

HOUSE BILL NO. 549

Introduced: 01/28/83

Referred to Committee on Taxation: 01/28/83

Hearing: 2/3/83

Died in Committee

1 House BILL NO. 549
 2 INTRODUCED BY Doz Quinn
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING AN INCOME TAX
 5 DEDUCTION FOR TUITION PAID FOR POSTSECONDARY EDUCATION UP TO
 6 A MAXIMUM OF \$400 A STUDENT; LIMITING THE DEDUCTION TO
 7 TAXPAYERS WITH ADJUSTED GROSS INCOME OF LESS THAN \$12,000 IF
 8 A JOINT RETURN IS NOT FILED AND \$15,000 IF A JOINT RETURN IS
 9 FILED; AMENDING SECTION 15-30-121, MCA; AND PROVIDING AN
 10 APPLICABILITY DATE."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 15-30-121, MCA, is amended to read:

14 "15-30-121. Deductions allowed in computing net
 15 income. In computing net income, there are allowed as
 16 deductions:

17 (1) the items referred to in sections 161 and 211 of
 18 the Internal Revenue Code of 1954, or as sections 161 and
 19 211 shall be labeled or amended, subject to the following
 20 exceptions which are not deductible:

21 (a) items provided for in 15-30-123;

22 (b) state income tax paid;

23 (2) federal income tax paid within the taxable year;

24 (3) child and dependent care expenses determined in
 25 accordance with the provisions of section 214 of the

1 Internal Revenue Code of 1954 that were in effect for the
 2 taxable year that began January 1, 1974. However, the
 3 limitation set forth in section 214(e)(4) of the Internal
 4 Revenue Code of 1954 as that section was in effect for the
 5 taxable year that began January 1, 1974, applies only to
 6 payments made to a child of the taxpayer who is under 19
 7 years of age at the close of the taxable year and to
 8 payments made to an individual with respect to whom a
 9 deduction is allowable under 15-30-112(5) to the taxpayer or
 10 the taxpayer's spouse.

11 (4) in the case of an individual, political
 12 contributions determined in accordance with the provisions
 13 of section 218(a) and (b) of the Internal Revenue Code that
 14 were in effect for the taxable year ended December 31, 1978;

15 (5) that portion of expenses for organic fertilizer
 16 allowed as a deduction under 15-32-303 which was not
 17 otherwise deducted in computing taxable income;

18 (6) light vehicle license fees, as provided by
 19 61-3-532, paid during the taxable year;

20 (7) tuition paid by the taxpayer, up to \$400 a
 21 student, but only if:

22 (a) the tuition is for postsecondary education of the
 23 taxpayer, his spouse, or a dependent; and

24 (b) the taxpayer's adjusted gross income after
 25 allowing for this deduction does not exceed:

1 (i) \$12,000 in the case of a taxpayer not filing a
2 joint return; or

3 (ii) \$15,000 in the case of a taxpayer filing a joint
4 return."

5 NEW SECTION. Section 2. Applicability. This act
6 applies to taxable years beginning after December 31, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 285-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 31,, 19 83, there is hereby submitted a Fiscal Note for House Bill 549 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 549 creates an income tax deduction for tuition paid for postsecondary education up to a maximum of \$400 a student; limits the deduction to taxpayers with adjusted gross income of less than \$12,000 if a joint return is not filed and \$15,000 if a joint return is filed; and provides an applicability date.

ASSUMPTIONS:

- 1) The Office of the Commissioner of Higher Education forecasts that there will be an average of 40,360 Montana residents attending college in calendar year 1984.
- 2) In the fall of 1982, there were 2,653 students attending vocational/technical schools in the state. It is assumed that the number will remain constant through calendar year 1984.
- 3) It is assumed that the total annual tuition paid is sufficiently high to yield a \$400 deduction per eligible taxpayer.
- 4) It is assumed that 50% of the students or their families will be eligible to claim the deduction.
- 5) A 5% average marginal tax rate is assumed.
- 6) For simplicity, it is assumed that all the affected returns are processed in the first half of calendar year 1985.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Individual Income Tax		
Under Current Law	No Effect	\$175,459,375
Under Proposed Law	No Effect	175,029,375
Estimated Decrease	No Effect	<u>\$ (430,000)</u>

Continued
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-83

General Fund		
Under Current Law	No Effect	\$112,294,000
Under Proposed Law	No Effect	112,018,800
Estimated Decrease	No Effect	<u>\$ (275,200)</u>
 Earmarked Revenue Fund		
Under Current Law	No Effect	\$ 43,864,844
Under Proposed Law	No Effect	43,757,344
Estimated Decrease	No Effect	<u>\$ (107,500)</u>
 Sinking Fund		
Under Current Law	No Effect	\$ 19,300,531
Under Proposed Law	No Effect	19,253,231
Estimated Decrease	No Effect	<u>\$ (47,300)</u>