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 Com- mittee on Taxation.
April 7, 1981	Committee recommend bill be con- curred 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

April 11, 1981

April 15, 1981

April 16, 1981

Returned from Senate with amend-ments.

Second reading, amendments concurred in.

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

Third reading, amendments concurred in. Ayes, 88; Noes, 2. Sent to enrolling.

Correctly enrolled.

Signed by Speaker.

Signed by President.

Delivered to Governor.

Returned from Governor with recommended amendments.

Second reading, Governor's amendments concurred in.

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

-2-

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.

LC 0315/01

1	HOUSE BILL NO. 18	1	(a
2	INTRODUCED BY NORDIVEDT	2	States
3	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE	3	munici
4		4	ther eo
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL	5	(b)
6	INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING	6	<u>year u</u>
7	SECTION 15-30-111, MCA."	7	separat
8		8	(Þ
9	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	9	Employ
10	Section 1. Section 15+30-111, MCA, is amended to read:	10	te
11	"15-30-111. Adjusted gross income. (1) Adjusted gross	11	law wh
12	income shall be the taxpayer's federal income tax adjusted	12	14
13	gross income as defined in section 62 of the Internal	13	Retire
14	Revenue Code of 1954 or as that section may be labeled or	14	taxati
15	amended and in addition shall include the following:	15	te
16	(a) interest received on obligations of another state	16	retire
17	or territory or county, municipality, district, or other	17	by 19-
18	political subdivision thereof;	18	t t
19	(b) refunds received of federal income tax, to the	19	the r eo
20	extent the deduction of such tax resulted in a reduction of	20	tg
21	Montana income tax liability.	21	and 19
22	(2) Adjusted Notwithstanding the provisions of the	22	surviv
23	federal Internal Revenue Code of 1954 as labeled or amended.	23	th
24	<u>adjusted</u> gross income does not include the following which	24	cities
25	are exempt from taxation under this chapter:	25	Title

) all interest income from obligations of the United government, the state of Montana, county, pality, district, or other political subdivision f:

) interest income earned by a taxpayer in a taxable p to and including \$1,000 for a taxpayer filing a ite return and \$2,000 for each joint return. (c) all benefits received under the Federal ees* Retirement Act not in excess of \$3+600;

(d) all benefits paid under the teachers' retirement nich are specified as exempt from taxation by 19-4-706; H(e) all benefits paid under The Public Employees* ement System Act which are specified as exempt from ion by 19-3-105; e)(f) all benefits paid under the highway patrol ment law which are specified as exempt from taxation

-6-705;

(a) all Montana income tax refunds or credits of:

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

ring spouses and orphans;

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

> -2-INTRODUCED BILL HB18

LC 0315/01

(3) In the case of a shareholder of a corporation with 1 respect to which the election provided for under subchapter 2 S. of the Internal Revenue Code of 1954, as amended, is in 3 effect but with respect to which the election provided for 4 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 included in the shareholder's federal income tax adjusted 9 10 gross income by reason of the said election under subchapter S. However, the shareholder's adjusted gross income shall 11 12 include actual distributions from the corporation to the 13 extent they would be treated as taxable dividends if the subchapter S. election were not in effect." 14

-End-

STATE OF MONTANA

REQUEST NO. _____59-81

FISCAL NOTE

Form BD-15

In	compliance wi	ith a	written	request	received	January	8.	1981	L, there	is hereby	submitted	d a Fiscal Note
2	House B	±11	18									4
tor					pursua	ant to (Title 5, C	hapter 4, Pa	art 2 of the	Montar	na Code A	nnotated	(MCA).

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

An act to reduce individual income tax on interest income earned by a taxpayer.

ASSUMPTIONS

There are no data readily available which give a distribution of interest income among Montana taxpayers. Federal statistics for 1977 indicate that 173,478 (Federal) returns from Montana reported a total of \$235,185,000 in interest income Assuming that:

- (1) the level of interest income remains the same during 1981 and 1982,
- (2) the average effective tax rate on Montana adjusted gross income remains at 5.68% (1978 Montana actual),
- (3) the average exclusion taken under the Federal law (see Technical Note), is \$300, and
- (4) the average exclusion taken under this proposal would be \$1000,

a calculation can be made to give an upper bound on the fiscal impact of this proposal. The estimate is given only for the purpose of illustrating the magnitude of the potential impact.

Montana income tax attributable to interest income without proposed exclusion:

 $(235,185,000 - (173478 \times 300)) \times .0568 = $10.4 M$

Montana income tax attributable to interest income with proposed exclusion:

 $((235,185,000 - \{173478 \times 300\}) - (173478 \times 1000)) \times .0568 = $0.55 M$

Thus an estimate of the maximum impact the proposal could have each year of the biennium would be \$9.85 M decrease in income tax collections in each of FY 1982 and FY 1983.

Partial Loss to State

\$9.85 million

COMMENT

The above figure represents the maximum amount that could be lost to the state if the measure passes. The figure assumes that all Montana taxpayers with interest income would have \$1,000 or more of such income. This, of course, is not likely.

BUDGET DIRECTOR Office of Budget and Program Planning Date:

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

Approved by Committee on Taxation

1	HOUSE BILL NO. 18
2	INTRODUCED BY NORDIVEDI, COZZENS, ANDREASON
3	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
4	
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL
6	INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING
7	SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY
8	<u>DATE</u> •"
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Section 15-30-111, MCA, is amended to read:
12	#15-30-111. Adjusted gross income. (1) Adjusted gross
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

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; fet(f) all benefits paid under the highway patrol

19 retirement law which are specified as exempt from taxation 20 21 by 19-6-705;

22 (ff)(q) all Montana income tax refunds or credits 23 thereof;

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

> -2-HB 18 SECOND RFADING

1 surviving spouses and orphans;

2 (h+(i) all benefits paid by first- or second-class
3 cities for the policements 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 gross income by reason of the said election under subchapter 14 S. However, the shareholder's adjusted gross income shall 15 include actual distributions from the corporation to the 16 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-

-3-

H8 0018/02

		1	are exempt from taxation under this chapter:
1	HOUSE BILL NO. 18	2	(a) all interest income from obligatio
2	INTRODUCED BY NORDTVEDT, COZZENS, ANDREASON	3	States government, the state of Ho
3	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE	4	municipality, district, or other politic
4		5	thereof;
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL	6	<pre>{b}interest_income_earned by a taxpay</pre>
6	INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING	7	year IN EXCESS OF HIS INTEREST EXPENSE FOR TH
7	SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY	8	EXCLUDING INTEREST EXPENSE ON A PRINCIPAL I
8	DATE • "	9	and including \$1,000 for a taxpayer filing a
9		10	and \$2,000 for each joint return.
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	11	<pre>++++++++++++++++++++++++++++++++++++</pre>
11	Section 1. Section 15-30-111, MCA, is amended to read:	12	Employees' Retirement Act not in excess of \$
12	<pre>"15-30-111. Adjusted gross income. (1) Adjusted gross</pre>	13	<pre>temployees Rectifement Act not in excess of \$ fet(d) all benefits paid under</pre>
13	income shall be the taxpayer's federal income tax adjusted	14	retirement law which are specified as exempt
14	gross income as defined in section 62 of the Internal		· · ·
15	Revenue Code of 1954 or as that section may be labeled or	15	by 19-4-706;
16	amended and in addition shall include the following:	16	<pre>(d)(e) all benefits paid under The P</pre>
17	(a) interest received on obligations of another state	17	Retirement System Act which are specified
18	or territory or county, municipality, district, or other	18	taxation by 19-3-105;
19	political subdivision thereof;	19	<pre>te;[f] all benefits paid under the</pre>
20	(b) refunds received of federal income tax, to the	20	retirement law which are specified as exempt
21	extent the deduction of such tax resulted in a reduction of	21	by 19+6-705;
22	Montana income tax liability.	22	(f)<u>(q)</u> all Montana income tax refu
23	(2) Adjusted Notwithstanding the provisions of the	23	thereof;
	federal Internal Revenue Code of 1954 as labeled or amended,	24	fg)[h] all benefits paid under 19-11-
24 25	adjusted gross income does not include the following which	25	and 19-11-605 to retired and disabled fir
<u>,</u>	within good income cost not include on the standy with		-2-

a) all interest income from obligations of the United government, the state of Montana, county, pality, district, or other political subdivision f; b) interest income earned by a taxpayer in a taxable N_EXCESS_OF_HIS_INTEREST_EXPENSE_FOR_THE_TAXABLE_YEAR+ ING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE, up to cluding \$1,000 for a taxpayer filing a separate return +000 for each joint return. b}(c) all benefits received under the Federal ees* Retirement Act not in excess of \$3,600; c+(d) all benefits paid under the teachers* ment law which are specified as exempt from taxation 4-706: d)(e) all benefits paid under The Public Employees' ment System Act which are specified as exempt from ion by 19-3-105;

etifi all benefits paid under the highway patrol ment law which are specified as exempt from taxation -6-705;

(f)(g) all Montana income tax refunds or credits of:

fq+(h) all benefits paid under 19-11-602, 19-11-604, 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 respect to which the election provided for under subchapter 6 S. of the Internal Revenue Code of 1954, as amended, is in 7 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 gross income by reason of the said election under subchapter 14 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 subchapter S. election were not in effect.* 18

19 SECTION 2. APPLICABILITY. THIS ACT APPLIES TO TAXABLE

20 YEARS BEGINNING AFTER DECEMBER 31, 1980.

-End-

-3-

25

HB 0018/03

1 1 HOUSE BILL NO. 18 2 INTRODUCED BY NORDIVEDT, COZZENS, ANDREASON 3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL 5 INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING 6 7 SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY 8 DATE." 9 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 11 Section 1. Section 15-30-111, MCA, is amended to read: 12 "15-30-111. Adjusted gross income. (1) Adjusted gross 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: 16 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.

adjusted gross income does not include the following which

are exempt from taxation under this chapter:

2 (a) <u>all</u> 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-EXEESS-OF-HIS-INTEREST-EXPENSE-FOR-IHE-TAXABLE-YEARY 8 EXCLUDING--INTEREST--EXPENSE-ON-A-PRINCIPAL-RESIDENCEY 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. (c) all benefits received under the Federal 11 Employees' Retirement Act not in excess of \$3,600; 12 fej(d) all benefits paid under the teachers* 13 retirement law which are specified as exempt from taxation 14

14 retirement Taw 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 tej(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 tgt(h) all benefits paid under 19-11-602, 19-11-604.
25 and 19-11-605 to retired and disabled firefighters, their

-2-

HB 18 REFERENCE BILL

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 respect to which the election provided for under subchapter 6 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 gains or other gains, profits, or losses required to be 12 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 include actual distributions from the corporation to the 16 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-

- 3-

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."

\$

1	HOUSE BILL NO. 18	L	are exem
Z	INTRODUCED BY NORDIVEDT, COZZENS, ANDREASON	2	(a)
3	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE	3	States
4		4	municípa
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE INDIVIDUAL	5	thereof;
6	INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER AGE 65 OF	6	(p)
7	OLDER; AMENDING SECTION 15-30-111, MCA; AND PROVIDING AN	7	OLDER I
8	APPLICABILITY DATE."	8	FOR-IHE-
9		9	PRINCIPA
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	10	<u>taxpayer</u>
11	Section 1. Section 15-30-111, MCA, is amended to read:	11	<u>joint re</u>
12	"15-30-111• Adjusted gross income• (1) Adjusted gross	12	(8)
13	income shall be the taxpayer's federal income tax adjusted	13	Employee
14	gross income as defined in section 62 of the Internal	14	te)
15	Revenue Code of 1954 or as that section may be labeled or	15	retireme
16	amended and in addition shall include the following:	16	by 19-4-
17	(a) interest received on obligations of another state	17	t a)
18	or territory or county, municipality, district, or other	18	Retireme
19	political subdivision thereof;	19	taxation
20	(b) refunds received of federal income tax, to the	20	(e)
21	extent the deduction of such tax resulted in a reduction of	21	retireme
22	Montana income tax liability.	22	by 19-6-
23	(2) Adjusted Notwithstanding the provisions of the	23	(f)
24	federal Internal Revenue Code of 1954 as labeled or amended.	24	thereof;
25	adjusted gross income does not include the following which	25	tgt

pt from taxation under this chapter: all interest income from obligations of the United government, the state of Montana, county, lity, district, or other political subdivision interest income earned by a taxpayer AGE 65 OR n a taxable year IN-EXCESS-OF-HIS-INTEREST-EXPENSE -TAXABLE--YEARy--EXELUDING--INTEREST--EXPENSE--ON--A E--RESIDENCE, up to and including Streed \$800 for a filing a separate return and \$2+000 \$1+600 for each turn. (c) all benefits received under the Federal s' Retirement Act not in excess of \$3,600; (d) all benefits paid under the teachers" ent law which are specified as exempt from taxation 706; (e) all benefits paid under The Public Employees* ent System Act which are specified as exempt from by 19-3-105; {f} all benefits paid under the highway patrol ent law which are specified as exempt from taxation 705; (g) all Montana income tax refunds or credits

tg)(h) all benefits paid under 19-11-602+ 19-11-604+

-2-

REFERENCE BILL: INCLUDES GOVERNOR'S AMENDMENTS DATED 4-15-81 ___

H8 18

and 19-11-605 to retired and disabled firefighters, their
 surviving spouses and orphans;

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

6 (3) In the case of a shareholder of a corporation with 7 respect to which the election provided for under subchapter 8 S. of the Internal Revenue Code of 1954, as amended, is in 9 effect but with respect to which the election provided for 10 under 15-31-202, as amended, is not in effect, adjusted 11 gross income does not include any part of the corporation's 12 undistributed taxable income, net operating loss, capital 13 gains or other gains, profits, or losses required to be 14 included in the shareholder's federal income tax adjusted 15 gross income by reason of the said election under subchapter S. However, the shareholder's adjusted gross income shall 16 17 include actual distributions from the corporation to the extent they would be treated as taxable dividends if the 18 19 subchapter S. election were not in effect."

20

SECTION 2. APPLICABILITY. THIS ACT APPLIES TO TAXABLE

21 YEARS BEGINNING AFTER DECEMBER 31, 1980.

-End-

- 3-

4



TED SCHWINDEN GOVERNOR State of Montana Office of the Governor Helena 59620

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 INDI-VIDUAL INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING SECTION 15-30-111, MCA; AND PROVIDING AN APPLI-CABILITY 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

eminentis ee

nution of RE-16 with Eige Acendients and

dit bratter will of souther fusit

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,

, sender

-End list

Alex Protection Shi shiking to morofizit of a statist

TED SCHWINDEN Governor