

HOUSE BILL NO. 297

Introduced: 01/18/83

Referred to Committee on Taxation: 01/18/83

Hearing: 1/25/83

Died in Committee

1 *House* BILL NO. *297*
 2 INTRODUCED BY *Harington Lynch Street Jacobson*
 3 *McGriddle Daily Keenan Menahan*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING INCOME, NOT
 5 TO EXCEED \$5,000, RECEIVED FROM ANY RETIREMENT PLAN FOR
 6 PURPOSES OF MONTANA INDIVIDUAL INCOME TAX; AMENDING SECTION
 7 15-30-111, MCA; AND PROVIDING AN APPLICABILITY 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) Notwithstanding the provisions of the federal
 23 Internal Revenue Code of 1954 as labeled or amended,
 24 adjusted gross income does not include the following which
 25 are exempt from taxation under this chapter:

1 (a) all interest income from obligations of the United
 2 States government, the state of Montana, county,
 3 municipality, district, or other political subdivision
 4 thereof;
 5 (b) interest income earned by a taxpayer age 65 or
 6 older in a taxable year up to and including \$800 for a
 7 taxpayer filing a separate return and \$1,600 for each joint
 8 return;
 9 ~~(c) all benefits received under the Federal Employees'~~
 10 ~~Retirement Act not in excess of \$3,600;~~
 11 ~~(d)(1)~~ all benefits, not in excess of ~~\$360~~ *\$5,000*,
 12 received as an annuity, pension, or endowment under any
 13 public, private, or corporate retirement plan or system;
 14 ~~(e)(1)~~ all benefits paid under the teachers'
 15 retirement law which are specified as exempt from taxation
 16 by 19-4-706;
 17 ~~(f)(1)~~ 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)(1)~~ all benefits paid under the highway patrol
 21 retirement law which are specified as exempt from taxation
 22 by 19-6-705;
 23 ~~(h)(1)~~ all Montana income tax refunds or credits
 24 thereof;
 25 ~~(i)(1)~~ all benefits paid under 19-11-602, 19-11-604,

INTRODUCED BILL

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

~~that~~ all benefits paid by first- or second-class cities for the policemen's retirement system provided for by Title 19, chapter 9;

~~that~~ gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii).

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

(4) A shareholder of a DISC that is exempt from the corporation license tax under 15-31-102(1)(1) shall include in his adjusted gross income the earnings and profits of the DISC in the same manner as provided by federal law (section

995, Internal Revenue Code) for all periods for which the DISC election is effective."

~~NEW SECTION.~~ Section 2. Applicability. This act applies to taxable years beginning after December 31, 1982.

-End-

STATE OF MONTANA

REQUEST NO. 162-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, 1983, there is hereby submitted a Fiscal Note for House Bill 297 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 297 exempts income, not to exceed \$5,000, received from any retirement plan for purposes of the Montana individual income tax; and provides an applicability date.

ASSUMPTIONS:

- 1) The sample of pension income returns applies to future tax years.
- 2) There are approximately 14,000 individuals receiving some form of federal pension in the state. The proposal will result in a \$1,400 reduction in taxable income per taxpayer.
- 3) The average marginal tax rate is 5%.


FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	164,140,563	173,173,375
Estimated Decrease	<u>(2,286,000)</u>	<u>(2,286,000)</u>
General Fund		
Under Current Law	106,513,000	112,294,000
Under Proposed Law	105,049,960	110,830,960
Estimated Decrease	<u>(1,463,040)</u>	<u>(1,463,040)</u>
Earmarked Revenue Fund		
Under Current Law	41,606,641	43,864,844
Under Proposed Law	41,035,141	43,293,344
Estimated Decrease	<u>(571,500)</u>	<u>(571,500)</u>
Sinking Fund		
Under Current Law	18,306,922	19,300,531
Under Proposed Law	18,055,462	19,049,071
Estimated Decrease	<u>(251,460)</u>	<u>(251,460)</u>

COMMENT:

The earmarked revenue fund is the school foundation program. Any reductions in revenue to this fund would require increased general fund appropriations to offset the loss.

FISCAL NOTE 7:G/1


BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1-25-83

STATE OF MONTANA

REQUEST NO. 260-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 28, 19 83, there is hereby submitted a Fiscal Note for House Bill 297, Amended 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 OF PROPOSED LEGISLATION:

House Bill 297, with proposed amendments, **exempts income not to exceed \$3,000, received from any retirement plan for purposes of Montana individual income tax and provides an applicability date.

ASSUMPTIONS:

- 1) The sample of pension income returns applies to future tax years.
- 2) There are approximately 14,000 individuals receiving some form of federal pension in the state. The proposed amendment will result in a \$600 increase in taxable income per taxpayer. The average marginal tax rate is 5%.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	<u>165,830,263</u>	<u>174,863,075</u>
Estimated Decrease	<u>\$ (596,300)</u>	<u>\$ (596,300)</u>
General Fund		
Under Current Law	\$106,513,000	\$112,294,000
Under Proposed Law	<u>106,131,368</u>	<u>111,912,368</u>
Estimated Decrease	<u>\$ (381,632)</u>	<u>\$ (381,632)</u>
Earmarked Revenue Fund		
Under Current Law	\$ 41,606,641	\$ 43,864,844
Under Proposed Law	<u>41,457,566</u>	<u>43,715,769</u>
Estimated Decrease	<u>\$ (149,075)</u>	<u>\$ (149,075)</u>
Sinking Fund		
Under Current Law	\$ 18,306,922	\$ 19,300,531
Under Proposed Law	<u>18,241,329</u>	<u>19,234,938</u>
Estimated Decrease	<u>\$ (65,593)</u>	<u>\$ (65,593)</u>

**Line 11, page 2 of the introduced version of this bill has \$5,000 changed to \$3,000.

FISCAL NOTE 9:EE/1


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-1-83Amended