

HOUSE BILL NO. 944

3/23 Introduced
3/23 Referred to Taxation
3/25 Fiscal Note Requested
3/26 Hearing
3/27 Fiscal Note Received
3/30 Committee Report-Bill Do Pass
Died in Process

1 HOUSE BILL NO. 944
2 INTRODUCED BY Ream

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXCLUDE FROM
5 DEDUCTIONS ALLOWED IN COMPUTING INDIVIDUAL INCOME TAX THE
6 AMOUNT OF FEDERAL INCOME TAX PAID WITHIN THE TAXABLE YEAR IN
7 EXCESS OF \$6000; AMENDING SECTION 15-30-121, MCA; AND
8 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
9 DATE."

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

12 Section 1. Section 15-30-121, MCA, is amended to read:

13 "15-30-121. Deductions allowed in computing net
14 income. In computing net income, there are allowed as
15 deductions:

16 (1) the items referred to in sections 161 and 211 of
17 the Internal Revenue Code of 1954, or as sections 161 and
18 211 shall be labeled or amended, subject to the following
19 exceptions which are not deductible:

20 (a) items provided for in 15-30-123;

21 (b) state income tax paid;

22 (2) not more than \$6000 in federal income tax paid
23 within the taxable year;

24 (3) child and dependent care expenses determined in
25 accordance with the provisions of section 214 of the

1 Internal Revenue Code of 1954 that were in effect for the
2 taxable year that began January 1, 1974, except that:

3 (a) the limitation set forth in section 214(e)(4) of
4 the Internal Revenue Code of 1954 as that section was in
5 effect for the taxable year that began January 1, 1974,
6 applies only to payments made to a child of the taxpayer who
7 is under 19 years of age at the close of the taxable year
8 and to payments made to an individual with respect to whom a
9 deduction is allowable under 15-30-112(5) to the taxpayer or
10 the taxpayer's spouse;

11 (b) the limitation set forth in section 214(e)(1) of
12 the Internal Revenue Code of 1954 as that section was in
13 effect for the taxable year that began January 1, 1974, does
14 not apply when the taxpayers file separately on the same
15 form; and

16 (c) the deduction for child and dependent care
17 expenses shall be divided equally between the taxpayers;

18 (4) in the case of an individual, political
19 contributions determined in accordance with the provisions
20 of section 218(a) and (b) of the Internal Revenue Code that
21 were in effect for the taxable year ended December 31, 1978;

22 (5) that portion of expenses for organic fertilizer
23 allowed as a deduction under 15-32-303 which was not
24 otherwise deducted in computing taxable income;

25 (6) light vehicle license fees, as provided by



1 61-3-532, paid during the taxable year."

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.

6 NEW SECTION. Section 3. Effective date --
7 applicability. This act is effective on passage and approval
8 and is applicable to taxable years beginning after December
9 31, 1984.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 522-85

Form BD-15

In compliance with a written request received March 26, 19 85, there is hereby submitted a Fiscal Note for H.B. 944 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 exclude from deductions allowed in computing individual income tax the amount of federal income tax paid within the taxable year in excess of \$6,000; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) Individual income tax collections will be \$196,158,000 and \$209,891,000 in FY 86 and FY 87 respectively.
- 2) Simulations performed on calendar year 1983 tax returns apply to future years.

FISCAL IMPACT:

	<u>FY 86</u>			<u>FY 87</u>		
	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>
Effect on Revenue						
Individual Income Tax	196,158,000	209,018,000	12,860,000	209,891,000	221,741,000	11,850,000
Fund Information						
General Fund	125,541,000	133,772,000	8,231,000	134,330,000	141,914,000	7,584,000
Earmarked Special						
Revenue Fund	49,040,000	52,255,000	3,215,000	52,473,000	55,435,000	2,963,000
Capital Project Fund	21,577,000	22,992,000	1,414,000	23,088,000	24,392,000	1,303,000

TECHNICAL NOTE

This fiscal note assumes that the deduction limit is \$6,000 per tax return (married joint returns are counted as one return). Some clarification as to whether the limit is to apply on a per taxpayer or per return basis is warranted.

David L. Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 26, 1985
HB 944

APPROVED BY COMMITTEE
ON TAXATION

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