

HOUSE BILL NO. 18

INTRODUCED BY NORDTVEDT, COZZENS, ANDREASON  
BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

IN THE HOUSE

January 6, 1981	Introduced and referred to Committee on Taxation.
January 7, 1981	Fiscal note requested.  On motion by chief sponsor Representatives Cozzens and Andreason were added as authors to the prefiled bill.
January 14, 1981	Fiscal note returned.
March 4, 1981	Committee recommend bill do pass as amended. Report adopted.
March 5, 1981	Bill printed and placed on members' desks.
March 6, 1981	Motion pass consideration to 52nd legislative day.
March 10, 1981	Motion pass consideration to 60th legislative day.
March 18, 1981	Second reading, do pass.
March 19, 1981	Correctly engrossed.
March 20, 1981	Third reading, passed. Ayes, 66; Noes, 27. Transmitted to Senate.

IN THE SENATE

March 21, 1981	Introduced and referred to Committee on Taxation.
April 7, 1981	Committee recommend bill be concurred in as amended. Report adopted.

April 8, 1981

On motion rules suspended.  
Bill referred to second reading  
for consideration this day.

Second reading, concurred in  
as amended.

On motion rules suspended. Bill  
placed on calendar for third  
reading this day.

Third reading, concurred in as  
amended. Ayes, 38; Noes, 11.

#### IN THE HOUSE

April 9, 1981

Returned from Senate with amend-  
ments.

Second reading, amendments con-  
curred in.

On motion rules suspended and  
bill placed on third reading  
this day.

Third reading, amendments con-  
curred in. Ayes, 88; Noes, 2.  
Sent to enrolling.

April 11, 1981

Correctly enrolled.

Signed by Speaker.

Signed by President.

Delivered to Governor.

April 15, 1981

Returned from Governor with  
recommended amendments.

April 16, 1981

Second reading, Governor's  
amendments concurred in.

On motion rules suspended.  
Governor's amendments placed  
on calendar for third reading  
this day.

April 16, 1981

Third reading, Governor's amendments concurred in. Ayes, 71; Noes, 25. Transmitted to Senate.

IN THE SENATE

April 20, 1981

Second reading, Governor's amendments concurred in.

On motion rules suspended. Governor's amendments placed on calendar for third reading this day.

Third reading, Governor's amendments concurred in. Ayes, 38; Noes, 10.

IN THE HOUSE

April 21, 1981

Returned from Senate. Concurred in. Sent to enrolling.

Reported correctly enrolled.



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

-End-



Approved by Committee  
on Taxation

HOUSE BILL NO. 18

INTRODUCED BY NORDTVEDT, COZZENS, ANDREASON  
BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL  
INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING  
SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY  
DATE."

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

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

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

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

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

(2) Adjusted Notwithstanding the provisions of the  
federal Internal Revenue Code of 1954 as labeled or amended,  
adjusted gross income does not include the following which

are exempt from taxation under this chapter:

(a) all interest income from obligations of the United  
States government, the state of Montana, county,  
municipality, district, or other political subdivision  
thereof;

(b) interest income earned by a taxpayer in a taxable  
year IN EXCESS OF HIS INTEREST EXPENSE FOR THE TAXABLE YEAR,  
EXCLUDING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE, up to  
and including \$1,000 for a taxpayer filing a separate return  
and \$2,000 for each joint return.

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

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

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

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

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

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

1 surviving spouses and orphans;

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

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

19 SECTION 2. APPLICABILITY. THIS ACT APPLIES TO TAXABLE  
20 YEARS BEGINNING AFTER DECEMBER 31, 1980.

-End-



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 2 INTRODUCED BY NOROTVEDT, COZZENS, ANDREASON  
 3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE  
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5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL  
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 8 DATE."  
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 13 income shall be the taxpayer's federal income tax adjusted  
 14 gross income as defined in section 62 of the Internal  
 15 Revenue Code of 1954 or as that section may be labeled or  
 16 amended and in addition shall include the following:

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

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

23 (2) Adjusted Notwithstanding the provisions of the  
 24 federal Internal Revenue Code of 1954 as labeled or amended,  
 25 adjusted gross income does not include the following which

1 are exempt from taxation under this chapter:

2 (a) all interest income from obligations of the United  
 3 States government, the state of Montana, county,  
 4 municipality, district, or other political subdivision  
 5 thereof;

6 (b) interest income earned by a taxpayer in a taxable  
 7 year IN EXCESS OF HIS INTEREST EXPENSE FOR THE TAXABLE YEAR,  
 8 EXCLUDING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE, up to  
 9 and including \$1,000 for a taxpayer filing a separate return  
 10 and \$2,000 for each joint return.

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

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

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

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

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

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

1 surviving spouses and orphans;

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

5 (3) In the case of a shareholder of a corporation with  
6 respect to which the election provided for under subchapter  
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6 (b) interest income earned by a taxpayer in a taxable  
7 year ~~IN EXCESS OF HIS INTEREST EXPENSE FOR THE TAXABLE YEAR,~~  
8 ~~EXCLUDING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE,~~ up to  
9 and including \$1,000 \$800 for a taxpayer filing a separate  
10 return and \$2,000 \$1,600 for each joint return.

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

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18 subchapter S. election were not in effect."

19 SECTION 2. APPLICABILITY. THIS ACT APPLIES TO TAXABLE  
20 YEARS BEGINNING AFTER DECEMBER 31, 1990.

-End-

April 6, 1981

SENATE STANDING COMMITTEE REPORT  
(Taxation)

That House Bill No. 18 be amended as follows:

1. Page 2, lines 7 and 8.

Following: "year" on line 7

Strike: "IN EXCESS OF HIS INTEREST EXPENSE FOR THE TAXABLE YEAR,  
EXCLUDING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE."

April 8, 1981

SENATE COMMITTEE OF THE WHOLE

Proposed amendments to House Bill 18, third reading copy, as follows:

1. Page 2, line 9.  
Following: "including"  
Strike: "\$1,000"  
Insert: "\$800"
  
2. Page 2, line 10.  
Following: "and"  
Strike: "\$2,000"  
Insert: "\$1,600"

PROPOSED GOVERNOR'S AMENDMENTS TO HOUSE BILL NO. 18;  
REFERENCE COPY, AS FOLLOWS:

1. Page 1 (Title), Line 6  
Following: "TAXPAYER"  
Insert: "AGE 65 OR OLDER"
2. Page 2, Line 6  
Following: "taxpayer"  
Insert: "age 65 or older."

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8 FOR THE TAXABLE YEAR, EXCLUDING INTEREST EXPENSE ON A  
9 PRINCIPAL RESIDENCE, up to and including \$1,000 \$800 for a  
10 taxpayer filing a separate return and \$2,000 \$1,600 for each  
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21 YEARS BEGINNING AFTER DECEMBER 31, 1980.

-End-

State of Montana  
Office of the Governor  
Helena 59620



TED SCHWINDEN  
GOVERNOR

April 15, 1981

The Honorable Jean A. Turnage  
President of the Senate  
State Capitol  
Helena, Montana 59620

The Honorable Robert L. Marks  
Speaker of the House  
State Capitol  
Helena, Montana 59620

Dear Senator Turnage and Representative Marks:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby return House Bill No. 18, "AN ACT TO REDUCE INDIVIDUAL INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY DATE," without my signature and recommend the attached amendments for the following reasons.

I propose amending HB 18 to allow an \$800 exemption on interest income to only those taxpayers age 65 and over and to change the title accordingly. Exempting a portion of interest income from federal income taxation is a major national priority of senior citizens for the 1981 White House Conference on Aging. Montana can be in the forefront of this national movement by making this exemption from state income taxes exclusively for senior citizens. By amending HB 18 in this manner, we can assure that tax relief will go to those who truly need it --- the elderly, many of whom must exist on fixed incomes.

These amendments would reduce the fiscal impact of HB 18 from \$14 million to approximately \$4 million. The combination of HB 18 with these amendments and the property tax circuit breaker will provide dual tax reform for senior citizens --- protection of the savings of a lifetime of

Senator Turnage and Representative Marks  
April 15, 1981  
Page Two

hard work and financial security for the elderly living  
in the homes they have worked long and hard to buy and to  
maintain.

I urge your concurrence in these amendments.

Sincerely,



TED SCHWINDEN  
Governor