

SENATE BILL NO. 337

Introduced: 02/01/83

Referred to Committee on Taxation; 02/01/83

Hearing: 2/17/83

Report: 02/23/83, Do Not Pass. Report Adopted.  
Bill Killed.

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*Senate* BILL NO. 337  
*Sen*

INTRODUCED BY \_\_\_\_\_

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN EXEMPTION FROM THE CORPORATE LICENSE TAX FOR MONTANA INVESTMENT COMPANIES MANAGING PORTFOLIOS 80 PERCENT OF WHICH ARE COMPRISED OF SECURITIES EXEMPT FROM MONTANA INDIVIDUAL INCOME TAXATION; AMENDING SECTION 15-31-102, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-31-102, MCA, is amended to read:

"15-31-102. Organizations exempt from tax -- unrelated business income not exempt. (1) Except as provided in subsection (3), there shall not be taxed under this title any income received by any:

(a) labor, agricultural, or horticultural organization;

(b) fraternal beneficiary, society, order, or association operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their

dependents;

(c) cemetery company owned and operated exclusively for the benefit of its members;

(d) corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual;

(e) business league, chamber of commerce, or board of trade not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual;

(f) civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;

(g) club organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net income of which inures to the benefit of any private stockholder or members;

(h) farmers' or other mutual hail, cyclone, or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting its

INTRODUCED BILL  
-2-  
SB 337

1 expenses;

2 (i) cooperative association or corporation engaged in  
3 the business of operating a rural electrification system or  
4 systems for the transmission or distribution of electrical  
5 energy on a cooperative basis;

6 (j) corporations or associations organized for the  
7 exclusive purpose of holding title to property, collecting  
8 income therefrom, and turning over the entire amount  
9 thereof, less expenses, to an organization which itself is  
10 exempt from the tax imposed by this title;

11 (k) wool and sheep pool, which is an association owned  
12 and operated by agricultural producers organized to market  
13 association members' wool and sheep, the income of which  
14 consists solely of assessments, dues, and fees collected  
15 from members for the sole purpose of meeting its expenses.  
16 Income, for this purpose, does not include expenses and  
17 money distributed to members contributing wool and sheep;

18 (l) corporation that qualifies as a domestic  
19 international sales corporation (DISC) under the provisions  
20 of section 991, et seq., of the Internal Revenue Code and  
21 that has in effect for the entire taxable year a valid  
22 election under federal law to be treated as a DISC. If a  
23 corporation makes such an election under federal law, each  
24 person who at any time is a shareholder of such corporation  
25 is subject to taxation under Title 15, chapter 30, on the

1 earnings and profits of this DISC in the same manner as  
2 provided by federal law for all periods for which the  
3 election is effective.

4 (m) investment company organized under the laws of  
5 this state for the purpose of managing a portfolio of  
6 securities for the benefit of its investors if not less than  
7 40% of the principal value of such portfolio is comprised of  
8 securities the income from which is exempt from the tax  
9 imposed by Title 15, chapter 30.

10 (2) In determining the license fee to be paid under  
11 this part, there shall not be included any earnings derived  
12 from any public utility managed or operated by any  
13 subdivision of the state or from the exercise of any  
14 governmental function.

15 (3) Any unrelated business income, as defined by  
16 section 512 of the Internal Revenue Code, 1954, as amended,  
17 earned by any exempt corporation resulting in a federal  
18 unrelated business income tax liability of more than \$100  
19 shall be taxed as other corporation income is taxed under  
20 this title. An exempt corporation subject to taxation on  
21 unrelated business income under this section must file a  
22 copy of its federal exempt organization business income tax  
23 return on which it reports its unrelated business income  
24 with the department of revenue."

25 NEW SECTION. Section 2. Effective date --

LC 1251/01

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. 310-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 337 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.

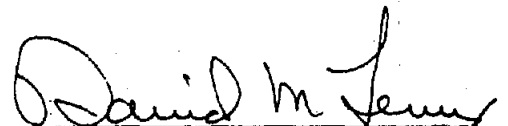
DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 337 provides an exemption from the corporate license tax for Montana investment companies managing portfolios 80 percent of which are comprised of securities exempt from Montana individual income taxation.

FISCAL IMPACT:

It is not possible to estimate the fiscal impact of the proposal with respect to future development. At the present time, there are no companies operating in Montana which would qualify for the proposed exemption.

FISCAL IMPACT 11:J/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83