the department within 30 days after notice of  
 24 the amount of the tax as computed, with interest added at  
 25 the rate of 9% per annum or fraction thereof on the

1 additional tax. In such case there shall be no penalty  
2 because of such understatement, provided the deficiency is  
3 paid within 30 days after the first notice of the amount is  
4 mailed to the taxpayer.

5 (7) By November 1 of each year, the department shall  
6 multiply the minimum amount of gross income necessitating  
7 the filing of a return by the inflation factor for that  
8 taxable year. These adjusted amounts are effective for that  
9 taxable year, and persons having gross incomes less than  
10 these adjusted amounts are not required to file a return."

11 NEW SECTION Section 6. Adjusted base year structure  
12 to appear on tax forms. Individual income tax forms  
13 distributed by the department for each taxable year must  
14 contain instructions and tables based on the adjusted base  
15 year structure for that taxable year.

16 Section 7. Effective--date APPLICABILITY. This act is  
17 effective-on-passage-and-approval--and applies to taxable  
18 years beginning after December 31, 1978 1980.

-End-

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

16 Section 1. Section 15-30-101, MCA, is amended to read:

17 \*15-30-101. Definitions. For the purpose of this

18 chapter, unless otherwise required by the context, the

19 following definitions apply:

20        (1) "Base year structure" means the following elements  
21        of the income tax structure:

22 (a) the tax brackets established in 15-30-103 in  
23 effect on January 1, 1978 1980:

1        ~~57181~~ "Information agents" include all individuals,  
 2 corporations, associations, and partnerships, in whatever  
 3 capacity acting, including lessees or mortgagors of real or  
 4 personal property, fiduciaries, employers, and all officers  
 5 and employees of the state or of any municipal corporation  
 6 or political subdivision of the state, having the control,  
 7 receipt, custody, disposal, or payment of interest, rent,  
 8 salaries, wages, premiums, annuities, compensations,  
 9 remunerations, emoluments, or other fixed or determinable  
 10 annual or periodical gains, profits, and income with respect  
 11 to which any person or fiduciary is taxable under this  
 12 chapter.

13        ~~57191~~ "Net income" means the adjusted gross income of  
 14 a taxpayer less the deductions allowed by this chapter.

15        ~~572101~~ "Paid", for the purposes of the deductions and  
 16 credits under this chapter, means paid or accrued or paid or  
 17 incurred, and the terms "paid or incurred" and "paid or  
 18 accrued" shall be construed according to the method of  
 19 accounting upon the basis of which the taxable income is  
 20 computed under this chapter.

21        ~~572111~~ "Received", for the purpose of computation of  
 22 taxable income under this chapter, means received or accrued  
 23 and the term "received or accrued" shall be construed  
 24 according to the method of accounting upon the basis of  
 25 which the taxable income is computed under this chapter.

1        ~~572121~~ "Resident" applies only to natural persons and  
 2 includes, for the purpose of determining liability to the  
 3 tax imposed by this chapter with reference to the income of  
 4 any taxable year, any person domiciled in the state of  
 5 Montana and any other person who maintains a permanent place  
 6 of abode within the state even though temporarily absent  
 7 from the state and has not established a residence  
 8 elsewhere.

9        ~~572131~~ "Taxable income" means the adjusted gross  
 10 income of a taxpayer less the deductions and exemptions  
 11 provided for in this chapter.

12        ~~572141~~ "Taxable year" means the taxpayer's taxable  
 13 year for federal income tax purposes.

14        ~~572151~~ "Taxpayer" includes any person or fiduciary,  
 15 resident or nonresident, subject to a tax imposed by this  
 16 chapter and does not include corporations."

17        Section 2. Section 15-30-103, MCA, is amended to read:  
 18        "15-30-103. Rate of tax. ~~111~~ There shall be levied,  
 19 collected, and paid for each taxable year commencing on or  
 20 after December 31, 1968, upon the taxable income of every  
 21 taxpayer subject to this tax, after making allowance for  
 22 exemptions and deductions as hereinafter provided, a tax on  
 23 the following brackets of taxable income as adjusted under  
 24 subsection (2) at the following rates:

25        ~~57111~~ on the first \$1,000 of taxable income or any

1 part thereof, 2%;  
 2       ~~t27fb1~~ on the next \$1,000 of taxable income or any  
 3 part thereof, 3%;  
 4       ~~t37fc1~~ on the next \$2,000 of taxable income or any  
 5 part thereof, 4%;  
 6       ~~t47fd1~~ on the next \$2,000 of taxable income or any  
 7 part thereof, 5%;  
 8       ~~t57fg1~~ on the next \$2,000 of taxable income or any  
 9 part thereof, 6%;  
 10      ~~t67ff1~~ on the next \$2,000 of taxable income or any  
 11 part thereof, 7%;  
 12      ~~t77fg1~~ on the next \$4,000 of taxable income or any  
 13 part thereof, 8%;  
 14      ~~t87fh1~~ on the next \$6,000 of taxable income or any  
 15 part thereof, 9%;  
 16      ~~t97fl1~~ on the next \$15,000 of taxable income or any  
 17 part thereof, 10%;  
 18      ~~t107fl1~~ on any taxable income in excess of \$35,000 or  
 19 any part thereof, 11%.  
 20      (2) By November 1 of each year, the department shall  
 21 multiply the bracket amount contained in subsection (1) by  
 22 the inflation factor for that taxable year and round the  
 23 product to the nearest \$100. The resulting adjusted brackets  
 24 are effective for that taxable year and shall be used as the  
 25 basis for imposition of the tax in subsection (1) of this

1       sections"  
 2       Section 3. Section 15-30-112, MCA, is amended to read:  
 3       "15-30-112. Exemptions. (1) In the case of an  
 4 individual, the exemptions provided by this section and  
 5 adjusted under the procedure established in subsection (1)  
 6 shall be allowed as deductions in computing taxable income.  
 7       (2) (a) An exemption of \$650 shall be allowed for  
 8 taxable years beginning after December 31, 1973, for the  
 9 taxpayer.  
 10      (b) An additional exemption of \$650 shall be allowed  
 11 for taxable years beginning after December 31, 1973, for the  
 12 spouse of the taxpayer if a separate return is made by the  
 13 taxpayer and if the spouse, for the calendar year in which  
 14 the taxable year of the taxpayer begins, has no gross income  
 15 and is not the dependent of another taxpayer.  
 16      (3) (a) An additional exemption of \$650 shall be  
 17 allowed for taxable years beginning after December 31, 1973,  
 18 for the taxpayer if he has attained the age of 65 before the  
 19 close of his taxable year.  
 20      (b) An additional exemption of \$650 shall be allowed  
 21 for taxable years beginning after December 31, 1973, for the  
 22 spouse of the taxpayer if a separate return is made by the  
 23 taxpayer and if the spouse has attained the age of 65 before  
 24 the close of such taxable year and, for the calendar year in  
 25 which the taxable year of the taxpayer begins, has no gross

1      income and is not the dependent of another taxpayer.

2            (4) (a) An additional exemption of \$650 shall be  
3      allowed for taxable years beginning after December 31, 1973,  
4      for the taxpayer if he is blind at the close of his taxable  
5      year.

6            (b) An additional exemption of \$650 shall be allowed  
7      for taxable years beginning after December 31, 1973, for the  
8      spouse of the taxpayer if a separate return is made by the  
9      taxpayer and if the spouse is blind and, for the calendar  
10     year in which the taxable year of the taxpayer begins, has  
11     no gross income and is not the dependent of another  
12     taxpayer. For the purposes of this subsection (4)(b), the  
13     determination of whether the spouse is blind shall be made  
14     as of the close of the taxable year of the taxpayer, except  
15     that if the spouse dies during such taxable year, such  
16     determination shall be made as of the time of such death.

17            (c) For purposes of this subsection (4), an individual  
18     is blind only if his central visual acuity does not exceed  
19     20/200 in the better eye with correcting lenses or if his  
20     visual acuity is greater than 20/200 but is accompanied by a  
21     limitation in the fields of vision such that the widest  
22     diameter of the visual field subtends an angle no greater  
23     than 20 degrees.

24            (5) (a) An exemption of \$650 shall be allowed for  
25      taxable years beginning after December 31, 1973, for each

1      dependent:

2            (i) whose gross income for the calendar year in which  
3      the taxable year of the taxpayer begins is less than \$650;  
4      or

5            (ii) who is a child of the taxpayer and who:

6            (A) has not attained the age of 19 years at the close  
7      of the calendar year in which the taxable year of the  
8      taxpayer begins; or

9            (B) is a student.

10            (b) No exemption shall be allowed under this  
11     subsection for any dependent who has made a joint return  
12     with his spouse for the taxable year beginning in the  
13     calendar year in which the taxable year of the taxpayer  
14     begins.

15            (c) For purposes of subsection (5)(a)(ii), the term  
16     "child" means an individual who is a son, stepson, daughter,  
17     or stepdaughter of the taxpayer.

18            (d) For purposes of subsection (5)(a)(ii)(B), the term  
19     "student" means an individual who, during each of 5 calendar  
20     months during the calendar year in which the taxable year of  
21     the taxpayer begins:

22            (i) is a full-time student at an educational  
23     institution; or

24            (ii) is pursuing a full-time course of institutional  
25     on-farm training under the supervision of an accredited

1 agent of an educational institution or of a state or  
 2 political subdivision of a state. For purposes of this  
 3 subsection (5)(d)(ii), the term "Educational Institution"  
 4 means only an educational institution which normally  
 5 maintains a regular faculty and curriculum and normally has  
 6 a regularly organized body of students in attendance at the  
 7 place where its educational activities are carried on.

8 (6) In the case of a nonresident taxpayer, the  
 9 exemption deduction shall be prorated according to the ratio  
 10 the taxpayer's Montana adjusted gross income bears to his  
 11 federal adjusted gross income.

12 (7) By November 1 of each year, the department shall  
 13 multiply all the exemptions provided in this section by the  
 14 inflation factor for that taxable year and round the product  
 15 to the nearest \$10. The resulting adjusted exemptions are  
 16 effective for that taxable year and shall be used in  
 17 calculating the tax imposed in 15-30-103."

18 Section 4. Section 15-30-122, MCA, is amended to read:  
 19  
 20 "15-30-122. Standard deduction. (1) In the case of a  
 21 resident individual, a standard deduction equal to 10% of  
 22 adjusted gross income shall be allowed if elected by the  
 23 taxpayer on his return. The standard deduction shall be in  
 24 lieu of all deductions allowed under 15-30-121. The maximum  
 25 standard deduction shall be \$500, as adjusted under the  
provisions of subsection (2), except in the case of a single

1 joint return of husband and wife the maximum standard  
 2 deduction shall be \$1,000 as adjusted under the provisions  
 3 of subsection (2). The standard deduction shall not be  
 4 allowed to either the husband or the wife if the tax of one  
 5 of the spouses is determined without regard to the standard  
 6 deduction. For purposes of this section, the determination  
 7 of whether an individual is married shall be made as of the  
 8 last day of the taxable year; provided, however, if one of  
 9 the spouses dies during the taxable year, the determination  
 10 shall be made as of the date of death.

11 (2) By November 1 of each year, the department shall  
 12 multiply the maximum standard deduction for single returns  
 13 and joint returns by the inflation factor for that taxable  
 14 year and round the product to the nearest \$10. The resulting  
 15 adjusted exemptions are effective for that taxable year and  
 16 shall be used in calculating the tax imposed in 15-30-103."

17 Section 5. Section 15-30-142, MCA, is amended to read:  
 18  
 19 "15-30-142. Returns and payment of tax -- penalty and  
 20 interest -- refunds -- credits. (1) Every single individual  
 21 and every married individual not filing a joint return with  
 22 his or her spouse and having a gross income for the taxable  
 23 year of more than \$720, as adjusted under the provisions of  
 24 subsection (7), and married individuals not filing separate  
 25 returns and having a combined gross income for the taxable  
 year of more than \$1,445, as adjusted under the provisions

1       of subsection (7) shall be liable for a return to be filed  
 2       on such forms and according to such rules as the department  
 3       may prescribe. The gross income amounts referred to in the  
 4       preceding sentence shall be increased by \$650~~s as adjusted~~  
 5       under the provisions of 15-30-112(7) for each additional  
 6       personal exemption allowance the taxpayer is entitled to  
 7       claim for himself and his spouse under 15-30-112(3) and (4).  
 8       A nonresident shall be required to file a return if his  
 9       gross income for the taxable year derived from sources  
 10      within Montana exceeds the amount of the exemption deduction  
 11      he is entitled to claim for himself and his spouse under the  
 12      provisions of 15-30-112(2), (3), and (4), as prorated  
 13      according to 15-30-112(6).

14       (2) In accordance with instructions set forth by the  
 15      department, every taxpayer who is married and living with  
 16      husband or wife and is required to file a return may, at his  
 17      or her option, file a joint return with husband or wife even  
 18      though one of the spouses has neither gross income nor  
 19      deductions. If a joint return is made, the tax shall be  
 20      computed on the aggregate taxable income and the liability  
 21      with respect to the tax shall be joint and several. If a  
 22      joint return has been filed for a taxable year, the spouses  
 23      may not file separate returns after the time for filing the  
 24      return of either has expired unless the department so  
 25      consents.

1       (3) If any such taxpayer is unable to make his own  
 2       return, the return shall be made by a duly authorized agent  
 3       or by a guardian or other person charged with the care of  
 4       the person or property of such taxpayer.

5       (4) All taxpayers, including but not limited to those  
 6       subject to the provisions of 15-30-202 and 15-30-241, shall  
 7       compute the amount of income tax payable and shall, at the  
 8       time of filing the return required by this chapter, pay to  
 9       the department any balance of income tax remaining unpaid  
 10      after crediting the amount withheld as provided by 15-30-202  
 11      and/or any payment made by reason of an estimated tax return  
 12      provided for in 15-30-241; provided, however, the tax so  
 13      computed is greater by \$1 than the amount withheld and/or  
 14      paid by estimated return as provided in this chapter. If the  
 15      amount of tax withheld and/or payment of estimated tax  
 16      exceeds by more than \$1 the amount of income tax as  
 17      computed, the taxpayer shall be entitled to a refund of the  
 18      excess.

19       (5) As soon as practicable after the return is filed,  
 20      the department shall examine and verify the tax.

21       (6) If the amount of tax as verified is greater than  
 22      the amount theretofore paid, the excess shall be paid by the  
 23      taxpayer to the department within 30 days after notice of  
 24      the amount of the tax as computed, with interest added at  
 25      the rate of 9% per annum or fraction thereof on the

1 additional tax. In such case there shall be no penalty  
2 because of such understatement, provided the deficiency is  
3 paid within 30 days after the first notice of the amount is  
4 mailed to the taxpayer.

5 (7) By November 1 of each year, the department shall  
6 multiply the minimum amount of gross income necessitating  
7 the filing of a return by the inflation factor for that  
8 taxable year. These adjusted amounts are effective for that  
9 taxable year, and persons having gross incomes less than  
10 these adjusted amounts are not required to file a return."

11 NEW SECTION. Section 6. Adjusted base year structure  
12 to appear on tax forms. Individual income tax forms  
13 distributed by the department for each taxable year must  
14 contain instructions and tables based on the adjusted base  
15 year structure for that taxable year.

16 Section 7. Effective--date APPLICABILITY. This act is  
17 effective-on-passage-and-approval--and applies to taxable  
18 years beginning after December 31, ~~1978~~ 1980.

-End-

State of Montana  
Office of The Governor  
Helena 59601

THOMAS L. JUDGE  
GOVERNOR

May 14, 1979

The Honorable William Mathers  
President of the Senate  
State Capitol  
Helena, Montana 59601

The Honorable Harold Gerke  
Speaker of the House  
State Capitol  
Helena, Montana 59601

Dear President Mathers and Speaker Gerke:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto House Bill No. 303, "AN ACT TO REVISE THE INCOME TAX STRUCTURE BY REQUIRING THAT THE TAX BRACKETS, EXEMPTIONS, STANDARD DEDUCTIONS, AND MINIMUM FILING REQUIREMENTS BE ADJUSTED ANNUALLY FOR INFLATION; AMENDING SECTIONS 15-30-101, 15-30-103, 15-30-112, 15-30-122, AND 15-30-142, MCA; AND PROVIDING A DELAYED APPLICABILITY DATE."

House Bill 303 is a bill designed to control the effects of inflation upon Montana's income tax structure. While the goal of this bill is praiseworthy, its application to Montana's tax structure causes serious problems with both revenues for state government and compatibility with other bills enacted during the legislative session.

During its passage through the legislative process, the fiscal impact of House Bill 303 for the 1980-81 biennium was estimated to be a \$900,000 loss in revenue. The estimate was based on the \$650 personal exemption which has been part of Montana tax law for many years. Subsequently, the compromise tax relief package embodied in House Bill 925 was passed, raising the personal exemption to \$800. The changes which House Bill 925 makes in our tax system are now in effect. This means that, if House Bill 303 were to become law, increases in the personal exemption will be based on at least \$800 rather than \$650 which causes a substantial increase in the fiscal impact. It is estimated that the loss in revenue from House Bill 303, as compounded by the effect of House Bill 925 would be \$2 million during the 80-81 biennium. The order in which the two bills passed strongly suggests that the hidden fiscal impact resulting from the compounding of the two relief measures is well beyond what members of the legislature contemplated.

The Honorable William Mathers  
The Honorable Harold Gerke  
May 14, 1979  
Page Two

House Bill 925 passed during the session provides that any surplus revenues which become available to the state during this biennium will be returned to the taxpayer by raising the personal exemption. This is a far more simple and direct form of tax relief than the complex formula provided in House Bill 303. The complex compliance burdens imposed on taxpayers by our voluntary reporting system are already quite heavy. I am hesitant to impose the additional complexities of House Bill 303 upon Montana's taxpayers when similar results can be obtained by simple adjustments to the amount of the personal exemption similar to those achieved by House Bill 925.

In addition, I am concerned that the concept contained in House Bill 303 is an unsubstantiated concept in its practical application to a state's income tax structure. Although it is in existence in four states, its history has not been established to the point that a consensus is available as to whether the concept is good or bad. I am hesitant to see the State of Montana embark upon an uncharted course of taxation during these times of economic fluctuation.

I note that House Bill No. 303 will not be effective until the tax year beginning in 1981. Therefore, Montanans will not receive any tax relief under this bill until the next Legislature is in session. At that time the Legislature will have the benefit of the experience of the other states who are now experimenting with this concept and will have a better understanding of the prevailing economic conditions of Montana at that time.

For these reasons, I veto House Bill No. 303.

Sincerely,

  
THOMAS L. JUDGE  
Governor

cc: The Honorable Frank Murray