

HOUSE BILL NO. 63

INTRODUCED BY MOORE

IN THE HOUSE

January 6, 1981	Introduced and referred to Committee on Taxation.
January 7, 1981	Fiscal note requested.
January 12, 1981	Fiscal note returned.
February 9, 1981	Committee recommend bill do pass as amended. Report adopted.
February 10, 1981	Bill printed and placed on members' desks.
February 11, 1981	Second reading, do pass.
February 12, 1981	Correctly engrossed.
February 13, 1981	Third reading, passed. Ayes, 94; Noes, 0. Transmitted to Senate.

IN THE SENATE

February 14, 1981	Introduced and referred to Committee on Taxation.
April 13, 1981	Committee recommend bill be concurred in as amended. Report adopted. On motion taken from Committee on Bills and Journal and referred to Committee on Finance and Claims. Motion adopted.
April 16, 1981	Committee recommend bill be concurred in. Report adopted.

April 17, 1981

Second reading, concurred in.

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

Third reading, concurred in
as amended. Ayes, 38;
Noes, 12.

IN THE HOUSE

April 20, 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, 89;
Noes, 6. Sent to
enrolling.

Reported correctly enrolled.

1 ~~(h)(1)~~ all benefits paid by first- or second-class
2 cities for the policemen's retirement system provided for by
3 Title 19, chapter 9.

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

18 Section 2. Effective date. This act is effective on
19 passage and approval and applies to taxable years beginning
20 after December 31, 1980.

-End-

STATE OF MONTANA

REQUEST NO. 46-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 7, 19 81, there is hereby submitted a Fiscal Note for House Bill 63 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.


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

DESCRIPTION

An act to exempt from income taxation private or corporate retirement benefits not in excess of a certain amount.

FISCAL IMPACT

There are no data available to estimate the fiscal impact of this proposal.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-81

STATE OF MONTANA

REQUEST NO. 46-81

FISCAL NOTE

Form BD-15

In compliance with a written request received March 26, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 63, as amended pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).
3/25/81
 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 exempt from income taxation private or corporate retirement benefits not in excess of a certain amount.

ASSUMPTIONS

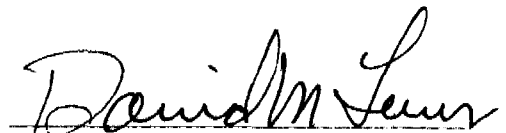
1. \$250 million in private or corporate retirement benefits are paid to Montanans annually, and of that amount, \$220 million would be exempt from income taxation under the proposed law. An explanation of the sources of these figures is attached.
2. The effective tax rate for persons receiving retirement benefits is 4%.

FISCAL IMPACT

	FY 82	FY 83
Individual Income Tax Collections		
Under current law	\$161.556 M	\$167.993 M
Under proposed law	<u>152.756 M</u>	<u>159.193 M</u>
Estimated Decrease	(\$ 8.800 M)	(\$ 8.800 M)
FUND INFORMATION		
General Fund		
Under current law	\$103.396 M	\$107.516 M
Under proposed law	<u>97.764 M</u>	<u>101.884 M</u>
Estimated Decrease	(\$ 5.632 M)	(\$ 5.632 M)
Earmarked Revenue Fund		
Under current law	\$ 40.389 M	\$ 41.998 M
Under proposed law	<u>38.189 M</u>	<u>39.798 M</u>
Estimated Decrease	(\$ 2.200 M)	(\$ 2.200 M)
Sinking Fund *		
Under current law	\$ 17.771 M	\$ 18.479 M
Under proposed law	<u>16.803 M</u>	<u>17.511 M</u>
Estimated Decrease	(\$ 0.968 M)	(\$ 0.968 M)

* A portion of this account may be transferred to the General Fund as Long Range Bond Excess.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-30-81



STATE OF MONTANA

DEPARTMENT OF REVENUE

MITCHELL BUILDING
HELENA, MONTANA 59601

March 30, 1981

MEMORANDUM

TO: John M. Clark, Deputy Director, Department of Revenue

FROM: Tom Winn, Research Bureau Chief, Research & Information Division *JW*

SUBJECT: Preparation of Fiscal Note for HB 63

According to personal income statistics for Montana in 1979, \$184 million in federal, state or local government pensions or military retirement pay was received by Montanans. According to consumer expenditure survey data published by the U.S. Department of Labor (Bulletin 1959, p. 386) for every \$1 in government pensions paid to families with head over 65 years, \$1.17 in private pensions was received. Thus, it is estimated that \$215 million in private pension benefits was received by Montanans in 1979. Allowing for inflation, a more current estimate would be \$250 million. An analysis was conducted of the recipients of retirement benefits from P.E.R.S., sheriff's, government workers', highway patrol, police & firemen, judges' and teachers' retirement programs; and it was determined that of the \$41,661,524 in benefits paid, approximately \$4,945,153 was in excess of the \$3600 exemption allowed each recipient. Assuming that this projection would be preserved in the private sector pensions, it was estimated that \$220 million would be exempted by HB 63 from private pensions.

Approved by Committee
on Taxation

1 HOUSE BILL NO. 63
 2 INTRODUCED BY MOORE
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM INCOME
 5 TAXATION PRIVATE OR CORPORATE RETIREMENT BENEFITS NOT IN
 6 EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 15-30-111, MCA;
 7 AND PROVIDING AN EFFECTIVE DATE."
 8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Section 15-30-111, MCA, is amended to read:
 11 "15-30-111. Adjusted gross income. (1) Adjusted gross
 12 income shall be the taxpayer's federal income tax adjusted
 13 gross income as defined in section 62 of the Internal
 14 Revenue Code of 1954 or as that section may be labeled or
 15 amended and in addition shall include the following:
 16 (a) interest received on obligations of another state
 17 or territory or county, municipality, district, or other
 18 political subdivision thereof;
 19 (b) refunds received of federal income tax, to the
 20 extent the deduction of such tax resulted in a reduction of
 21 Montana income tax liability.
 22 (2) Adjusted gross income does not include the
 23 following which are exempt from taxation under this chapter:
 24 (a) interest income from obligations of the United
 25 States government, the state of Montana, county,

1 municipality, district, or other political subdivision
 2 thereof;
 3 (b) all benefits received under the Federal Employees'
 4 Retirement Act not in excess of \$3,600;
 5 ~~(c) all benefits, not in excess of \$3,600, received by~~
 6 ~~a retired person as an annuity, pension, or endowment under~~
 7 ~~any private or corporate retirement plan or system, except~~
 8 ~~those received under a defined compensation program, an~~
 9 ~~individual retirement account as defined in section 408 of~~
 10 ~~the Internal Revenue Code of 1954, OR AS THAT SECTION MAY~~
 11 ~~BE LABELED OR amended, or any similar program in which~~
 12 ~~contributions made by an individual are tax exempt when~~
 13 ~~first made;~~
 14 ~~(d)~~ all benefits paid under the teachers'
 15 retirement law which are specified as exempt from taxation
 16 by 19-4-706;
 17 ~~(e)~~ all benefits paid under The Public Employees'
 18 Retirement System Act which are specified as exempt from
 19 taxation by 19-3-105;
 20 ~~(f)~~ all benefits paid under the highway patrol
 21 retirement law which are specified as exempt from taxation
 22 by 19-6-705;
 23 ~~(g)~~ all Montana income tax refunds or credits
 24 thereof;
 25 ~~(h)~~ all benefits paid under 19-11-602, 19-11-604,

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

3 ~~(b)~~(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
16 S. However, the shareholder's adjusted gross income shall
17 include actual distributions from the corporation to the
18 extent they would be treated as taxable dividends if the
19 subchapter S. election were not in effect."

20 Section 2. Effective date. This act is effective on
21 passage and approval and applies to taxable years beginning
22 after December 31, 1980.

-End-

1 HOUSE BILL NO. 63
2 INTRODUCED BY MOORE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM INCOME
5 TAXATION PRIVATE OR CORPORATE RETIREMENT BENEFITS NOT IN
6 EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 15-30-111, MCA;
7 AND PROVIDING AN EFFECTIVE DATE."

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

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

11 "15-30-111. Adjusted gross income. (1) Adjusted gross
12 income shall be the taxpayer's federal income tax adjusted
13 gross income as defined in section 62 of the Internal
14 Revenue Code of 1954 or as that section may be labeled or
15 amended and in addition shall include the following:

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

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

22 (2) Adjusted gross income does not include the
23 following which are exempt from taxation under this chapter:

24 (a) interest income from obligations of the United
25 States government, the state of Montana, county,

1 municipality, district, or other political subdivision
2 thereof;

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

5 (c) all benefits, not in excess of \$3,600, received by
6 a retired person as an annuity, pension, or endowment under
7 any private or corporate retirement plan or system, except
8 those received under a defined compensation program, an
9 individual retirement account as defined in section 408 of
10 the Internal Revenue Code of 1954, OR as THAT SECTION MAY
11 BE LABELED OR amended, or any similar program in which
12 contributions made by an individual are tax exempt when
13 first made;

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

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

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

23 (d)(g) all Montana income tax refunds or credits
24 thereof;

25 (d)(h) all benefits paid under 19-11-602, 19-11-604,

1 and 19-11-605 to retired and disabled firefighters, their
2 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
16 S. However, the shareholder's adjusted gross income shall
17 include actual distributions from the corporation to the
18 extent they would be treated as taxable dividends if the
19 subchapter S. election were not in effect."

20 Section 2. Effective date. This act is effective on
21 passage and approval and applies to taxable years beginning
22 after December 31, 1980.

-End-

1 HOUSE BILL NO. 63
 2 INTRODUCED BY MOORE
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM INCOME
 5 TAXATION PRIVATE OR CORPORATE RETIREMENT BENEFITS NOT IN
 6 EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 15-30-111, MCA;
 7 AND PROVIDING AN EFFECTIVE DATE."
 8

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

10 Section 1. Section 15-30-111, MCA, is amended to read:
 11 "15-30-111. Adjusted gross income. (1) Adjusted gross
 12 income shall be the taxpayer's federal income tax adjusted
 13 gross income as defined in section 62 of the Internal
 14 Revenue Code of 1954 or as that section may be labeled or
 15 amended and in addition shall include the following:

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

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

22 (2) Adjusted gross income does not include the
 23 following which are exempt from taxation under this chapter:

24 (a) interest income from obligations of the United
 25 States government, the state of Montana, county,

1 municipality, district, or other political subdivision
 2 thereof;

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

5 ~~(c) all benefits, not in excess of \$3,600 \$360,~~
 6 ~~received by--a--retired--person as an annuity, pension, or~~
 7 ~~endowment under any private or corporate retirement plan or~~
 8 ~~system; v--except--those--received--under--a--defined--compensation~~
 9 ~~program,--an--individual--retirement--account--as--defined--in~~
 10 ~~section--408--of--the--Internal--Revenue--Codey of--1954y--OR as~~
 11 ~~THAT--SECTION--MAY--BE--LABELED--OR amended or any similar~~
 12 ~~program--in--which--contributions--made--by--an--individual--are--tax~~
 13 ~~exempt--when--first--made~~

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

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

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

23 (g) all Montana income tax refunds or credits
 24 thereof;

25 (h) all benefits paid under 19-11-602, 19-11-604,

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

3 ~~that~~ 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
16 S. However, the shareholder's adjusted gross income shall
17 include actual distributions from the corporation to the
18 extent they would be treated as taxable dividends if the
19 subchapter S. election were not in effect."

20 Section 2. Effective date. This act is effective on
21 passage and approval and applies to taxable years beginning
22 after December 31, 1980.

-End-

April 13, 1981

SENATE STANDING COMMITTEE REPORT
(Taxation)

That House Bill No. 63 be amended as follows:

1. Page 2, line 5.

Following: "in excess of"

Strike: "\$3,600"

Insert: "\$360"

2. Page 2, line 7 through line 13.

Following: "system" on line 7

Insert: " ; "

Strike: Remainder of text through line 13.