

HOUSE BILL NO. 29

Introduced: 01/03/83

Referred to Committee on Taxation: 01/03/83

Hearing: 1/19/83

Died in Committee

1 HOUSE BILL NO. 29
2 INTRODUCED BY NORDTVEDT
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXTEND TO ALL
5 TAXPAYERS THE EXCLUSION OF INTEREST INCOME FOR INCOME TAX
6 PURPOSES (TO A MAXIMUM OF \$800) WHICH IS NOW AVAILABLE TO
7 TAXPAYERS 65 YEARS OF AGE OR OLDER; AMENDING SECTION
8 15-30-111, MCA."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Section 15-30-111, MCA, is amended to read:
12 "15-30-111. Adjusted gross income. (1) Adjusted gross
13 income shall be the taxpayer's federal income tax adjusted
14 gross income as defined in section 62 of the Internal
15 Revenue Code of 1954 or as that section may be labeled or
16 amended and in addition shall include the following:
17 (a) interest received on obligations of another state
18 or territory or county, municipality, district, or other
19 political subdivision thereof;
20 (b) refunds received of federal income tax, to the
21 extent the deduction of such tax resulted in a reduction of
22 Montana income tax liability.
23 (2) Notwithstanding the provisions of the federal
24 Internal Revenue Code of 1954 as labeled or amended,
25 adjusted gross income does not include the following which

1 are exempt from taxation under this chapter:
2 (a) all interest income from obligations of the United
3 States government, the state of Montana, county,
4 municipality, district, or other political subdivision
5 thereof;
6 (b) interest income earned by a taxpayer ~~age 65 or~~
7 ~~older~~ in a taxable year up to and including \$800 for a
8 taxpayer filing a separate return and \$1,600 for each joint
9 return;
10 (c) all benefits received under the Federal Employees'
11 Retirement Act not in excess of \$3,600;
12 (d) all benefits, not in excess of \$360, received as
13 an annuity, pension, or endowment under any private or
14 corporate retirement plan or system;
15 (e) all benefits paid under the teachers' retirement
16 law which are specified as exempt from taxation by 19-4-706;
17 (f) all benefits paid under The Public Employees'
18 Retirement System Act which are specified as exempt from
19 taxation by 19-3-105;
20 (g) all benefits paid under the highway patrol
21 retirement law which are specified as exempt from taxation
22 by 19-6-705;
23 (h) all Montana income tax refunds or credits thereof;
24 (i) all benefits paid under 19-11-602, 19-11-604, and
25 19-11-605 to retired and disabled firefighters, their

INTRODUCED BILL

1 surviving spouses and orphans;

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

5 (k) gain required to be recognized by a liquidating
6 corporation under 15-31-113(1)(a)(ii).

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

21 (4) A shareholder of a DISC that is exempt from the
22 corporation license tax under 15-31-102(1)(1) shall include
23 in his adjusted gross income the earnings and profits of the
24 DISC in the same manner as provided by federal law (section
25 995, Internal Revenue Code) for all periods for which the

1 DISC election is effective."

-End-

STATE OF MONTANA

REQUEST NO. 033-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 29 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 OF PROPOSED LEGISLATION:

House Bill 29 extends to all taxpayers the exclusion of interest income for income tax purposes (to a maximum of \$800) which is now available to taxpayers 65 years of age or older.

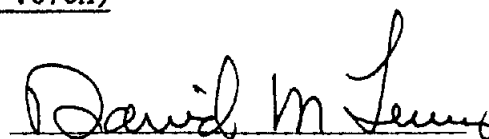
ASSUMPTIONS:

- 1) Individual Income Tax is as forecasted by the Department of Revenue.
- 2) Extending the proposed exclusions to all taxpayers would result in a 3.38% reduction in total tax receipts, which is based on a study from the 1980 tax returns.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax Collections		
Under Current Law	167.908M	181.814M
Under Proposed Law	162.233M	175.669M
Estimated Decrease	<u>(5.675M)</u>	<u>(6.145M)</u>
General Fund		
Under Current Law	107.461M	116.361M
Under Proposed Law	103.829M	112.428M
Estimated Decrease	<u>(3.632M)</u>	<u>(3.933M)</u>
Earmarked Revenue Fund		
Under Current Law	41.977M	45.454M
Under Proposed Law	40.558M	43.918M
Estimated Decrease	<u>(1.419M)</u>	<u>(1.536M)</u>
Sinking Fund		
Under Current Law	18.470M	19.999M
Under Proposed Law	17.846M	19.323M
Estimated Decrease	<u>(.624M)</u>	<u>(.676M)</u>

FISCAL NOTE2:F/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-83