

HOUSE BILL NO. 27

INTRODUCED BY KEYSER, ROTH, UNDERDAL, ERNST, BERTELSEN, GOULD

IN THE HOUSE

January 6, 1981	Introduced and referred to Committee on Taxation.
	On motion by chief sponsor Representatives Roth, Gould, Underdal, Ernst, Bertelsen were added as authors to the prefiled bill.
January 7, 1981	Fiscal note requested.
January 12, 1981	Fiscal note returned.
March 30, 1981	On motion rules suspended and bill allowed to be transmitted on the 75th legislative day.
April 2, 1981	Committee recommend bill do pass as amended. Report adopted.
April 3, 1981	Bill printed and placed on members' desks.
April 4, 1981	Second reading, do pass.  Transmittal date extended to the 76th legislative day.
April 6, 1981	Correctly engrossed.  Third reading, passed. Ayes, 82; Noes, 13. Transmitted to Senate.

IN THE SENATE

April 7, 1981 By motion and consent bill allowed to be received and considered this session.

Introduced and referred to Committee on Taxation.

April 14, 1981 Committee recommend bill be concurred in as amended. Report adopted.

April 15, 1981 Second reading, concurred in.

April 16, 1981 Third reading, concurred in as amended. Ayes, 48; Noes, 0.

IN THE HOUSE

April 17, 1981 Returned from Senate with amendments.

April 21, 1981 Second reading, amendments concurred in.

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

Third reading, amendments concurred in. Ayes, 86; Noes, 9. Sent to enrolling.

Reported correctly enrolled.

1                    HOUSE BILL NO. 27  
 2 INTRODUCED BY KEYSER

3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO RAISE THE INDIVIDUAL  
 5 INCOME TAX EXEMPTION FROM \$800 TO \$1,200; AMENDING SECTIONS  
 6 15-30-112, MCA."

7  
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9        Section 1. Section 15-30-112, MCA, is amended to read:

10        "15-30-112. Exemptions. (1) Except as provided in  
 11 subsection (7), in the case of an individual, the exemptions  
 12 provided by subsections (2) through (6) shall be allowed as  
 13 deductions in computing taxable income.

14        (2) (a) An exemption of ~~\$800~~ \$1,200 shall be allowed  
 15 for taxable years beginning after December 31, ~~1978~~ 1980,  
 16 for the taxpayer.

17        (b) An additional exemption of ~~\$800~~ \$1,200 shall be  
 18 allowed for taxable years beginning after December 31, ~~1978~~  
 19 1980, for the spouse of the taxpayer if a separate return is  
 20 made by the taxpayer and if the spouse, for the calendar  
 21 year in which the taxable year of the taxpayer begins, has  
 22 no gross income and is not the dependent of another  
 23 taxpayer.

24        (3) (a) An additional exemption of ~~\$800~~ \$1,200 shall be  
 25 allowed for taxable years beginning after December 31, ~~1978~~

1     1980, for the taxpayer if he has attained the age of 65  
 2 before the close of his taxable year.

3            (b) An additional exemption of ~~\$800~~ \$1,200 shall be  
 4 allowed for taxable years beginning after December 31, ~~1978~~  
 5 1980, for the spouse of the taxpayer if a separate return is  
 6 made by the taxpayer and if the spouse has attained the age  
 7 of 65 before the close of such taxable year and, for the  
 8 calendar year in which the taxable year of the taxpayer  
 9 begins, has no gross income and is not the dependent of  
 10 another taxpayer.

11            (4) (a) An additional exemption of ~~\$800~~ \$1,200 shall be  
 12 allowed for taxable years beginning after December 31, ~~1978~~  
 13 1980, for the taxpayer if he is blind at the close of his  
 14 taxable year.

15            (b) An additional exemption of ~~\$800~~ \$1,200 shall be  
 16 allowed for taxable years beginning after December 31, ~~1978~~  
 17 1980, for the spouse of the taxpayer if a separate return is  
 18 made by the taxpayer and if the spouse is blind and, for the  
 19 calendar year in which the taxable year of the taxpayer  
 20 begins, has no gross income and is not the dependent of  
 21 another taxpayer. For the purposes of this subsection  
 22 (4)(b), the determination of whether the spouse is blind  
 23 shall be made as of the close of the taxable year of the  
 24 taxpayer, except that if the spouse dies during such taxable  
 25 year, such determination shall be made as of the time of

1 such death.

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

9 (5) (a) An exemption of ~~\$800~~ \$1,200 shall be allowed  
10 for taxable years beginning after December 31, ~~1978~~ 1980,  
11 for each dependent:

12 (i) whose gross income for the calendar year in which  
13 the taxable year of the taxpayer begins is less than ~~\$800~~  
14 \$1,200; or

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

16 (A) has not attained the age of 19 years at the close  
17 of the calendar year in which the taxable year of the  
18 taxpayer begins; or

19 (B) is a student.

20 (b) No exemption shall be allowed under this subsection  
21 for any dependent who has made a joint return with his  
22 spouse for the taxable year beginning in the calendar year  
23 in which the taxable year of the taxpayer begins.

24 (c) For purposes of subsection (5)(a)(ii), the term  
25 "child" means an individual who is a son, stepson, daughter,

1 or stepdaughter of the taxpayer.

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

6 (i) is a full-time student at an educational  
7 institution; or

8 (ii) is pursuing a full-time course of institutional  
9 on-farm training under the supervision of an accredited  
10 agent of an educational institution or of a state or  
11 political subdivision of a state. For purposes of this  
12 subsection (5)(d)(ii), the term "educational institution"  
13 means only an educational institution which normally  
14 maintains a regular faculty and curriculum and normally has  
15 a regularly organized body of students in attendance at the  
16 place where its educational activities are carried on.

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

21 (7) For taxable years beginning after December 31,  
22 1978, and before January 1, 1981, the amount allowed as a  
23 deduction in subsections (2) through (6) shall be adjusted  
24 as provided under section 9, Chapter 698, Laws of 1979."

-End-

## STATE OF MONTANA

REQUEST NO. 31-81

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 7th, 1981, there is hereby submitted a Fiscal Note for House Bill 27 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (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 raise the individual income tax exemption from \$800 to \$1,200.

ASSUMPTIONS

1. The Department of Revenue forecast of individual income tax receipts for the 82-83 biennium is the basis for comparison.
2. The base personal exemption amount is \$800.
3. The proposed change will not affect expenditures of the Department of Revenue.
4. The inflation rates used for indexation will be 10% in 1981, 9.5% in 1982, and 9% in 1983.

FISCAL IMPACT

Individual Income Tax Receipts	FY 82	FY 83
Under current law	\$161.556 M	\$167.993 M
Under proposed law	<u>134.689 M</u>	<u>142.171 M</u>
Estimated Decrease	(\$ 26.867 M)	(\$ 25.822 M)

FUND INFORMATION

<u>General Fund</u>		
Under Current law	\$103.396 M	\$107.516 M
Under proposed law	<u>86.201 M</u>	<u>90.989 M</u>
Estimated Decrease	(\$ 17.195 M)	(\$ 16.527 M)
<u>Earmarked Revenue Fund</u>		
Under current law	\$ 40.389 M	\$ 41.998 M
Under proposed law	<u>33.672 M</u>	<u>35.543 M</u>
Estimated Decrease	(\$ 6.717 M)	(\$ 6.455 M)
<u>Sinking Fund*</u>		
Under current law	\$ 17.771 M	\$ 18.479 M
Under proposed law	<u>14.816 M</u>	<u>15.639 M</u>
Estimated Decrease	(\$ 2.955 M)	(\$ 2.840 M)

\*A portion of this account may be transferred to the general fund as long range bond excess, if debt service requirements are sufficiently low.

*David M Lewis*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-81

STATE OF MONTANA

REQUEST NO. \_\_\_\_\_

FISCAL NOTE

Form BD-15

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In compliance with a written request received January 7, 19 81, there is hereby submitted a Fiscal Note for House Bill 27 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

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EFFECT ON COUNTY AND LOCAL GOVERNMENT

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.

LONG RANGE EFFECTS

The fiscal impact of this proposal upon income tax liabilities increases exponentially with time. It is expected that the fiscal impact of the proposal upon FY84 receipts would be a \$28.6 million decrease, and in FY85 the collections would be reduced by \$30.8 million..

PREPARED BY THE DEPARTMENT OF REVENUE

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BUDGET DIRECTOR

Office of Budget and Program Planning

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

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Approved by Committee on Taxation

HOUSE BILL NO. 27

INTRODUCED BY KEYSER, ROTH,

UNDERDAL, ERNST, BERTELSEN, GOULD

A BILL FOR AN ACT ENTITLED: "AN ACT TO RAISE THE INDIVIDUAL INCOME TAX BASE EXEMPTION FROM \$800 TO ~~\$1,200~~ \$1,000; AMENDING SECTIONS ~~15-30-112~~ MCA 1, 3, AND 5 OF INITIATIVE NO. 86 AND SECTION 9, CHAPTER 698, LAWS OF 1979; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

~~Section 15-30-112 MCA is amended to read:~~

~~"15-30-112 - Exemptions. (1) Except as provided in subsection (7), in the case of an individual, the exemptions provided by subsections (2) through (6) shall be allowed as deductions in computing taxable income.~~

~~(2) (a) An exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the taxpayer.~~

~~(b) An additional exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another~~

taxpayer.

~~(3) (a) An additional exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the taxpayer if he has attained the age of 65 before the close of his taxable year.~~

~~(b) An additional exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of such taxable year and for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.~~

~~(4) (a) An additional exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the taxpayer if he is blind at the close of his taxable year.~~

~~(b) An additional exemption of \$800 \$1,200 shall be allowed for taxable years beginning after December 31, 1978 1980 for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For the purposes of this subsection (4)(b), the determination of whether the spouse is blind~~

1 shall be made as of the close of the taxable year of the  
2 taxpayer, except that if the spouse dies during such taxable  
3 year, such determination shall be made as of the time of  
4 such death.

5 (c) For purposes of this subsection (4), an individual  
6 is blind only if his central visual acuity does not exceed  
7 20/200 in the better eye with correcting lenses, or if his  
8 visual acuity is greater than 20/200 but is accompanied by a  
9 limitation in the fields of vision such that the widest  
10 diameter of the visual field subtends an angle no greater  
11 than 20 degrees.

12 (5) (a) An exemption of \$600 ~~§17200~~ shall be allowed  
13 for taxable years beginning after December 31, 1978 ~~1980~~  
14 for each dependent:

15 (i) whose gross income for the calendar year in which  
16 the taxable year of the taxpayer begins is less than \$600  
17 ~~§17200~~ or

18 (ii) who is a child of the taxpayer and who  
19 (A) has not attained the age of 19 years at the close  
20 of the calendar year in which the taxable year of the  
21 taxpayer begins; or

22 (B) is a student.

23 (b) No exemption shall be allowed under this  
24 subsection for any dependent who has made a joint return  
25 with his spouse for the taxable year beginning in the

1 calendar year in which the taxable year of the taxpayer  
2 begins.

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

6 (d) For purposes of subsection (5) (a) (ii) (B), the term  
7 "student" means an individual who, during each of 5 calendar  
8 months during the calendar year in which the taxable year of  
9 the taxpayer begins:

10 (i) is a full-time student at an educational  
11 institution; or

12 (ii) is pursuing a full-time course of institutional  
13 on-farm training under the supervision of an accredited  
14 agent of an educational institution or of a state or  
15 political subdivision of a state. For purposes of this  
16 subsection (5) (d) (ii), the term "educational institution"  
17 means only an educational institution which normally  
18 maintains a regular faculty and curriculum and normally has  
19 a regularly organized body of students in attendance at the  
20 place where its educational activities are carried on.

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

25 (7) For taxable years beginning after December 31,



1 ~~1978 and before January 1, 1981, the amount allowed as a~~  
2 ~~deduction in subsections (2) through (6) shall be adjusted~~  
3 ~~as provided under section 9, Chapter 698, Laws of 1979.~~

4 SECTION 1. SECTION 1 OF INITIATIVE NO. 86 IS AMENDED  
5 TO READ:

6 Section 1. Section 15-30-101, MCA, is amended to read:  
7 "15-30-101. Definitions. For the purpose of this  
8 chapter, unless otherwise required by the context, the  
9 following definitions apply:

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

12 (a) the tax brackets established in 15-30-103, BUT  
13 UNADJUSTED BY SUBSECTION (2), in effect on January 1, 1980  
14 JUNE 30 OF THE TAXABLE YEAR;

15 (b) the exemptions contained in 15-30-112, BUT  
16 UNADJUSTED BY SUBSECTIONS (7) AND (8), in effect on January  
17 1, 1980 JUNE 30 OF THE TAXABLE YEAR;

18 (c) the maximum standard deduction provided in  
19 15-30-122, BUT UNADJUSTED BY SUBSECTION (2), in effect on  
20 January 1, 1980 JUNE 30 OF THE TAXABLE YEAR.

21 (2) "Consumer price index" means the consumer price  
22 index, United States city average, for all items, using the  
23 1967 base of 100 as published by the bureau of labor  
24 statistics of the U.S. department of labor.

25 ~~(3)~~ (3) "Department" means the department of revenue.

1 ~~(4)~~ (4) "Dividend" means any distribution made by a  
2 corporation out of its earnings or profits to its  
3 shareholders or members, whether in cash or in other  
4 property or in stock of the corporation, other than stock  
5 dividends as herein defined. "Stock dividends" means new  
6 stock issued, for surplus or profits capitalized, to  
7 shareholders in proportion to their previous holdings.

8 ~~(5)~~ (5) "Fiduciary" means a guardian, trustee,  
9 executor, administrator, receiver, conservator, or any  
10 person, whether individual or corporate, acting in any  
11 fiduciary capacity for any person, trust, or estate.

12 ~~(6)~~ (6) "Foreign country" or "foreign government" means  
13 any jurisdiction other than the one embraced within the  
14 United States, its territories and possessions.

15 ~~(7)~~ (7) "Gross income" means the taxpayer's gross  
16 income for federal income tax purposes as defined in section  
17 61 of the Internal Revenue Code of 1954 or as that section  
18 may be labeled or amended, excluding unemployment  
19 compensation included in federal gross income under the  
20 provisions of section 85 of the Internal Revenue Code of  
21 1954 as amended.

22 (8) "Inflation factor" means a number determined for  
23 each taxable year by dividing the consumer price index for  
24 June of the taxable year by the consumer price index for  
25 June, 1980.

1       ~~†6†~~(9) "Information agents" includes 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       ~~†7†~~(10) "Knowingly" is as defined in 45-2-101.

14       ~~†8†~~(11) "Net income" means the adjusted gross income of  
 15 a taxpayer less the deductions allowed by this chapter.

16       ~~†9†~~(12) "Paid", for the purposes of the deductions and  
 17 credits under this chapter, means paid or accrued or paid or  
 18 incurred, and the terms "paid or incurred" and "paid or  
 19 accrued" shall be construed according to the method of  
 20 accounting upon the basis of which the taxable income is  
 21 computed under this chapter.

22       ~~†10†~~(13) "Purposely" is as defined in 45-2-101.

23       ~~†11†~~(14) "Received", for the purpose of computation of  
 24 taxable income under this chapter, means received or accrued  
 25 and the term "received or accrued" shall be construed

1 according to the method of accounting upon the basis of  
 2 which the taxable income is computed under this chapter.

3       ~~†12†~~(15) "Resident" applies only to natural persons and  
 4 includes, for the purpose of determining liability to the  
 5 tax imposed by this chapter with reference to the income of  
 6 any taxable year, any person domiciled in the state of  
 7 Montana and any other person who maintains a permanent place  
 8 of abode within the state even though temporarily absent  
 9 from the state and has not established a residence  
 10 elsewhere.

11       ~~†13†~~(16) "Taxable income" means the adjusted gross  
 12 income of a taxpayer less the deductions and exemptions  
 13 provided for in this chapter.

14       ~~†14†~~(17) "Taxable year" means the taxpayer's taxable  
 15 year for federal income tax purposes.

16       ~~†15†~~(18) "Taxpayer" includes any person or fiduciary,  
 17 resident or nonresident, subject to a tax imposed by this  
 18 chapter and does not include corporations."

19       SECTION 2. SECTION 3 OF INITIATIVE NO. 86 IS AMENDED  
 20 TO READ:

21       Section 3. Section 15-30-112, MCA, is amended to read:

22       "15-30-112. Exemptions. (1) Except as provided in  
 23 subsections (7) and (8), in the case of an individual, the  
 24 exemptions provided by subsections (2) through (6) shall be  
 25 allowed as deductions in computing taxable income.

1 (2) (a) An exemption of ~~\$800~~ \$1,000 shall be allowed  
 2 for taxable years beginning after December 31, 1978, for the  
 3 taxpayer.

4 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 5 allowed for taxable years beginning after December 31, 1978,  
 6 for the spouse of the taxpayer if a separate return is made  
 7 by the taxpayer and if the spouse, for the calendar year in  
 8 which the taxable year of the taxpayer begins, has no gross  
 9 income and is not the dependent of another taxpayer.

10 (3) (a) An additional exemption of ~~\$800~~ \$1,000 shall  
 11 be allowed for taxable years beginning after December 31,  
 12 1978, for the taxpayer if he has attained the age of 65  
 13 before the close of his taxable year.

14 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 15 allowed for taxable years beginning after December 31, 1978,  
 16 for the spouse of the taxpayer if a separate return is made  
 17 by the taxpayer and if the spouse has attained the age of 65  
 18 before the close of such taxable year and, for the calendar  
 19 year in which the taxable year of the taxpayer begins, has  
 20 no gross income and is not the dependent of another  
 21 taxpayer.

22 (4) (a) An additional exemption of ~~\$800~~ \$1,000 shall  
 23 be allowed for taxable years beginning after December 31,  
 24 1978, for the taxpayer if he is blind at the close of his  
 25 taxable year.

1 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 2 allowed for taxable years beginning after December 31, 1978,  
 3 for the spouse of the taxpayer if a separate return is made  
 4 by the taxpayer and if the spouse is blind and, for the  
 5 calendar year in which the taxable year of the taxpayer  
 6 begins, has no gross income and is not the dependent of  
 7 another taxpayer. For the purposes of this subsection  
 8 (4)(b), the determination of whether the spouse is blind  
 9 shall be made as of the close of the taxable year of the  
 10 taxpayer, except that if the spouse dies during such taxable  
 11 year, such determination shall be made as of the time of  
 12 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 ~~\$800~~ \$1,000 shall be allowed  
 21 for taxable years beginning after December 31, 1978, for  
 22 each dependent:

23 (i) whose gross income for the calendar year in which  
 24 the taxable year of the taxpayer begins is less than ~~\$800~~  
 25 \$1,000; 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) For taxable years beginning after December 31,

9 1978, and before January 1, 1981, the amount allowed as a

10 deduction in subsections (2) through (6) shall be adjusted

11 as provided under section 9, Chapter 698, Laws of 1979 AS

12 AMENDED BY THIS ACT.

13 (8) For taxable years beginning after December 31,

14 1980, the department, by November 1 of each year, shall

15 multiply all the exemptions provided in this section

16 unadjusted by subsection (7) by the inflation factor for

17 that taxable year and round the product to the nearest \$10.

18 The resulting adjusted exemptions are effective for that

19 taxable year and shall be used in calculating the tax

20 imposed in 15-30-103."

21 SECTION 3. SECTION 5 OF INITIATIVE NO. 86 IS AMENDED

22 TO READ:

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

24 "15-30-142. Returns and payment of tax -- penalty and

25 interest -- refunds -- credits. (1) Every single individual

1 and every married individual not filing a joint return with  
 2 his or her spouse and having a gross income for the taxable  
 3 year of more than ~~\$940~~ \$1,180, as adjusted under the  
 4 provisions of subsection (7), and married individuals not  
 5 filing separate returns and having a combined gross income  
 6 for the taxable year of more than ~~\$1,800~~ \$2,360, as adjusted  
 7 under the provisions of subsection (7), shall be liable for  
 8 a return to be filed on such forms and according to such  
 9 rules as the department may prescribe. The gross income  
 10 amounts referred to in the preceding sentence shall be  
 11 increased by ~~\$800~~ \$1,000, as adjusted under the provisions  
 12 of 15-30-112(7) and (8), for each additional personal  
 13 exemption allowance the taxpayer is entitled to claim for  
 14 himself and his spouse under 15-30-112(3) and (4). A  
 15 nonresident shall be required to file a return if his gross  
 16 income for the taxable year derived from sources within  
 17 Montana exceeds the amount of the exemption deduction he is  
 18 entitled to claim for himself and his spouse under the  
 19 provisions of 15-30-112(2), (3), and (4), as prorated  
 20 according to 15-30-112(6).

21 (2) In accordance with instructions set forth by the  
 22 department, every taxpayer who is married and living with  
 23 husband or wife and is required to file a return may, at his  
 24 or her option, file a joint return with husband or wife even  
 25 though one of the spouses has neither gross income nor

1 deductions. If a joint return is made, the tax shall be  
 2 computed on the aggregate taxable income and the liability  
 3 with respect to the tax shall be joint and several. If a  
 4 joint return has been filed for a taxable year, the spouses  
 5 may not file separate returns after the time for filing the  
 6 return of either has expired unless the department so  
 7 consents.

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

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

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

3 (6) If the amount of tax as verified is greater than  
4 the amount theretofore paid, the excess shall be paid by the  
5 taxpayer to the department within 30 days after notice of  
6 the amount of the tax as computed, with interest added at  
7 the rate of 9% per annum or fraction thereof on the  
8 additional tax. In such case there shall be no penalty  
9 because of such understatement, provided the deficiency is  
10 paid within 30 days after the first notice of the amount is  
11 mailed to the taxpayer.

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

18 SECTION 4. SECTION 9, CHAPTER 698, LAWS OF 1979 IS  
19 AMENDED TO READ:

20 "Section 9. Deductions for exemptions in 1979 and  
21 1980. ~~§~~ The exemption amounts allowed in 15-30-112 are  
22 increased for taxable years beginning after December 31,  
23 1978, and before January 1, 1980, by \$50 for each \$2.5  
24 million by which the general fund balance, as certified by  
25 the director of the department of administration to the

1 ~~director of the department of revenue exceeds \$14 million~~  
2 ~~as of June 30, 1979 and for taxable years beginning after~~  
3 ~~December 31, 1979, and before January 1, 1981, by \$250.~~

4 ~~{2} The exemption amounts allowed in 15-30-112 are~~  
5 ~~increased for taxable years beginning after December 31,~~  
6 ~~1979, and before January 1, 1981, by \$50 for each \$2.8~~  
7 ~~million by which the general fund balance, as certified by~~  
8 ~~the director of the department of administration to the~~  
9 ~~director of the department of revenue exceeds \$13 million~~  
10 ~~as of June 30, 1980."~~

11 SECTION 5. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON  
12 PASSAGE AND APPROVAL.

-End-

HOUSE BILL NO. 27

INTRODUCED BY KEYSER, ROTH,

UNDERDAL, ERNST, BERTELSEN, GOULD

A BILL FOR AN ACT ENTITLED: "AN ACT TO RAISE THE INDIVIDUAL INCOME TAX BASE EXEMPTION FROM \$800 TO ~~\$1,200~~ \$1,000; AMENDING SECTIONS ~~15-30-112~~ ME 1, 3, AND 5 OF INITIATIVE NO. 86 AND SECTION 9, CHAPTER 698, LAWS OF 1979; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section ~~15-30-112~~ ME, is amended to read:

~~15-30-112~~ ME Exemptions. (1) Except as provided in subsection (7), in the case of an individual, the exemptions provided by subsections (2) through (6) shall be allowed as deductions in computing taxable income.

(2) (a) An exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the taxpayer.

(b) An additional exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another

taxpayer.

(3) (a) An additional exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the taxpayer if he has attained the age of 65 before the close of his taxable year.

(b) An additional exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of such taxable year and for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(4) (a) An additional exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the taxpayer if he is blind at the close of his taxable year.

(b) An additional exemption of \$800 ~~\$1,200~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For the purposes of this subsection (4) (b), the determination of whether the spouse is blind

1 shall be made as of the close of the taxable year of the  
2 taxpayer, except that if the spouse dies during such taxable  
3 year, such determination shall be made as of the time of  
4 such death.

5 (c) For purposes of this subsection (4), an individual  
6 is blind only if his central visual acuity does not exceed  
7 20/200 in the better eye with correcting lenses, or if his  
8 visual acuity is greater than 20/200 but is accompanied by a  
9 limitation in the fields of vision such that the widest  
10 diameter of the visual field subtends an angle no greater  
11 than 20 degrees.

12 (5) (a) An exemption of \$800 ~~51,200~~ shall be allowed  
13 for taxable years beginning after December 31, 1978 ~~1980~~  
14 for each dependent:

15 (i) whose gross income for the calendar year in which  
16 the taxable year of the taxpayer begins is less than \$800  
17 ~~51,200~~ or

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

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

22 (B) is a student;

23 (b) No exemption shall be allowed under this  
24 subsection for any dependent who has made a joint return  
25 with his spouse for the taxable year beginning in the

1 calendar year in which the taxable year of the taxpayer  
2 begins.

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

6 (d) For purposes of subsection (5) (i) (ii) (B), the term  
7 "student" means an individual who, during each of 5 calendar  
8 months during the calendar year in which the taxable year of  
9 the taxpayer begins:

10 (i) is a full-time student at an educational  
11 institution; or

12 (ii) is pursuing a full-time course of institutional  
13 on-farm training under the supervision of an accredited  
14 agent of an educational institution or of a state or  
15 political subdivision of a state. For purposes of this  
16 subsection (5) (d) (ii), the term "educational institution"  
17 means only an educational institution which normally  
18 maintains a regular faculty and curriculum and normally has  
19 a regularly organized body of students in attendance at the  
20 place where its educational activities are carried on.

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

25 (7) For taxable years beginning after December 31,



1 ~~1978, and before January 1, 1981, the amount allowed as a~~  
 2 ~~deduction in subsections (2) through (6) shall be adjusted~~  
 3 ~~as provided under section 9, Chapter 698, Laws of 1979."~~

4 SECTION 1. SECTION 1 OF INITIATIVE NO. 86 IS AMENDED  
 5 TO READ:

6 Section 1. Section 15-30-101, MCA, is amended to read:  
 7 "15-30-101. Definitions. For the purpose of this  
 8 chapter, unless otherwise required by the context, the  
 9 following definitions apply:

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

12 (a) the tax brackets established in 15-30-103, BUT  
 13 UNADJUSTED BY SUBSECTION (2), in effect on January 1, 1980  
 14 JUNE 30 OF THE TAXABLE YEAR;

15 (b) the exemptions contained in 15-30-112, BUT  
 16 UNADJUSTED BY SUBSECTIONS (7) AND (8), in effect on January  
 17 1, 1980 JUNE 30 OF THE TAXABLE YEAR;

18 (c) the maximum standard deduction provided in  
 19 15-30-122, BUT UNADJUSTED BY SUBSECTION (2), in effect on  
 20 January 1, 1980 JUNE 30 OF THE TAXABLE YEAR.

21 (2) "Consumer price index" means the consumer price  
 22 index, United States city average, for all items, using the  
 23 1967 base of 100 as published by the bureau of labor  
 24 statistics of the U.S. department of labor.

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

1 ~~(2)(4)~~ "Dividend" means any distribution made by a  
 2 corporation out of its earnings or profits to its  
 3 shareholders or members, whether in cash or in other  
 4 property or in stock of the corporation, other than stock  
 5 dividends as herein defined. "Stock dividends" means new  
 6 stock issued, for surplus or profits capitalized, to  
 7 shareholders in proportion to their previous holdings.

8 ~~(3)(5)~~ "Fiduciary" means a guardian, trustee,  
 9 executor, administrator, receiver, conservator, or any  
 10 person, whether individual or corporate, acting in any  
 11 fiduciary capacity for any person, trust, or estate.

12 ~~(4)(6)~~ "Foreign country" or "foreign government" means  
 13 any jurisdiction other than the one embraced within the  
 14 United States, its territories and possessions.

15 ~~(5)(7)~~ "Gross income" means the taxpayer's gross  
 16 income for federal income tax purposes as defined in section  
 17 61 of the Internal Revenue Code of 1954 or as that section  
 18 may be labeled or amended, excluding unemployment  
 19 compensation included in federal gross income under the  
 20 provisions of section 85 of the Internal Revenue Code of  
 21 1954 as amended.

22 (8) "inflation factor" means a number determined for  
 23 each taxable year by dividing the consumer price index for  
 24 June of the taxable year by the consumer price index for  
 25 June, 1980.

1       †6†[9] "Information agents" includes 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       †7†[10] "Knowingly" is as defined in 45-2-101.

14       †8†[11] "Net income" means the adjusted gross income of  
15 a taxpayer less the deductions allowed by this chapter.

16       †9†[12] "Paid", for the purposes of the deductions and  
17 credits under this chapter, means paid or accrued or paid or  
18 incurred, and the terms "paid or incurred" and "paid or  
19 accrued" shall be construed according to the method of  
20 accounting upon the basis of which the taxable income is  
21 computed under this chapter.

22       †10†[13] "Purposely" is as defined in 45-2-101.

23       †11†[14] "Received", for the purpose of computation of  
24 taxable income under this chapter, means received or accrued  
25 and the term "received or accrued" shall be construed

1 according to the method of accounting upon the basis of  
2 which the taxable income is computed under this chapter.

3       †12†[15] "Resident" applies only to natural persons and  
4 includes, for the purpose of determining liability to the  
5 tax imposed by this chapter with reference to the income of  
6 any taxable year, any person domiciled in the state of  
7 Montana and any other person who maintains a permanent place  
8 of abode within the state even though temporarily absent  
9 from the state and has not established a residence  
10 elsewhere.

11       †13†[16] "Taxable income" means the adjusted gross  
12 income of a taxpayer less the deductions and exemptions  
13 provided for in this chapter.

14       †14†[17] "Taxable year" means the taxpayer's taxable  
15 year for federal income tax purposes.

16       †15†[18] "Taxpayer" includes any person or fiduciary,  
17 resident or nonresident, subject to a tax imposed by this  
18 chapter and does not include corporations."

19       SECTION 2. SECTION 3 OF INITIATIVE NO. 86 IS AMENDED  
20 TO READ:

21       Section 3. Section 15-30-112, MCA, is amended to read:

22       "15-30-112. Exemptions. (1) Except as provided in  
23 subsections (7) and (8), in the case of an individual, the  
24 exemptions provided by subsections (2) through (6) shall be  
25 allowed as deductions in computing taxable income.

1 (2) (a) An exemption of ~~\$800~~ \$1,000 shall be allowed  
 2 for taxable years beginning after December 31, 1978, for the  
 3 taxpayer.

4 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 5 allowed for taxable years beginning after December 31, 1978,  
 6 for the spouse of the taxpayer if a separate return is made  
 7 by the taxpayer and if the spouse, for the calendar year in  
 8 which the taxable year of the taxpayer begins, has no gross  
 9 income and is not the dependent of another taxpayer.

10 (3) (a) An additional exemption of ~~\$800~~ \$1,000 shall  
 11 be allowed for taxable years beginning after December 31,  
 12 1978, for the taxpayer if he has attained the age of 65  
 13 before the close of his taxable year.

14 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 15 allowed for taxable years beginning after December 31, 1978,  
 16 for the spouse of the taxpayer if a separate return is made  
 17 by the taxpayer and if the spouse has attained the age of 65  
 18 before the close of such taxable year and, for the calendar  
 19 year in which the taxable year of the taxpayer begins, has  
 20 no gross income and is not the dependent of another  
 21 taxpayer.

22 (4) (a) An additional exemption of ~~\$800~~ \$1,000 shall  
 23 be allowed for taxable years beginning after December 31,  
 24 1978, for the taxpayer if he is blind at the close of his  
 25 taxable year.

1 (b) An additional exemption of ~~\$800~~ \$1,000 shall be  
 2 allowed for taxable years beginning after December 31, 1978,  
 3 for the spouse of the taxpayer if a separate return is made  
 4 by the taxpayer and if the spouse is blind and, for the  
 5 calendar year in which the taxable year of the taxpayer  
 6 begins, has no gross income and is not the dependent of  
 7 another taxpayer. For the purposes of this subsection  
 8 (4)(b), the determination of whether the spouse is blind  
 9 shall be made as of the close of the taxable year of the  
 10 taxpayer, except that if the spouse dies during such taxable  
 11 year, such determination shall be made as of the time of  
 12 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 ~~\$800~~ \$1,000 shall be allowed  
 21 for taxable years beginning after December 31, 1978, for  
 22 each dependent:

23 (i) whose gross income for the calendar year in which  
 24 the taxable year of the taxpayer begins is less than ~~\$800~~  
 25 \$1,000; 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) For taxable years beginning after December 31,  
 9 1978, and before January 1, 1981, the amount allowed as a  
 10 deduction in subsections (2) through (6) shall be adjusted  
 11 as provided under section 9, Chapter 698, Laws of 1979 AS  
 12 AMENDED BY THIS ACT.  
 13 (8) For taxable years beginning after December 31,  
 14 1980, the department, by November 1 of each year, shall  
 15 multiply all the exemptions provided in this section  
 16 unadjusted by subsection (7) by the inflation factor for  
 17 that taxable year and round the product to the nearest \$10.  
 18 The resulting adjusted exemptions are effective for that  
 19 taxable year and shall be used in calculating the tax  
 20 imposed in 15-30-103."  
 21 SECTION 3. SECTION 5 OF INITIATIVE NO. 86 IS AMENDED  
 22 TO READ:  
 23 Section 5. Section 15-30-142, MCA, is amended to read:  
 24 "15-30-142. Returns and payment of tax -- penalty and  
 25 interest -- refunds -- credits. (1) Every single individual

1 and every married individual not filing a joint return with  
 2 his or her spouse and having a gross income for the taxable  
 3 year of more than ~~\$940~~ \$1,180, as adjusted under the  
 4 provisions of subsection (7), and married individuals not  
 5 filing separate returns and having a combined gross income  
 6 for the taxable year of more than ~~\$1,800~~ \$2,360, as adjusted  
 7 under the provisions of subsection (7), shall be liable for  
 8 a return to be filed on such forms and according to such  
 9 rules as the department may prescribe. The gross income  
 10 amounts referred to in the preceding sentence shall be  
 11 increased by ~~\$800~~ \$1,000, as adjusted under the provisions  
 12 of 15-30-112(7) and (8), for each additional personal  
 13 exemption allowance the taxpayer is entitled to claim for  
 14 himself and his spouse under 15-30-112(3) and (4). A  
 15 nonresident shall be required to file a return if his gross  
 16 income for the taxable year derived from sources within  
 17 Montana exceeds the amount of the exemption deduction he is  
 18 entitled to claim for himself and his spouse under the  
 19 provisions of 15-30-112(2), (3), and (4), as prorated  
 20 according to 15-30-112(6).

21 (2) In accordance with instructions set forth by the  
 22 department, every taxpayer who is married and living with  
 23 husband or wife and is required to file a return may, at his  
 24 or her option, file a joint return with husband or wife even  
 25 though one of the spouses has neither gross income nor

1 deductions. If a joint return is made, the tax shall be  
 2 computed on the aggregate taxable income and the liability  
 3 with respect to the tax shall be joint and several. If a  
 4 joint return has been filed for a taxable year, the spouses  
 5 may not file separate returns after the time for filing the  
 6 return of either has expired unless the department so  
 7 consents.

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

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

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

3 (6) If the amount of tax as verified is greater than  
4 the amount theretofore paid, the excess shall be paid by the  
5 taxpayer to the department within 30 days after notice of  
6 the amount of the tax as computed, with interest added at  
7 the rate of 9% per annum or fraction thereof on the  
8 additional tax. In such case there shall be no penalty  
9 because of such understatement, provided the deficiency is  
10 paid within 30 days after the first notice of the amount is  
11 mailed to the taxpayer.

12 {7} By November 1 of each year, the department shall  
13 multiply the minimum amount of gross income necessitating  
14 the filing of a return by the inflation factor for the  
15 taxable year. These adjusted amounts are effective for that  
16 taxable year, and persons having gross incomes less than  
17 these adjusted amounts are not required to file a return."

18 SECTION 4. SECTION 9, CHAPTER 698, LAWS OF 1979 IS  
19 AMENDED TO READ:

20 "Section 9. Deductions for exemptions in 1979 and  
21 1980. ~~{1}~~ The exemption amounts allowed in 15-30-112 are  
22 increased for taxable years beginning after December 31,  
23 1978, and before January 1, 1980, by \$50 for each \$2.5  
24 million by which the general fund balance as certified by  
25 the director of the department of administration to the

1 ~~director of the department of revenue exceeds \$14 million~~  
2 ~~as of June 30, 1979 and for taxable years beginning after~~  
3 ~~December 31, 1979, and before January 1, 1981, by \$250.~~

4 ~~{2} The exemption amounts allowed in 15-30-112 are~~  
5 ~~increased for taxable years beginning after December 31,~~  
6 ~~1979, and before January 1, 1981, by \$50 for each \$2.8~~  
7 ~~million by which the general fund balance as certified by~~  
8 ~~the director of the department of administration to the~~  
9 ~~director of the department of revenue exceeds \$13 million~~  
10 ~~as of June 30, 1980."~~

11 SECTION 5. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON  
12 PASSAGE AND APPROVAL.

-End-

HOUSE BILL NO. 27

INTRODUCED BY KEYSER, ROTH,

UNDERDAL, ERNST, BERTELSEN, GOULD

A BILL FOR AN ACT ENTITLED: "AN ACT TO RAISE THE INDIVIDUAL INCOME TAX BASE EXEMPTION FROM \$800 TO \$1,200 ~~\$1,000~~ CLARIFY THAT THE INDIVIDUAL INCOME TAX BASE EXEMPTION IS \$800; AMENDING SECTIONS 15-30-112, MCA, 1, 3, AND 5 OF INITIATIVE NO. 86 AND SECTION 9, CHAPTER 698, LAWS OF 1979; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 15-30-112, MCA, is amended to read:

"15-30-112. Exemptions. (1) Except as provided in subsection (7), in the case of an individual, the exemptions provided by subsections (2) through (6) shall be allowed as deductions in computing taxable income:

(2) (a) An exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~ for the taxpayer;

(b) An additional exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has

no gross income and is not the dependent of another taxpayer;

(3) (a) An additional exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~, for the taxpayer if he has attained the age of 65 before the close of his taxable year;

(b) An additional exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of such taxable year and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer;

(4) (a) An additional exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~, for the taxpayer if he is blind at the close of his taxable year;

(b) An additional exemption of \$800 ~~\$1,000~~ shall be allowed for taxable years beginning after December 31, 1978 ~~1980~~, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer for the purposes of this subsection

1 (4)(b), the determination of whether the spouse is blind  
2 shall be made as of the close of the taxable year of the  
3 taxpayer except that if the spouse dies during such taxable  
4 year such determination shall be made as of the time of  
5 such death

6 (c) For purposes of this subsection (4) an individual  
7 is blind only if his central visual acuity does not exceed  
8 20/200 in the better eye with correcting lenses or if his  
9 visual acuity is greater than 20/200 but is accompanied by a  
10 limitation in the fields of vision such that the widest  
11 diameter of the visual field subtends an angle no greater  
12 than 20 degrees

13 (5)(a) An exemption of \$800 ~~\$1,200~~ shall be allowed  
14 for taxable years beginning after December 31, 1978 ~~1980~~  
15 for each dependent:

16 (i) whose gross income for the calendar year in which  
17 the taxable year of the taxpayer begins is less than \$800  
18 ~~\$1,200~~ or

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

20 (A) has not attained the age of 19 years at the close  
21 of the calendar year in which the taxable year of the  
22 taxpayer begins; or

23 (B) is a student;

24 (b) No exemption shall be allowed under this  
25 subsection for any dependent who has made a joint return

1 with his spouse for the taxable year beginning in the  
2 calendar year in which the taxable year of the taxpayer  
3 begins

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

7 (d) For purposes of subsection (5)(a)(ii)(3) the term  
8 "student" means an individual who during each of 5 calendar  
9 months during the calendar year in which the taxable year of  
10 the taxpayer begins:

11 (i) is a full-time student at an educational  
12 institution; or

13 (ii) is pursuing a full-time course of institutional  
14 on-farm training under the supervision of an accredited  
15 agent of an educational institution or of a state or  
16 political subdivision of a state; for purposes of this  
17 subsection (5)(d)(ii) the term "educational institution"  
18 means only an educational institution which normally  
19 maintains a regular faculty and curriculum and normally has  
20 a regularly organized body of students in attendance at the  
21 place where its educational activities are carried on

22 (6) In the case of a nonresident taxpayer the  
23 exemption deduction shall be prorated according to the ratio  
24 the taxpayer's Montana adjusted gross income bears to his  
25 federal adjusted gross income



1 ~~{7}~~ For taxable years beginning after December 31,  
 2 1978, and before January 1, 1981, the amount allowed as a  
 3 deduction in subsections (2) through (6) shall be adjusted  
 4 as provided under section 9, Chapter 698, Laws of 1979.

5 SECTION 1. SECTION 1 OF INITIATIVE NO. 86 IS AMENDED  
 6 TO READ:

7 Section 1. Section 15-30-101, MCA, is amended to read:  
 8 "15-30-101. Definitions. For the purpose of this  
 9 chapter, unless otherwise required by the context, the  
 10 following definitions apply:

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

13 (a) the tax brackets established in 15-30-103, BUT  
 14 UNADJUSTED BY SUBSECTION (2) OF 15-30-103, in effect on  
 15 January 1, 1980 JUNE 30 OF THE TAXABLE YEAR;

16 (b) the exemptions contained in 15-30-112, BUT  
 17 UNADJUSTED BY SUBSECTIONS (7) AND (8) OF 15-30-112, in  
 18 effect on January 1, 1980 JUNE 30 OF THE TAXABLE YEAR;

19 (c) the maximum standard deduction provided in  
 20 15-30-122, BUT UNADJUSTED BY SUBSECTION (2) OF 15-30-122, in  
 21 effect on January 1, 1980 JUNE 30 OF THE TAXABLE YEAR.

22 (2) "Consumer price index" means the consumer price  
 23 index, United States city average, for all items, using the  
 24 1967 base of 100 as published by the bureau of labor  
 25 statistics of the U.S. department of labor.

1 ~~{1}~~(3) "Department" means the department of revenue.  
 2 ~~{2}~~(4) "Dividend" means any distribution made by a  
 3 corporation out of its earnings or profits to its  
 4 shareholders or members, whether in cash or in other  
 5 property or in stock of the corporation, other than stock  
 6 dividends as herein defined. "Stock dividends" means new  
 7 stock issued, for surplus or profits capitalized, to  
 8 shareholders in proportion to their previous holdings.

9 ~~{3}~~(5) "Fiduciary" means a guardian, trustee,  
 10 executor, administrator, receiver, conservator, or any  
 11 person, whether individual or corporate, acting in any  
 12 fiduciary capacity for any person, trust, or estate.

13 ~~{4}~~(6) "Foreign country" or "foreign government" means  
 14 any jurisdiction other than the one embraced within the  
 15 United States, its territories and possessions.

16 ~~{5}~~(7) "Gross income" means the taxpayer's gross  
 17 income for federal income tax purposes as defined in section  
 18 61 of the Internal Revenue Code of 1954 or as that section  
 19 may be labeled or amended, excluding unemployment  
 20 compensation included in federal gross income under the  
 21 provisions of section 85 of the Internal Revenue Code of  
 22 1954 as amended.

23 (8) "Inflation factor" means a number determined for  
 24 each taxable year by dividing the consumer price index for  
 25 June of the taxable year by the consumer price index for

1 June, 1980.

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

14 ~~(7)~~(10) "Knowingly" is as defined in 45-2-101.

15 ~~(8)~~(11) "Net income" means the adjusted gross income of  
16 a taxpayer less the deductions allowed by this chapter.

17 ~~(9)~~(12) "Paid", for the purposes of the deductions and  
18 credits under this chapter, means paid or accrued or paid or  
19 incurred, and the terms "paid or incurred" and "paid or  
20 accrued" shall be construed according to the method of  
21 accounting upon the basis of which the taxable income is  
22 computed under this chapter.

23 ~~(10)~~(13) "Purposely" is as defined in 45-2-101.

24 ~~(11)~~(14) "Received", for the purpose of computation of  
25 taxable income under this chapter, means received or accrued

1 and the term "received or accrued" shall be construed  
2 according to the method of accounting upon the basis of  
3 which the taxable income is computed under this chapter.

4 ~~(12)~~(15) "Resident" applies only to natural persons and  
5 includes, for the purpose of determining liability to the  
6 tax imposed by this chapter with reference to the income of  
7 any taxable year, any person domiciled in the state of  
8 Montana and any other person who maintains a permanent place  
9 of abode within the state even though temporarily absent  
10 from the state and has not established a residence  
11 elsewhere.

12 ~~(13)~~(16) "Taxable income" means the adjusted gross  
13 income of a taxpayer less the deductions and exemptions  
14 provided for in this chapter.

15 ~~(14)~~(17) "Taxable year" means the taxpayer's taxable  
16 year for federal income tax purposes.

17 ~~(15)~~(18) "Taxpayer" includes any person or fiduciary,  
18 resident or nonresident, subject to a tax imposed by this  
19 chapter and does not include corporations."

20 SECTION 2. SECTION 3 OF INITIATIVE NO. 86 IS AMENDED  
21 TO READ:

22 Section 3. Section 15-30-112, MCA, is amended to read:  
23 "15-30-112. Exemptions. (1) Except as provided in  
24 subsections (7) and (8), in the case of an individual, the  
25 exemptions provided by subsections (2) through (6) shall be

1 allowed as deductions in computing taxable income.

2 (2) (a) An exemption of ~~\$800~~ ~~\$1,000~~ \$800 shall be  
3 allowed for taxable years beginning after December 31, 1978,  
4 for the taxpayer.

5 (b) An additional exemption of ~~\$800~~ ~~\$1,000~~ \$800 shall  
6 be allowed for taxable years beginning after December 31,  
7 1978, for the spouse of the taxpayer if a separate return is  
8 made by the taxpayer and if the spouse, for the calendar  
9 year in which the taxable year of the taxpayer begins, has  
10 no gross income and is not the dependent of another  
11 taxpayer.

12 (3) (a) An additional exemption of ~~\$800~~ ~~\$1,000~~ \$800  
13 shall be allowed for taxable years beginning after December  
14 31, 1978, for the taxpayer if he has attained the age of 65  
15 before the close of his taxable year.

16 (b) An additional exemption of ~~\$800~~ ~~\$1,000~~ \$800 shall  
17 be allowed for taxable years beginning after December 31,  
18 1978, for the spouse of the taxpayer if a separate return is  
19 made by the taxpayer and if the spouse has attained the age  
20 of 65 before the close of such taxable year and, for the  
21 calendar year in which the taxable year of the taxpayer  
22 begins, has no gross income and is not the dependent of  
23 another taxpayer.

24 (4) (a) An additional exemption of ~~\$800~~ ~~\$1,000~~ \$800  
25 shall be allowed for taxable years beginning after December

1 31, 1978, for the taxpayer if he is blind at the close of  
2 his taxable year.

3 (b) An additional exemption of ~~\$800~~ ~~\$1,000~~ \$800 shall  
4 be allowed for taxable years beginning after December 31,  
5 1978, for the spouse of the taxpayer if a separate return is  
6 made by the taxpayer and if the spouse is blind and, for the  
7 calendar year in which the taxable year of the taxpayer  
8 begins, has no gross income and is not the dependent of  
9 another taxpayer. For the purposes of this subsection  
10 (4)(b), the determination of whether the spouse is blind  
11 shall be made as of the close of the taxable year of the  
12 taxpayer, except that if the spouse dies during such taxable  
13 year, such determination shall be made as of the time of  
14 such death.

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

22 (5) (a) An exemption of ~~\$800~~ ~~\$1,000~~ \$800 shall be  
23 allowed for taxable years beginning after December 31, 1978,  
24 for each dependent:

25 (i) whose gross income for the calendar year in which

1 the taxable year of the taxpayer begins is less than \$800  
 2 ~~\$17,000~~ \$800; or

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

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

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

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

20 (i) is a full-time student at an educational  
 21 institution; or  
 22 (ii) is pursuing a full-time course of institutional  
 23 on-farm training under the supervision of an accredited  
 24 agent of an educational institution or of a state or  
 25 political subdivision of a state. For purposes of this

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

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

10 (7) For taxable years beginning after December 31,  
 11 1978, and before January 1, 1981, the amount allowed as a  
 12 deduction in subsections (2) through (6) shall be adjusted  
 13 as provided under section 9, Chapter 698, Laws of 1979 AS  
 14 AMENDED BY THIS ACT.

15 (8) For taxable years beginning after December 31,  
 16 1980, the department, by November 1 of each year, shall  
 17 multiply all the exemptions provided in this section  
 18 unadjusted by subsection (7) by the inflation factor for  
 19 that taxable year and round the product to the nearest \$10.  
 20 The resulting adjusted exemptions are effective for that  
 21 taxable year and shall be used in calculating the tax  
 22 imposed in 15-30-103."

23 SECTION 3. SECTION 5 OF INITIATIVE NO. 86 IS AMENDED  
 24 TO READ:

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

1       \*15-30-142. Returns and payment of tax -- penalty and  
 2 interest -- refunds -- credits. (1) Every single individual  
 3 and every married individual not filing a joint return with  
 4 his or her spouse and having a gross income for the taxable  
 5 year of more than ~~\$940~~ ~~\$1,180~~ \$1,000, as adjusted under the  
 6 provisions of subsection (7), and married individuals not  
 7 filing separate returns and having a combined gross income  
 8 for the taxable year of more than ~~\$1,000~~ ~~\$2,360~~ \$2,000, as  
 9 adjusted under the provisions of subsection (7), shall be  
 10 liable for a return to be filed on such forms and according  
 11 to such rules as the department may prescribe. The gross  
 12 income amounts referred to in the preceding sentence shall  
 13 be increased by ~~\$800~~ ~~\$1,000~~ \$800, as adjusted under the  
 14 provisions of 15-30-112(7) and (8), for each additional  
 15 personal exemption allowance the taxpayer is entitled to  
 16 claim for himself and his spouse under 15-30-112(3) and (4).  
 17 A nonresident shall be required to file a return if his  
 18 gross income for the taxable year derived from sources  
 19 within Montana exceeds the amount of the exemption deduction  
 20 he is entitled to claim for himself and his spouse under the  
 21 provisions of 15-30-112(2), (3), and (4), as prorated  
 22 according to 15-30-112(6).

23       (2) In accordance with instructions set forth by the  
 24 department, every taxpayer who is married and living with  
 25 husband or wife and is required to file a return may, at his

1 or her option, file a joint return with husband or wife even  
 2 though one of the spouses has neither gross income nor  
 3 deductions. If a joint return is made, the tax shall be  
 4 computed on the aggregate taxable income and the liability  
 5 with respect to the tax shall be joint and several. If a  
 6 joint return has been filed for a taxable year, the spouses  
 7 may not file separate returns after the time for filing the  
 8 return of either has expired unless the department so  
 9 consents.

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

14       (4) All taxpayers, including but not limited to those  
 15 subject to the provisions of 15-30-202 and 15-30-241, shall  
 16 compute the amount of income tax payable and shall, at the  
 17 time of filing the return required by this chapter, pay to  
 18 the department any balance of income tax remaining unpaid  
 19 after crediting the amount withheld as provided by 15-30-202  
 20 and/or any payment made by reason of an estimated tax return  
 21 provided for in 15-30-241; provided, however, the tax so  
 22 computed is greater by \$1 than the amount withheld and/or  
 23 paid by estimated return as provided in this chapter. If the  
 24 amount of tax withheld and/or payment of estimated tax  
 25 exceeds by more than \$1 the amount of income tax as

1 computed, the taxpayer shall be entitled to a refund of the  
2 excess.

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

5 (6) If the amount of tax as verified is greater than  
6 the amount theretofore paid, the excess shall be paid by the  
7 taxpayer to the department within 30 days after notice of  
8 the amount of the tax as computed, with interest added at  
9 the rate of 9% per annum or fraction thereof on the  
10 additional tax. In such case there shall be no penalty  
11 because of such understatement, provided the deficiency is  
12 paid within 30 days after the first notice of the amount is  
13 mailed to the taxpayer.

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

20 SECTION 4. SECTION 9, CHAPTER 698, LAWS OF 1979 IS  
21 AMENDED TO READ:

22 "Section 9. Deductions for exemptions in 1979 and  
23 1980. ~~{1}~~ The exemption amounts allowed in 15-30-112 are  
24 increased for taxable years beginning after December 31,  
25 1978, and before January 1, 1980, by \$50 \$250 for each ~~-\$2=5~~

1 million--by--which--the--general--fund--balance--as--certified--by  
2 the--director--of--the--department--of--administration--to--the  
3 director--of--the--department--of--revenue--exceeds--\$14--million  
4 as--of--June--30--1979 and for taxable years beginning after  
5 December 31, 1979, and before January 1, 1981, by ~~\$250~~ \$450.

6 ~~{2}~~--The--exemption--amounts--allowed--in--15--30--112--are  
7 increased--for--taxable--years--beginning--after--December--31,  
8 1979,--and--before--January--1,--1981,--by--\$50--for--each--\$2=8  
9 million--by--which--the--general--fund--balance--as--certified--by  
10 the--director--of--the--department--of--administration--to--the  
11 director--of--the--department--of--revenue--exceeds--\$13--million  
12 as--of--June--30--1980."

13 SECTION 5. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON  
14 PASSAGE AND APPROVAL.

-End-

April 14, 1981

SENATE STANDING COMMITTEE REPORT  
(Taxation)

That House Bill No. 27 be amended as follows:

1. Title, line 5 and 6.

Following: "TO"

Strike: remainder of line 5 and all of line 6

Insert: "CLARIFY THAT THE INDIVIDUAL INCOME TAX BASE EXEMPTION IS \$800"

2. Page 5, line 13.

Following: "(2)"

Insert: "of 15-30-103"

3. Page 5, line 16.

Following: "(8)"

Insert: "of 15-30-112"

4. Page 5, line 19.

Following: "(2)"

Insert: "of 15-30-122"

5. Page 9, lines 1, 4, 10, 14, and 22,

Page 10, lines 1, 20, and 25

Following: "\$800"

Strike: "\$1,000"

Insert: "\$800" on each line

6. Page 13, line 3.

Following: "\$940"

Strike: "\$1,180"

Insert: "\$1,000"

7. Page 13, line 6.

Following: "\$1,880"

Strike: "\$2,360"

Insert: "\$2,000"

8. Page 13, line 11.

Following: "\$800"

Strike: "\$1,000"

Insert: "\$800"

9. Page 15, line 23.

Following: "by"

Strike: "\$50"

Insert: "\$250"

10. Page 16, line 3.

Following: "by"

Strike: "\$250"

Insert: "\$450"