

HOUSE BILL NO. 915

Introduced: 03/21/83

Referred to Committee on Taxation: 03/21/82

Hearing: 3/23/83

Rereferred to House Select Committee On Economic Development;
04/05/83

Hearing: 4/13/83

Died in Committee

1 House BILL NO. 915
 2 INTRODUCED BY Kenneth F. Lange
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 4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING INDIVIDUAL
 5 INCOME TAX RATE STRUCTURES FOR CERTAIN TAXPAYERS; PROVIDING
 6 A REFUND TO INDIVIDUAL INCOME TAXPAYERS IN AN AMOUNT BY
 7 WHICH THE GENERAL FUND ENDING BALANCE EXCEEDS \$20 MILLION;
 8 INCREASING THE RATE OF TAX ON CORPORATIONS WHOSE NET INCOME
 9 EXCEEDS \$50,000; AMENDING SECTIONS 15-30-103 AND 15-31-121,
 10 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN
 11 APPLICABILITY DATE."

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

14 Section 1. Section 15-30-103, MCA, is amended to read:
 15 "15-30-103. Rate of tax. (1) There shall be levied,
 16 collected, and paid for each taxable year commencing on or
 17 after December 31, 1968, upon the taxable income of every
 18 taxpayer subject to this tax, after making allowance for
 19 exemptions and deductions as hereinafter provided, a tax on
 20 the following brackets of taxable income as adjusted under
 21 subsection (2) at the following rates:

- 22 (a) on the first \$1,000 of taxable income or any part
 23 thereof, 2%;
 24 (b) on the next \$1,000 of taxable income or any part
 25 thereof, 3%;

- 1 (c) on the next \$2,000 of taxable income or any part
 2 thereof, 4%;
 3 (d) on the next \$2,000 of taxable income or any part
 4 thereof, 5%;
 5 (e) on the next ~~\$2,000~~ \$1,500 of taxable income or any
 6 part thereof, 6%;
 7 (f) on the next ~~\$2,000~~ \$1,500 of taxable income or any
 8 part thereof, 7%;
 9 (g) on the next ~~\$4,000~~ \$1,500 of taxable income or any
 10 part thereof, 8%;
 11 (h) on the next ~~\$6,000~~ \$1,500 of taxable income or any
 12 part thereof, 9%;
 13 (i) on the next ~~\$15,000~~ \$1,500 of taxable income or
 14 any part thereof, 10%;
 15 ~~(j) on the next \$1,500 of taxable income or any part~~
 16 ~~thereof, 11%;~~
 17 ~~(k) on the next \$2,000 of taxable income or any part~~
 18 ~~thereof, 12%;~~
 19 ~~(l) on the next \$2,000 of taxable income or any part~~
 20 ~~thereof, 13%;~~
 21 ~~(m) on the next \$2,000 of taxable income or any part~~
 22 ~~thereof, 14%;~~
 23 ~~(n) on the next \$4,000 of taxable income or any part~~
 24 ~~thereof, 15%;~~
 25 ~~(o) on the next \$25,000 of taxable income or any part~~

thereof, 16%;

(c) on the next \$50,000 of taxable income or any part thereof, 17%;

(d) on any taxable income in excess of \$95,000 \$100,000 or any part thereof, 18%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for that taxable year and round the cumulative brackets to the nearest \$100. The resulting adjusted brackets are effective for that taxable year and shall be used as the basis for imposition of the tax in subsection (1) of this section."

NEW SECTION. Section 2. Reduction of tax for general fund surplus. (1) The amount by which the ending general fund balance exceeds \$20 million at the close of the fiscal year shall be used to decrease the tax imposed by 15-30-103 for the taxable year in which the end of the fiscal year falls.

(2) The director of the department of administration shall certify to the director of the department of revenue the ending general fund balance at the close of the fiscal year. The director of the department of revenue shall estimate the number of taxpayers who will be filing a return and paying tax under this chapter. The department of revenue shall then divide the ending general fund balance that

exceeds \$20 million by the number of taxpayers as estimated above to determine the amount of each taxpayer's tax reduction.

(3) The tax reduction provided for in this section may not reduce any taxpayer's tax liability below zero, except that individuals filing a joint return are entitled to a tax reduction for both individuals so long as the joint tax liability is not reduced below zero.

Section 3. Section 15-31-121, MCA, is amended to read: "15-31-121. Rate of tax -- minimum tax. (1) The percentage of net income to be paid under 15-31-101 shall be 6 3/4% of the first \$50,000 of net income and 8% of all net income in excess of \$50,000 for the taxable period. ~~The rate set forth in this part shall be effective for all taxable years ending on or after February 28, 1971. This rate is retroactive to and effective for all taxable years ending on or after February 28, 1971.~~

(2) Every corporation subject to taxation under this part shall, in any event, pay a minimum tax of not less than \$50."

NEW SECTION. Section 4. Codification instruction. Section 2 is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to section 2.

NEW SECTION. Section 5. Effective date --

LC 1338/01

1 applicability date. This act is effective on passage and
2 approval and applies to taxable years beginning after
3 December 31, 1982.

-End-

STATE OF MONTANA

REQUEST NO. 501-83

FISCAL NOTE

Form BD-15

In compliance with a written request received March 21, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 915 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:

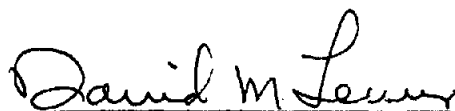
House Bill 915 increases the individual income tax rate structures for certain taxpayers; provides a refund to individual income taxpayers in an amount by which the general fund ending balance exceeds \$20 million; increases the rate of tax on corporations whose net income exceeds \$50,000; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) The revenue projections under continuation of the present law were furnished by the Office of Budget and Program Planning.
- 2) Assume that \$3 million in individual income tax receipts and \$5 million in corporation license tax receipts in FY 84 are attributable to taxable years beginning before 1983.
- 3) Assume that the total percentage increases in individual and corporation tax liabilities which would have obtained if the proposed tax rate schedules had been in effect for the 1981 tax year would apply to the "current" portion of anticipated FY 84 and FY 85 receipts.
- 4) Assume that, under continuation of present law, the ending balance of the state general fund will be \$22.257 million in FY 83, \$12.461 million in FY 84, and \$19.299 million in FY 85.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax Collections		
Under Current Law	\$166.427M	\$175.459M
Under Proposed Law	188.487M	199.420M
Estimated Increase	<u>\$ 20.060M</u>	<u>\$ 23.961M</u>
Corporation License Tax Collections		
Under Current Law	\$ 41.904M	\$ 48.817M
Under Proposed Law	47.015M	55.578M
Estimated Increase	<u>\$ 5.111M</u>	<u>\$ 6.761M</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-22-83

	<u>FY84</u>	<u>FY85</u>
Total Revenue		
Under Current Law	\$208.331M	\$224.276M
Under Proposed Law	233.502M	254.998M
Estimated Increase	<u>\$ 25.171M</u>	<u>\$ 30.722M</u>
General Fund		
Under Current Law	\$131.347M	\$141.552M
Under Proposed Law	147.215M	160.939M
Estimated Increase	<u>\$ 15.868M</u>	<u>\$ 19.387M</u>
School Foundation Program		
Under Current Law	\$ 51.308M	\$ 55.294M
Under Proposed Law	57.506M	62.867M
Estimated Increase	<u>\$ 6.198M</u>	<u>\$ 7.573M</u>
Sinking Fund		
Under Current Law	\$ 22.575M	\$ 24.329M
Under Proposed Law	25.303M	27.661M
Estimated Increase	<u>\$ 2.728M</u>	<u>\$ 3.332M</u>
Local Governments		
Under Current Law	\$ 3.101M	\$ 3.101M
Under Proposed Law	3.479M	3.531M
Estimated Increase	<u>\$ 0.378M</u>	<u>\$ 0.430M</u>

Examples of proposed Individual Income Tax Schedule:

<u>Taxable Income</u>	<u>TAX PAID</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Percent Change</u>
\$ 6,000	\$ 218.00	\$ 218.00	0.0
\$ 10,000	\$ 454.00	\$ 460.00	1.3
\$ 16,000	\$ 917.00	\$ 992.00	8.2
\$ 20,000	\$1,273.00	\$ 1,456.00	14.4
\$ 24,000	\$1,638.00	\$ 1,993.00	21.7
\$ 50,000	\$4,294.00	\$ 6,094.00	41.9
\$100,000	\$9,794.00	\$14,507.00	48.1