

1 HOUSE BILL NO. 303 *Ramirez*
 2 INTRODUCED BY *Andrew F. Fager*
 3 *Leonard Keller* *Donald F. Fager* *Sally Larson*
 4 *Gordon Tague* *Turner* *Quinton* *Mark*
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE INCOME
 6 TAX STRUCTURE BY REQUIRING THAT THE TAX BRACKETS, *Hoffman*
 7 EXEMPTIONS, STANDARD DEDUCTIONS, AND MINIMUM FILING
 8 REQUIREMENTS BE ADJUSTED ANNUALLY FOR INFLATION; AMENDING *Ryan*
 9 SECTIONS 15-30-101, 15-30-103, 15-30-112, 15-30-122, AND *Therese*
 10 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;

22 (c) the maximum standard deduction provided in
23 15-30-122 in effect on January 1, 1978;

24 (2) "Consumer price index" means the consumer price
25 index, United States city average, 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 (1) "Department" means the department of revenue.

4 (2) "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 (3) "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 (4) "Foreign country" or "foreign government" means
16 any jurisdiction other than the one embraced within the
17 United States, its territories and possessions.

18 (5) "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 (6) "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 ~~†6†(9)~~ "Net income" means the adjusted gross income of
 10 a taxpayer less the deductions allowed by this chapter.

11 ~~†7†(10)~~ "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 ~~†8†(11)~~ "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 ~~†9†(12)~~ "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 ~~†10†(13)~~ "Taxable income" means the adjusted gross
 6 income of a taxpayer less the deductions and exemptions
 7 provided for in this chapter.

8 ~~†11†(14)~~ "Taxable year" means the taxpayer's taxable
 9 year for federal income tax purposes.

10 ~~†12†(15)~~ "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. 11 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 ~~on~~
 19 the following brackets of taxable income as adjusted under
 20 subsection (2) at the following rates:

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

23 ~~†2†(b)~~ on the next \$1,000 of taxable income or any
 24 part thereof, 3%;

25 ~~†3†(c)~~ on the next \$2,000 of taxable income or any

1 part thereof, 4%;

2 ~~(4)(d)~~ on the next \$2,000 of taxable income or any

3 part thereof, 5%;

4 ~~(5)(e)~~ on the next \$2,000 of taxable income or any

5 part thereof, 6%;

6 ~~(6)(f)~~ on the next \$2,000 of taxable income or any

7 part thereof, 7%;

8 ~~(7)(g)~~ on the next \$4,000 of taxable income or any

9 part thereof, 8%;

10 ~~(8)(h)~~ on the next \$6,000 of taxable income or any

11 part thereof, 9%;

12 ~~(9)(i)~~ on the next \$15,000 of taxable income or any

13 part thereof, 10%;

14 ~~(10)(j)~~ on any taxable income in excess of \$35,000 or

15 any part thereof, 11%.

16 (2) 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 (1)~~

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 15-30-103."~~

14 Section 4. Section 15-30-122, MCA, is amended to read:

15 "15-30-122. Standard deduction. (1) In the case of a
16 resident individual, a standard deduction equal to 10% of
17 adjusted gross income shall be allowed if elected by the
18 taxpayer on his return. The standard deduction shall be in
19 lieu of all deductions allowed under 15-30-121. The maximum
20 standard deduction shall be \$500, as adjusted under the
21 provisions of subsection (2), except in the case of a single
22 joint return of husband and wife the maximum standard
23 deduction shall be \$1,000 as adjusted under the provisions
24 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 15-30-103."~~

13 Section 5. Section 15-30-142, MCA, is amended to read:

14 "15-30-142. Returns and payment of tax -- penalty and
15 interest -- refunds -- credits. (1) Every single individual
16 and every married individual not filing a joint return with
17 his or her spouse and having a gross income for the taxable
18 year of more than \$720, as adjusted under the provisions of
19 subsection (7), 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
22 of subsection (7), shall be liable for a return to be filed
23 on such forms and according to such rules as the department
24 may prescribe. The gross income amounts referred to in the
25 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 (7) 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, 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.

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

	FY 80	FY 81
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	<u>(\$ 1.646 to 1.976 M)</u>	<u>(\$ 12.019 to 14.422 M)</u>

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	<u>(\$ 1.054 to 1.265 M)</u>	<u>(\$ 7.693 to 9.230 M)</u>

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	<u>(\$ 0.411 to 0.494 M)</u>	<u>(\$ 3.004 to 3.605 M)</u>

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, 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.

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Page 2

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	<u>(\$ 0.181 to 0.217 M)</u>	<u>(\$ 1.322 to 1.587 M)</u>

*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. Drury
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4/30/79

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.

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

	<u>FY 80</u>	<u>FY 81</u>
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	<u>(\$ 0.439 M to \$ 0.878 M)</u>	<u>(\$ 2.909 M to \$ 5.821 M)</u>

(Continued on page 2)

Richard L. Strang for
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/9/79

FISCAL NOTE

Form BD 15

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

Page 2

FUND INFORMATION

	<u>FY 80</u>	<u>FY 81</u>
General Fund		
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)
Earmarked Revenue Fund		
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)
Sinking Fund*		
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

- a) 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.
- b) 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, 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.

Page 2

FUND INFORMATION (Cont.)

	<u>FY80</u>	<u>FY81</u>
Earmarked Revenue Fund		
under current law	\$ 38.567 M	\$ 42.447 M
under proposed law	\$ 38.567 M	\$ 42.219 M to \$ 42.333 M
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	\$ 16.969 M	\$ 18.577 M to \$ 18.627 M
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

	<u>FY80</u>	<u>FY81</u>
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	(\$ <u>0</u>)	(\$ <u>0.456 M to \$ 0.913 M</u>)

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	(\$ <u>0</u>)	(\$ <u>0.292 M to \$ 0.585 M</u>)

Continued on Page 2

BUDGET DIRECTOR *Richard L. Jew*
Office of Budget and Program Planning *for*

Date: 4/4/79

Approved by Committee
on Taxation

HOUSE BILL NO. 303

INTRODUCED BY NORDTVEOT, ROSKIE, FABREGA, UHOE, RAMIREZ,
LENSINK, KESSLER, ROSENTHAL, FAGG, GOODOVER, TEAGUE,
TURNAGE, SIVERTSEN, SCULLY, IVERSON, MATHERS, BOYLAN,
HAFFERMAN, RYAN, THIESSEN, HAZELBAKER, GALT, VINCENT

A BILL FOR AN ACT ENTITLED: "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 ~~AN~~ EFFE CTIVE A DELAYED
APPLICABILITY DATE."

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

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

"15-30-101. Definitions. For the purpose of this
chapter, unless otherwise required by the context, the
following definitions apply:

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

(a) the tax brackets established in 15-30-101 in
effect on January 1, 1978 1980;

(b) the exemptions contained in 15-30-112 in effect on
January 1, 1978 1980;

(c) the maximum standard deduction provided in
15-30-122 in effect on January 1, 1978 1980;

(2) "Consumer price index" means the consumer price
index, United States city average, for all items, using the
1967 base of 100 as published by the bureau of labor
statistics of the U.S. department of labor.

~~(1)~~ (3) "Department" means the department of revenue.

~~(2)~~ (4) "Dividend" means any distribution made by a
corporation out of its earnings or profits to its
shareholders or members, whether in cash or in other
property or in stock of the corporation, other than stock
dividends as herein defined. "Stock dividends" means new
stock issued, for surplus or profits capitalized, to
shareholders in proportion to their previous holdings.

~~(3)~~ (5) "Fiduciary" means a guardian, trustee,
executor, administrator, receiver, conservator, or any
person, whether individual or corporate, acting in any
fiduciary capacity for any person, trust, or estate.

~~(4)~~ (6) "Foreign country" or "foreign government" means
any jurisdiction other than the one embraced within the
United States, its territories and possessions.

(7) "Inflation factor" means a percentage NUMBER
determined for each taxable year by dividing the consumer
price index for June of the taxable year by the consumer
price index for June, 1979 1980.

1 †5†181 "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 †6†191 "Net income" means the adjusted gross income of
 14 a taxpayer less the deductions allowed by this chapter.

15 †7†1101 "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 †8†1111 "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 †9†1121 "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 †10†1131 "Taxable income" means the adjusted gross
 10 income of a taxpayer less the deductions and exemptions
 11 provided for in this chapter.

12 †11†1141 "Taxable year" means the taxpayer's taxable
 13 year for federal income tax purposes.

14 †12†1151 "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. 11 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 †1†1a1 on the first \$1,000 of taxable income or any

1 part thereof, 2%;

2 (2)(b) on the next \$1,000 of taxable income or any

3 part thereof, 3%;

4 (3)(c) on the next \$2,000 of taxable income or any

5 part thereof, 4%;

6 (4)(d) on the next \$2,000 of taxable income or any

7 part thereof, 5%;

8 (5)(e) on the next \$2,000 of taxable income or any

9 part thereof, 6%;

10 (6)(f) on the next \$2,000 of taxable income or any

11 part thereof, 7%;

12 (7)(g) on the next \$4,000 of taxable income or any

13 part thereof, 8%;

14 (8)(h) on the next \$6,000 of taxable income or any

15 part thereof, 9%;

16 (9)(i) on the next \$15,000 of taxable income or any

17 part thereof, 10%;

18 (10)(j) on any taxable income in excess of \$35,000 or

19 any part thereof, 11%.

20 (21) By November 1 of each year, the department shall

21 multiply the bracket amount contained in subsection 11 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 11 of this

1 **section.**

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 (7)~~

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 "15-30-122. Standard deduction. (1) In the case of a
 20 resident individual, a standard deduction equal to 10% of
 21 adjusted gross income shall be allowed if elected by the
 22 taxpayer on his return. The standard deduction shall be in
 23 lieu of all deductions allowed under 15-30-121. The maximum
 24 standard deduction shall be \$500, as adjusted under the
 25 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 "15-30-142. Returns and payment of tax -- penalty and
 19 interest -- refunds -- credits. (1) Every single individual
 20 and every married individual not filing a joint return with
 21 his or her spouse and having a gross income for the taxable
 22 year of more than \$720, as adjusted under the provisions of
 23 subsection (7), and married individuals not filing separate
 24 returns and having a combined gross income for the taxable
 25 year of more than \$1,445, as adjusted under the provisions

1 ~~of subsection 171~~, 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(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-

HOUSE BILL NO. 303

INTRODUCED BY NORDTVEOT, ROSKIE, FABREGA, UHDE, RAMIREZ,
LENSINK, KESSLER, ROSENTHAL, FAGG, GOODOVER, TEAGUE,
TURNAGE, SIVERTSEN, SCULLY, IVERSON, MATHERS, BOYLAN,
HAFFERMAN, RYAN, THIESSEN, HAZELBAKER, GALT, VINCENT

A BILL FOR AN ACT ENTITLED: "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 AN--EFFECTIVE A DELAYED
APPLICABILITY DATE."

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

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

"15-30-101. Definitions. For the purpose of this
chapter, unless otherwise required by the context, the
following definitions apply:

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

(a) the tax brackets established in 15-30-101 in
effect on January 1, 1978 1980;

(b) the exemptions contained in 15-30-112 in effect on
January 1, 1978 1980;

(c) the maximum standard deduction provided in
15-30-122 in effect on January 1, 1978 1980.

(2) "Consumer price index" means the consumer price
index, United States city average, for all items, using the
1967 base of 100 as published by the bureau of labor
statistics of the U.S. department of labor.

(3) "Department" means the department of revenue.

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

(5) "Fiduciary" means a guardian, trustee,
executor, administrator, receiver, conservator, or any
person, whether individual or corporate, acting in any
fiduciary capacity for any person, trust, or estate.

(6) "Foreign country" or "foreign government" means
any jurisdiction other than the one embraced within the
United States, its territories and possessions.

(7) "Inflation factor" means a percentage NUMBER
determined for each taxable year by dividing the consumer
price index for June of the taxable year by the consumer
price index for June, 1979 1980.

1 ~~5~~~~181~~ "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 ~~6~~~~191~~ "Net income" means the adjusted gross income of
 14 a taxpayer less the deductions allowed by this chapter.

15 ~~7~~~~1101~~ "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 ~~8~~~~1111~~ "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 ~~9~~~~1121~~ "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 ~~10~~~~1131~~ "Taxable income" means the adjusted gross
 10 income of a taxpayer less the deductions and exemptions
 11 provided for in this chapter.

12 ~~11~~~~1141~~ "Taxable year" means the taxpayer's taxable
 13 year for federal income tax purposes.

14 ~~12~~~~1151~~ "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. ~~11~~ 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 ~~13~~~~a~~ on the first \$1,000 of taxable income or any

1 part thereof, 2%;

2 †2†(b) on the next \$1,000 of taxable income or any

3 part thereof, 3%;

4 †3†(c) on the next \$2,000 of taxable income or any

5 part thereof, 4%;

6 †4†(d) on the next \$2,000 of taxable income or any

7 part thereof, 5%;

8 †5†(e) on the next \$2,000 of taxable income or any

9 part thereof, 6%;

10 †6†(f) on the next \$2,000 of taxable income or any

11 part thereof, 7%;

12 †7†(g) on the next \$4,000 of taxable income or any

13 part thereof, 8%;

14 †8†(h) on the next \$6,000 of taxable income or any

15 part thereof, 9%;

16 †9†(i) on the next \$15,000 of taxable income or any

17 part thereof, 10%;

18 †10†(j) on any taxable income in excess of \$35,000 or

19 any part thereof, 11%.

20 †11 By November 1 of each year, the department shall

21 multiply the bracket amount contained in subsection (i) 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 (i) of this

1 ~~section.~~"

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 (7)~~

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 "15-30-122. Standard deduction. (1) In the case of a
 20 resident individual, a standard deduction equal to 10% of
 21 adjusted gross income shall be allowed if elected by the
 22 taxpayer on his return. The standard deduction shall be in
 23 lieu of all deductions allowed under 15-30-121. The maximum
 24 standard deduction shall be \$500, as adjusted under the
 25 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 "15-30-142. Returns and payment of tax -- penalty and
 19 interest -- refunds -- credits. (1) Every single individual
 20 and every married individual not filing a joint return with
 21 his or her spouse and having a gross income for the taxable
 22 year of more than \$720, as adjusted under the provisions of
 23 subsection (7), and married individuals not filing separate
 24 returns and having a combined gross income for the taxable
 25 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 ~~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-

HOUSE BILL NO. 303

INTRODUCED BY NORDTVEDT, ROSKIE, FABREGA, UMDE, RAMIREZ,
LENSINK, KESSLER, ROSENTHAL, FAGG, GOODOVER, TEAGUE,
TURNAGE, SIVERTSEN, SCULLY, IVERSON, MATHERS, BOYLAN,
HAFFERMAN, RYAN, THIESSEN, HAZELBAKER, GALT, VINCENT

A BILL FOR AN ACT ENTITLED: "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 AN--EFFE~~CTIVE~~IVE A DELAYED
APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
Section 1. Section 15-30-101, MCA, is amended to read:
"15-30-101. Definitions. For the purpose of this
chapter, unless otherwise required by the context, the
following definitions apply:

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

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

(b) the exemptions contained in 15-30-112 in effect on
January 1, 1978 1980;

(c) the maximum standard deduction provided in
15-30-122 in effect on January 1, 1978 1980.

(2) "Consumer price index" means the consumer price
index, United States city average, for all items, using the
1967 base of 100 as published by the bureau of labor
statistics of the U.S. department of labor.

~~(1)~~(3) "Department" means the department of revenue.

~~(2)~~(4) "Dividend" means any distribution made by a
corporation out of its earnings or profits to its
shareholders or members, whether in cash or in other
property or in stock of the corporation, other than stock
dividends as herein defined. "Stock dividends" means new
stock issued, for surplus or profits capitalized, to
shareholders in proportion to their previous holdings.

~~(3)~~(5) "Fiduciary" means a guardian, trustee,
executor, administrator, receiver, conservator, or any
person, whether individual or corporate, acting in any
fiduciary capacity for any person, trust, or estate.

~~(4)~~(6) "Foreign country" or "foreign government" means
any jurisdiction other than the one embraced within the
United States, its territories and possessions.

(7) "Inflation factor" means a percentage NUMBER
determined for each taxable year by dividing the consumer
price index for June of the taxable year by the consumer
price index for June, 1979 1980.

1 ~~(5)~~~~(8)~~ "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 ~~(6)~~~~(9)~~ "Net income" means the adjusted gross income of
14 a taxpayer less the deductions allowed by this chapter.

15 ~~(7)~~~~(10)~~ "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 ~~(8)~~~~(11)~~ "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 ~~(9)~~~~(12)~~ "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 ~~(10)~~~~(13)~~ "Taxable income" means the adjusted gross
10 income of a taxpayer less the deductions and exemptions
11 provided for in this chapter.

12 ~~(11)~~~~(14)~~ "Taxable year" means the taxpayer's taxable
13 year for federal income tax purposes.

14 ~~(12)~~~~(15)~~ "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. (1) 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 ~~(1)~~~~(a)~~ on the first \$1,000 of taxable income or any

1 part thereof, 2%;

2 ~~†2†(b)~~ on the next \$1,000 of taxable income or any

3 part thereof, 3%;

4 ~~†3†(c)~~ on the next \$2,000 of taxable income or any

5 part thereof, 4%;

6 ~~†4†(d)~~ on the next \$2,000 of taxable income or any

7 part thereof, 5%;

8 ~~†5†(e)~~ on the next \$2,000 of taxable income or any

9 part thereof, 6%;

10 ~~†6†(f)~~ on the next \$2,000 of taxable income or any

11 part thereof, 7%;

12 ~~†7†(g)~~ on the next \$4,000 of taxable income or any

13 part thereof, 8%;

14 ~~†8†(h)~~ on the next \$6,000 of taxable income or any

15 part thereof, 9%;

16 ~~†9†(i)~~ on the next \$15,000 of taxable income or any

17 part thereof, 10%;

18 ~~†10†(j)~~ 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 section."

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 (7)

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 "15-30-122. Standard deduction. ~~(1)~~ In the case of a
 20 resident individual, a standard deduction equal to 10% of
 21 adjusted gross income shall be allowed if elected by the
 22 taxpayer on his return. The standard deduction shall be in
 23 lieu of all deductions allowed under 15-30-121. The maximum
 24 standard deduction shall be \$500, as adjusted under the
 25 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 "15-30-142. Returns and payment of tax -- penalty and
 19 interest -- refunds -- credits. (1) Every single individual
 20 and every married individual not filing a joint return with
 21 his or her spouse and having a gross income for the taxable
 22 year of more than \$720, as adjusted under the provisions of
 23 subsection (7), and married individuals not filing separate
 24 returns and having a combined gross income for the taxable
 25 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, 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-

8

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