

HOUSE BILL NO. 908

2/20 Introduced
2/20 Referred to Taxation
2/22 Fiscal Note Requested
2/27 Fiscal Note Received
3/13 Hearing
Died in Committee

1 HOUSE BILL NO. 908
 2 INTRODUCED BY Kerman
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE MONTANA
 6 CORPORATE LICENSE OR INCOME TAX RATE; AMENDING SECTION
 7 15-31-121, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN
 8 IMMEDIATE EFFECTIVE DATE."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 15-31-121, MCA, is amended to read:
 12 "15-31-121. Rate of tax -- minimum tax. (1) The
 13 percentage of net income to be paid under 15-31-101 for the
 14 taxable period shall be ~~6-3/4% of all net income for the~~
 15 ~~taxable period. The rate set forth in this part shall be~~
 16 ~~effective for all taxable years ending on or after February~~
 17 ~~28, 1971. This rate is retroactive to and effective for all~~
 18 ~~taxable years ending on or after February 28, 1971; at the~~
 19 following rates:

- 20 (a) on the first \$25,000 of net income, 5 1/4%;
 21 (b) on net income from \$25,001 through \$50,000,
 22 6 3/4%;
 23 (c) on any net income in excess of \$50,000, 8%.
 24 (2) Every corporation subject to taxation under this
 25 part shall, in any event, pay a minimum tax of not less than

1 \$50."
 2 NEW SECTION. Section 2. Extension of authority. Any
 3 existing authority of the department of revenue to make
 4 rules on the subject of the provisions of this act is
 5 extended to the provisions of this act. Rulemaking may begin
 6 upon passage and approval.
 7 NEW SECTION. Section 3. Applicability. This act
 8 applies to taxable years beginning on or after July 1, 1985.
 9 NEW SECTION. Section 4. Effective date. This act is
 10 effective on passage and approval.

-End-



-2- INTRODUCED BILL
 HB 908

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 502-85

Form BD-15

In compliance with a written request received February 23, 19 85, there is hereby submitted a Fiscal Note for House Bill 908 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 change the Montana corporate license or income tax rate; amending Section 15-31-121, MCA; and providing an applicability date and an immediate effective date.

ASSUMPTIONS:

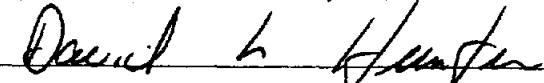
1. Corporation license tax revenues will be \$51,357,000 in FY1986 and \$55,380,000 in FY1987 under current law.
2. The proposed tax schedule applied to actual FY1984 data increases total tax revenue \$4,990,153.
3. The estimated increase in each year of the 1987 biennium is equal to the proportion of estimated revenue under current law to actual FY1984 revenue (\$35,396,240) times the actual 1984 calculated increase.

FISCAL IMPACT:

| | <u>FY 1986</u> | | | <u>FY 1987</u> | | |
|-------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|
| | <u>Under Current Law</u> | <u>Under Proposed Law</u> | <u>Estimated Increase</u> | <u>Under Current Law</u> | <u>Under Proposed Law</u> | <u>Estimated Increase</u> |
| Corporation License Tax | 51,357,000 | 54,979,000 | 1,811,000 | 55,380,000 | 63,188,000 | 7,808,000 |
| Total Revenue | 51,357,000 | 54,979,000 | 1,811,000 | 55,380,000 | 63,188,000 | 7,808,000 |
| Fund Information: | | | | | | |
| General Fund | 29,957,000 | 32,070,000 | 1,056,500 | 32,304,000 | 36,858,000 | 4,554,000 |
| Foundation Program | 11,702,000 | 12,527,000 | 412,500 | 12,619,000 | 14,398,000 | 1,779,000 |
| Debt Service Account | 5,149,000 | 5,512,000 | 181,500 | 5,552,000 | 6,335,000 | 783,000 |
| Local Government | 4,549,000 | 4,870,000 | 160,500 | 4,905,000 | 5,597,000 | 692,000 |

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Approximately half of all corporations have a taxable year that coincides with the calendar year. Because the proposed legislation applies to taxable years that begin on or after July 1, 1985, only about half of the annual impact will be felt in FY1986. If the intent is to make the proposed legislation fully applicable to FY1986, the applicability clause should provide for application to taxable years beginning after December 31, 1984.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 27, 1985
HB 908