

SENATE BILL NO. 172

Introduced: 01/17/83

Referred to Committee on Taxation: 01/17/83

Hearing: 1/31/83

Died in Committee.

1 *Senate* BILL NO. *172*  
2 INTRODUCED BY *Rep. Bergene* *LANE* *Lange*  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE INCOME  
5 TAX EXEMPTION FOR PRIVATE OR CORPORATE RETIREMENT BENEFITS;  
6 AMENDING SECTION 15-30-111, MCA; PROVIDING AN IMMEDIATE  
7 EFFECTIVE DATE AND 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) all benefits, not in excess of ~~\$360~~ *\$3,600*,  
12 received as an annuity, pension, or endowment under any  
13 private or corporate retirement plan or system;  
14 (e) all benefits paid under the teachers' retirement  
15 law which are specified as exempt from taxation by 19-4-706;  
16 (f) all benefits paid under The Public Employees'  
17 Retirement System Act which are specified as exempt from  
18 taxation by 19-3-105;  
19 (g) all benefits paid under the highway patrol  
20 retirement law which are specified as exempt from taxation  
21 by 19-6-705;  
22 (h) all Montana income tax refunds or credits thereof;  
23 (i) all benefits paid under 19-11-602, 19-11-604, and  
24 19-11-605 to retired and disabled firefighters, their  
25 surviving spouses and orphans;

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

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

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

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

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

-End-

## STATE OF MONTANA

REQUEST NO. 136-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 18, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 172 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:

Senate Bill 172 increases the income tax exemption for private or corporate retirement benefits and provides an immediate effective date and an applicability date.

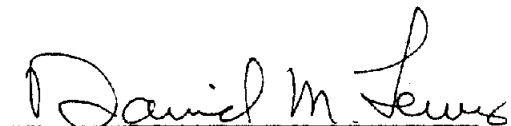
ASSUMPTIONS:

- 1) A random sample of 1981 income tax returns claiming the \$360 exclusion is representative of tax returns which will be filed during the 1984-1985 biennium.
- 2) The adjustments made to reflect the number of individuals receiving private pension benefits are correct.
- 3) All of the affected returns are filed by the April 15 deadline.

FISCAL IMPACT:

	<u>FY 1984</u>	<u>FY 1985</u>
Individual Income Tax		
Under Current Law	\$166,426,563	\$175,459,375
Under Proposed Law	<u>165,296,563</u>	<u>174,329,375</u>
Estimated Decrease	<u>\$ (1,130,000)</u>	<u>\$ (1,130,000)</u>
General Fund		
Under Current Law	\$106,513,000	\$112,294,000
Under Proposed Law	<u>105,789,800</u>	<u>111,570,800</u>
Estimated Decrease	<u>\$ (723,200)</u>	<u>\$ (723,200)</u>
Earmarked Revenue Fund		
Under Current Law	\$ 41,606,640	\$ 43,864,844
Under Proposed Law	<u>41,324,140</u>	<u>43,582,344</u>
Estimated Decrease	<u>\$ (282,500)</u>	<u>\$ (282,500)</u>
Sinking Fund		
Under Current Law	\$ 18,306,922	\$ 19,300,531
Under Proposed Law	<u>18,182,622</u>	<u>19,176,231</u>
Estimated Decrease	<u>\$ (124,300)</u>	<u>\$ (124,300)</u>

FISCAL NOTE 5:Z/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-21-83