

HOUSE BILL NO. 596  
INTRODUCED BY DONALDSON

IN THE HOUSE

January 31, 1985	Introduced and referred to Committee on Taxation.
February 2, 1985	Fiscal Note requested.
February 6, 1985	Fiscal Note returned.
February 11, 1985	Committee recommend bill do pass. Report adopted.  Bill printed and placed on members' desks.
February 13, 1985	Second reading, do pass.  Considered correctly engrossed.
February 14, 1985	Third reading, passed.  Transmitted to Senate.

IN THE SENATE

February 15, 1985	Introduced and referred to Committee on Taxation.
March 21, 1985	Committee recommend bill be concurrent in as amended. Report adopted.
March 23, 1985	Second reading, concurred in.
March 26, 1985	Third reading, concurred in. Ayes, 49; Noes, 1.  Returned to House with amendments.

IN THE HOUSE

March 27, 1985

Received from Senate.

April 8, 1985

Second reading, amendments  
concurrent in.

On motion, rules suspended and  
bill placed on third reading  
this day.

Third reading, amendments  
concurrent in.

Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 596  
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4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM  
5 CORPORATION LICENSE TAX PROVISIONS THOSE FARMERS' MARKET  
6 ASSOCIATIONS ORGANIZED FOR THE SOLE PURPOSE OF PROVIDING A  
7 RETAIL OUTLET FOR VEGETABLES, HANDICRAFTS, AND OTHER  
8 PRODUCTS PRODUCED BY THE SELLER; AMENDING SECTION 15-31-102,  
9 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN  
10 APPLICABILITY DATE."  
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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

14 "15-31-102. Organizations exempt from tax -- unrelated  
15 business income not exempt. (1) Except as provided in  
16 subsection (3), there shall not be taxed under this title  
17 any income received by any:

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19 organization;

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

1 dependents;

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

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

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

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

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

20 (h) farmers' or other mutual hail, cyclone, or fire  
21 insurance company, mutual ditch or irrigation company,  
22 mutual or cooperative telephone company, or like  
23 organization of a purely local character, the income of  
24 which consists solely of assessments, dues, and fees  
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-2- INTRODUCED BILL  
HB 596

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) farmers' market association organized for the sole  
5 purpose of providing for retail distribution of homegrown  
6 vegetables, handicrafts, and other products either grown or  
7 manufactured by the seller.

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

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

23 NEW SECTION. Section 2. Extension of authority. Any  
24 existing authority of the department of revenue to make  
25 rules on the subject of the provisions of this act is

1 extended to the provisions of this act.

2 NEW SECTION. Section 3. Effective date --

3 applicability. This act is effective on passage and approval

4 and is applicable to taxable years beginning after December

5 31, 1984.

-End-

## STATE OF MONTANA

REQUEST NO. FNN 306-85

## FISCAL NOTE

Form BD-15

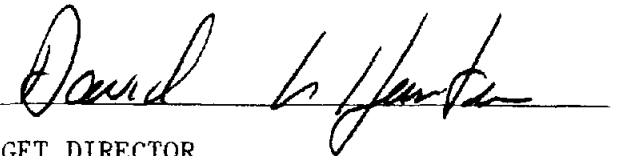
In compliance with a written request received February 2, 19 85, there is hereby submitted a Fiscal Note for H.B. 596 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exempt from corporation license tax provisions those farmers' market associations organized for the sole purpose of providing a retail outlet for vegetables, handicrafts, and other products produced by the seller; amending Section 15-31-102, MCA; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

The proposed legislation should have a minimal fiscal impact on corporation license tax receipts. It is estimated that the fiscal impact would be approximately \$500 per year or \$1,000 for the FY 1986-87 biennium.



BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 6, 1985

APPROVED BY COMMITTEE  
ON TAXATION

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LC 1803/01

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-End-

SENATE

STANDING COMMITTEE REPORT

March 21, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration House Bill No. 596

third reading copy ( blue color )

(Senator Halligan/Senator McCallum)

EXEMPT FARMERS' MARKET ASSOCIATION FROM CORPORATE LICENSE TAX PROVISIONS

Respectfully report as follows: That House Bill No. 596

be amended as follows:

1. Page 4, line 4.

Following: "association"

Insert: "not organized for profit and no part of the net income of which inures to the benefit of any member, but is"

AND AS AMENDED BE CONCURRED IN

Report adopted

DO PASS

DO NOT PASS

Handwritten signature of Thomas E. Towe

Senator Thomas E. Towe,

Chairman.

Handwritten initials

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