

SENATE BILL NO. 42

INTRODUCED BY TOWE

BY REQUEST OF THE DEPARTMENT OF REVENUE  
AND THE REVENUE OVERSIGHT COMMITTEE

IN THE SENATE

January 7, 1985	Introduced and referred to Committee on Taxation.
January 9, 1985	Fiscal Note requested.
January 14, 1985	Fiscal Note returned.  Committee recommend bill do pass as amended. Report adopted.
January 15, 1985	Bill printed and placed on members' desks.
January 16, 1985	Second reading, do pass.
January 17, 1985	Considered correctly engrossed.
January 18, 1985	Third reading, passed. Ayes, 45; Noes, 0.  Transmitted to House.

IN THE HOUSE

January 19, 1985	Introduced and referred to Committee on Taxation.
March 11, 1985	Committee recommend bill be concurrent in. Report adopted.
March 13, 1985	Second reading, concurred in.
March 15, 1985	Third reading, concurred in.  Returned to Senate.

IN THE SENATE

March 15, 1985

Received from House.

March 16, 1985

Sent to enrolling.

Reported correctly enrolled.

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 6    A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING SPECIFIC  
 7    PROCEDURES FOR DETERMINING A STATE INDIVIDUAL INCOME TAX NET  
 8    OPERATING LOSS DEDUCTION; AND PROVIDING AN IMMEDIATE  
 9    EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

12        Section 1. Net operating loss -- computation. (1) A  
 13    net operating loss must be determined in accordance with  
 14    section 172 of the Internal Revenue Code of 1954 or as that  
 15    section may be labeled or amended and in accordance with the  
 16    following:

17        (a) Additions to loss include:  
 18        (i) federal income tax allowed as a business deduction  
 19        under 15-30-121 or 15-30-131; and

20        (ii) wages and salaries allowed as a business deduction  
 21        under 15-30-111(5).

22        (b) Reductions in the loss include:  
 23        (i) interest received on obligations of another state  
 24        or territory or of a county, municipality, district, or  
 25        political subdivision thereof allowed as nonbusiness income

1    under 15-30-111(1)(a); and  
 2        (ii) federal income tax refunds required to be reported  
 3        under 15-30-111 and 15-30-131 as business income.

4        (2) Notwithstanding the provisions of section 172 of  
 5        the Internal Revenue Code of 1954 or as that section may be  
 6        labeled or amended, a net operating loss does not include:

7        (a) income defined as exempt from state taxation under  
 8        15-30-111(2); or

9        (b) a zero bracket deduction provided for under  
 10        section 63 of the Internal Revenue Code of 1954 or as that  
 11        section may be labeled or amended.

12        Section 2. Extension of authority. Any existing  
 13        authority of the department of revenue to make rules on the  
 14        subject of the provisions of this act is extended to the  
 15        provisions of this act.

16        Section 3. Effective date -- applicability. This act  
 17        is effective on passage and approval and applies to taxable  
 18        years beginning after December 31, 1984.

19        Section 4. Codification instruction. Section 1 is  
 20        intended to be codified as an integral part of Title 15,  
 21        chapter 30, and the provisions of Title 15, chapter 30,  
 22        apply to section 1.

-End-



INTRODUCED BILL  
 -2- SB 42

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN039-85

Form **BD-15**

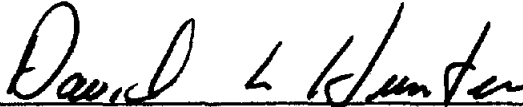
In compliance with a written request received January 9, 1985, there is hereby submitted a Fiscal Note for S.B. 42 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

An act establishing specific procedures for determining a state individual income tax net operating loss deduction; and providing an immediate effective date and an applicability date.

ASSUMPTIONS

The Department is currently using the procedure contained in the proposed bill. Therefore, the proposal will have no effect on revenue collections. The bill will eliminate taxpayer confusion and ease compliance by codifying the net operating loss procedure to be used.

  
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BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Jan 14, 1985

APPROVED BY COMMITTEE  
ON TAXATION

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19 ~~under 15-30-121 or 15-30-131; and~~ THAT PORTION OF THE  
20 FEDERAL INCOME TAX AND MOTOR VEHICLE FEE ALLOWED AS A  
21 DEDUCTION UNDER 15-30-121 OR 15-30-131 WHICH IS ATTRIBUTABLE  
22 TO INCOME FROM A TRADE OR BUSINESS; AND

23 (ii) wages and salaries allowed as a business deduction  
24 under 15-30-111(5).

25 (b) Reductions in the loss include:

1 (i) interest received on obligations of another state  
2 or territory or of a county, municipality, district, or  
3 political subdivision thereof allowed as nonbusiness income  
4 under 15-30-111(1)(a); and

5 (ii) federal income tax refunds required to be reported  
6 under 15-30-111 and 15-30-131 as business income;

7 (III) STATE INCOME TAX; AND

8 (IV) OTHER BUSINESS DEDUCTIONS ALLOWED UNDER 15-30-121  
9 IN EXCESS OF NONBUSINESS INCOME.

10 (2) Notwithstanding the provisions of section 172 of  
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12 labeled or amended, a net operating loss does not include:

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1 intended to be codified as an integral part of Title 15,  
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