

HOUSE BILL NO. 561

Introduced: 01/29/83

Referred to Committee on Taxation: 01/29/83

Hearing: 2/9/83

Died in Committee

1 House BILL NO. 561
 2 INTRODUCED BY Ally Lindtvedt
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN EXCLUSION
 5 OF \$100 IN INTEREST INCOME FROM ADJUSTED GROSS INCOME TO
 6 INDIVIDUALS LESS THAN 65 YEARS OF AGE; 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 interest earned by taxpayers less than 65~~
 10 ~~years of age in a taxable year up to and including \$100 for~~
 11 ~~taxpayers filing a separate return and \$200 for each joint~~
 12 ~~return;~~
 13 ~~(f)(d)~~ all benefits received under the Federal
 14 Employees' Retirement Act not in excess of \$3,600;
 15 ~~(f)(e)~~ all benefits, not in excess of \$360, received
 16 as an annuity, pension, or endowment under any private or
 17 corporate retirement plan or system;
 18 ~~(f)(f)~~ all benefits paid under the teachers'
 19 retirement law which are specified as exempt from taxation
 20 by 19-4-706;
 21 ~~(f)(g)~~ all benefits paid under The Public Employees'
 22 Retirement System Act which are specified as exempt from
 23 taxation by 19-3-105;
 24 ~~(f)(h)~~ all benefits paid under the highway patrol
 25 retirement law which are specified as exempt from taxation

by 19-6-705;

~~th~~(i) all Montana income tax refunds or credits thereof;

~~tt~~(j) all benefits paid under 19-11-602, 19-11-604, and 19-11-605 to retired and disabled firefighters, their surviving spouses and orphans;

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

~~tk~~(l) 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 date. This act applies to taxable years beginning after December 31, 1982.

-End-

STATE OF MONTANA

REQUEST NO. 299-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 19 83, there is hereby submitted a Fiscal Note for House Bill 561 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 561 provides an exclusion of \$100 in interest income from adjusted gross income to individuals less than 65 years of age.

ASSUMPTIONS:

- 1) Total tax collections are as stated by the Office of Budget and Program Planning.
- 2) The proposed exclusion policy will result in a 1.30% decrease in total tax collections.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Individual Income Tax Collections		
Under Current Law	166.427M	175.459M
Under Proposed Law	164.263M	173.178M
Estimated Decrease	<u>(2.164M)</u>	<u>(2.281M)</u>
General Fund		
Under Current Law	106.513M	112.294M
Under Proposed Law	105.128M	110.834M
Estimated Decrease	<u>(1.385M)</u>	<u>(1.460M)</u>
School Equalization		
Under Current Law	41.607M	43.865M
Under Proposed Law	41.066M	43.295M
Estimated Decrease	<u>(.541M)</u>	<u>(.570M)</u>
Sinking Fund		
Under Current Law	18.307M	19.300M
Under Proposed Law	18.069M	19.050M
Estimated Decrease	<u>(.238M)</u>	<u>(.251M)</u>

FISCAL IMPACT 11:N/1


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83