

HOUSE BILL 440

IN THE HOUSE

January 27, 1979

Introduced and referred to
Committee on Taxation.

1 HOUSE BILL NO. 440
2 INTRODUCED BY Dassinger, Couray Smith

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION
5 15-30-131, MCA, TO ALLOW ITEMIZED DEDUCTIONS TO NONRESIDENTS
6 ACCORDING TO THE RATIO MONTANA ADJUSTED GROSS INCOME BEARS
7 TO FEDERAL ADJUSTED GROSS INCOME; AND PROVIDING AN IMMEDIATE
8 EFFECTIVE DATE."

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

11 Section 1. Section 15-30-131, MCA, is amended to read:

12 "15-30-131. Nonresident taxpayers -- adjusted gross
13 income. (1) In the case of a taxpayer other than a resident
14 of this state, adjusted gross income includes the entire
15 amount of adjusted gross income from sources within this
16 state but shall not include income from annuities, interest
17 on bank deposits, interest on bonds, notes, or other
18 interest-bearing obligations, or dividends on stock of
19 corporations except to the extent to which ~~the same~~ any of
20 the preceding shall be a part of income from any business,
21 trade, profession, or occupation carried on in this state.
22 Adjusted gross income from sources within and without this
23 state shall be allocated and apportioned under rules
24 prescribed by the department.

25 (2) In the case of a taxpayer other than a resident of

1 this state, the deductions allowed in computing net income
2 shall be ~~restricted to those directly connected with the~~
3 ~~production of Montana income prorated according to the ratio~~
4 ~~the nonresident's Montana adjusted gross income bears to his~~
5 ~~or her federal income tax adjusted gross income.~~ A temporary
6 ~~resident nonresident temporarily residing in Montana~~ shall
7 be allowed those deductions allowed a resident to the extent
8 that such deductions were actually incurred or ~~and~~ expended
9 in the state of Montana during the course of his residency
10 within this state."

11 Section 2. Effective date and applicability. This act
12 is effective on passage and approval and applies to taxable
13 years beginning after December 31, 1977.

-End-

STATE OF MONTANA

REQUEST NO. 172-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 29, 19 79, there is hereby submitted a Fiscal Note for House Bill 440 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This bill amends section 15-30-131, MCA, to allow itemized deductions to nonresidents according to the ratio Montana adjusted gross income bears to Federal adjusted gross income; and providing an immediate effective date.

ASSUMPTIONS

- The Department of Revenue forecast of individual income tax receipts for the 80-81 biennium is the basis for comparison.
- Under the proposed law the average amount of the itemized deductions claimed by 25,000 non-resident filers will be increased by between \$1,200 and \$1,500.
- The average effective tax rate is 5.59%.

FISCAL IMPACTIndividual Income Tax Collections

	<u>FY80</u>	<u>FY81</u>
under current law	\$154.268 M	\$169.790 M
under proposed law	<u>\$152.172 - \$152.591 M</u>	<u>\$167.694 - \$168.113 M</u>
Estimated Decrease	<u>(\$ 1.677 - \$ 2.096 M)</u>	<u>(\$ 1.677 - \$ 2.096 M)</u>

FUND INFORMATION

General Fund

under current law	\$ 98.732 M	\$108.666 M
under proposed law	<u>\$ 97.390 - \$ 97.658 M</u>	<u>\$107.324 - \$107.592 M</u>
Estimated Decrease	<u>(\$ 1.074 - \$ 1.342 M)</u>	<u>(\$ 1.074 - \$ 1.342 M)</u>

Earmarked Fund

under current law	\$ 38.567 M	\$ 42.447 M
under proposed law	<u>\$ 38.043 - \$ 38.148 M</u>	<u>\$ 41.924 - \$ 42.029 M</u>
Estimated Decrease	<u>(\$ 0.419 - \$ 0.524 M)</u>	<u>(\$ 0.418 - \$ 0.523 M)</u>

Sinking Fund *

under current law	\$ 16.969 M	\$ 18.677 M
under proposed law	<u>\$ 16.739 - \$ 16.785 M</u>	<u>\$ 18.446 - \$ 18.492 M</u>
Estimated Decrease	<u>(\$ 0.184 - \$ 0.230 M)</u>	<u>(\$ 0.185 - \$ 0.231 M)</u>

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

(Continued on page 2)

BUDGET DIRECTOR *Richard J. Franzen*

Office of Budget and Program Planning

Date: 2/5/79

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Page 2

LONG-RANGE EFFECTS

Loss of \$2 million per year.

TECHNICAL NOTE

Revenues to the indicated Earmarked Revenue Account are used to support the Public School Foundation Program. Therefore, any decrease in revenues to that program may necessitate additional support from other sources.

(Prepared By The Department of Revenue)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date:
