

SENATE BILL NO. 72

INTRODUCED BY HAGER, STEPHENS, KOLSTAD,  
H. HAMMOND, THAYER, FARRELL, SHAW, ANDERSON,  
E. SMITH, HARDING, GAGE, SEVERSON, MCCALLUM,  
FULLER, REGAN, GOODOVER, REHBERG, NELSON,  
WINSLOW, KITSELMAN, HANNAH

IN THE SENATE

January 7, 1985	Introduced and referred to Committee on Taxation.
January 8, 1985	On motion by Chief Sponsor, Senators Stephens, Kolstad, Hammond, Thayer, Farrell, Shaw, Anderson, E. Smith, Harding, Gage, Severson, McCallum, Fuller, Regan, and Goodover added as sponsors.  Fiscal Note requested.
January 11, 1985	On motion by Chief Sponsor, Representatives Rehberg, Nelson, Winslow, Kitselman, and Hannah added as sponsors.
January 14, 1985	Fiscal Note returned.
January 23, 1985	Committee recommend bill do pass as amended. Report adopted.
January 24, 1985	Bill printed and placed on members' desks.
January 25, 1985	Second reading, pass consideration to 20th Legislative Day.
January 29, 1985	On motion, taken from second reading and rereferred to Committee on Taxation.

February 20, 1985	Committee recommend bill do pass. Report adopted.
February 21, 1985	Bill printed and placed on members' desks.
February 22, 1985	Second reading, do pass.
February 23, 1985	Considered correctly engrossed.
February 25, 1985	Third reading, passed. Ayes, 48; Noes, 0.  Transmitted to House.

IN THE HOUSE

February 27, 1985	Introduced and referred to Committee on Taxation.
March 11, 1985	Committee recommend bill be concurred in. Report adopted.
March 12, 1985	New Fiscal Note requested.
March 18, 1985	New Fiscal Note returned.
March 22, 1985	On motion, taken from Speaker's desk and rereferred to Committee on Taxation.
March 25, 1985	Corrected new Fiscal Note returned.
April 20, 1985	On motion, taken from Committee on Taxation as amended and referred to second reading this day.  Motion pass consideration.
April 23, 1985	Second reading, concurred in as amended.  Third reading, concurred in.

April 23, 1985

Returned to Senate with amendments.

IN THE SENATE

April 23, 1985

Received from House.

April 25, 1985

On motion, rules suspended to accept Senate Bill No. 72. Motion adopted.

Second reading, amendments not concurred in. Ayes, 39; Noes, 11.

On motion, Conference Committee requested and appointed.

On motion, Senate reconsider its action and place on second reading. Motion adopted.

Second reading, amendments concurred in.

Third reading, amendments concurred in.

Sent to enrolling.

Reported correctly enrolled.

1                                    SENATE    BILL NO.    72  
 2    INTRODUCED BY            HAGER

3  
 4    A BILL FOR AN ACT ENTITLED:    "AN ACT TO EXCLUDE SOCIAL  
 5    SECURITY BENEFITS FROM ADJUSTED GROSS INCOME IN COMPUTING  
 6    STATE INDIVIDUAL INCOME TAX LIABILITY; AMENDING SECTION  
 7    15-30-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE  
 8    AND AN APPLICABILITY DATE."  
 9

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

11            Section 1.    Section 15-30-111, MCA, is amended to read:

12            "15-30-111.    Adjusted gross income. (1) Adjusted gross  
 13    income shall be the taxpayer's federal income tax adjusted  
 14    gross income as defined in section 62 of the Internal  
 15    Revenue Code of 1954 or as that section may be labeled or  
 16    amended and in addition shall include the following:

17            (a) interest received on obligations of another state  
 18    or territory or county, municipality, district, or other  
 19    political subdivision thereof;

20            (b) refunds received of federal income tax, to the  
 21    extent the deduction of such tax resulted in a reduction of  
 22    Montana income tax liability.

23            (2) Notwithstanding the provisions of the federal  
 24    Internal Revenue Code of 1954 as labeled or amended,  
 25    adjusted gross income does not include the following which

1    are exempt from taxation under this chapter:

2            (a) all interest income from obligations of the United  
 3    States government, the state of Montana, county,  
 4    municipality, district, or other political subdivision  
 5    thereof;

6            (b) interest income earned by a taxpayer age 65 or  
 7    older in a taxable year up to and including \$800 for a  
 8    taxpayer filing a separate return and \$1,600 for each joint  
 9    return;

10            (c) all benefits received under the Federal Employees'  
 11    Retirement Act not in excess of \$3,600;

12            (d) all benefits, not in excess of \$360, received as  
 13    an annuity, pension, or endowment under any private or  
 14    corporate retirement plan or system;

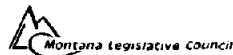
15            (e) all benefits paid under the teachers' retirement  
 16    law which are specified as exempt from taxation by 19-4-706;

17            (f) all benefits paid under The Public Employees'  
 18    Retirement System Act which are specified as exempt from  
 19    taxation by 19-3-105;

20            (g) all benefits paid under the highway patrol  
 21    retirement law which are specified as exempt from taxation  
 22    by 19-6-705;

23            (h) all Montana income tax refunds or credits thereof;

24            (i) all benefits paid under 19-11-602, 19-11-604, and  
 25    19-11-605 to retired and disabled firefighters, their



1 surviving spouses and orphans;

2 (j) all benefits paid by first- or second-class cities  
3 for the policemen's retirement system provided for by Title  
4 19, chapter 9;

5 (k) gain required to be recognized by a liquidating  
6 corporation under 15-31-113(1)(a)(ii);

7 (l) all tips covered by section 3402(k) of the  
8 Internal Revenue Code of 1954, as amended and applicable on  
9 January 1, 1983, received by persons for services rendered  
10 by them to patrons of premises licensed to provide food,  
11 beverage, or lodging;

12 (m) all benefits received under the federal Social  
13 Security Act, 42 U.S.C.A., chapter 7, subchapter II.

14 (3) In the case of a shareholder of a corporation with  
15 respect to which the election provided for under subchapter  
16 S. of the Internal Revenue Code of 1954, as amended, is in  
17 effect but with respect to which the election provided for  
18 under 15-31-202, as amended, is not in effect, adjusted  
19 gross income does not include any part of the corporation's  
20 undistributed taxable income, net operating loss, capital  
21 gains or other gains, profits, or losses required to be  
22 included in the shareholder's federal income tax adjusted  
23 gross income by reason of the said election under subchapter  
24 S. However, the shareholder's adjusted gross income shall  
25 include actual distributions from the corporation to the

1 extent they would be treated as taxable dividends if the  
2 subchapter S. election were not in effect.

3 (4) A shareholder of a DISC that is exempt from the  
4 corporation license tax under 15-31-102(1)(1) shall include  
5 in his adjusted gross income the earnings and profits of the  
6 DISC in the same manner as provided by federal law (section  
7 995, Internal Revenue Code) for all periods for which the  
8 DISC election is effective.

9 (5) A taxpayer who, in determining federal adjusted  
10 gross income, has reduced his business deductions by an  
11 amount for wages and salaries for which a federal tax credit  
12 was elected under section 44B of the Internal Revenue Code  
13 of 1954 or as that section may be labeled or amended is  
14 allowed to deduct the amount of such wages and salaries paid  
15 regardless of the credit taken. The deduction must be made  
16 in the year the wages and salaries were used to compute the  
17 credit. In the case of a partnership or small business  
18 corporation, the deduction must be made to determine the  
19 amount of income or loss of the partnership or small  
20 business corporation."

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

25 NEW SECTION. Section 3. Effective date --

LC 0596/01

1 applicability. This act is effective on passage and approval  
2 and applies to taxable years beginning after December 31,  
3 1984.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNNO34-85

Form BD-15

In compliance with a written request received January 8 19 85, there is hereby submitted a Fiscal Note for S.B. 72 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 to exclude social security benefits from adjusted gross income in computing state individual income tax.

FISCAL IMPACT

A portion of Social Security benefits became taxable status in calendar year 1985 when adjusted gross income exceeds \$25,000 for an individual and \$32,000 for a couple because of a change in the federal tax status. If this bill passes, the state will lose individual income tax revenue of \$1,545,000 in FY 86 and \$1,622,000 in FY 87.

	<u>Under</u> <u>Current Law</u>	<u>FY 86</u> <u>Under</u> <u>Proposed Law</u>	<u>Decrease</u>	<u>Under</u> <u>Current Law</u>	<u>FY 87</u> <u>Under</u> <u>Proposed Law</u>	<u>Decrease</u>
General Fund	\$ 989,000	\$ -0-	\$ (989,000)	\$ 1,038,000	\$ -0-	\$(1,038,000)
Foundation Program	386,000	-0-	(386,000)	406,000	-0-	( 406,000)
Debt Service	170,000	-0-	(170,000)	178,000	-0-	\$( 178,000)
Total	\$1,545,000	\$ -0-	\$(1,545,000)	\$ 1,622,000	-0-	\$(1,622,000)

*David L. Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: JAN 14, 1985

STATE OF MONTANA  
FISCAL NOTE

AMENDED  
REQUEST NO. FNN 034-85

Form BD-15

In compliance with a written request received March 12, 19 85, there is hereby submitted a Fiscal Note for Senate Bill 72 Amended 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.

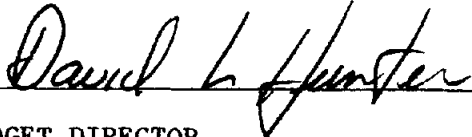
DESCRIPTION OF PROPOSED LEGISLATION:

An act to exclude social security and tier 1 railroad retirement benefits from adjusted gross income in computing state individual income tax liability; amending Section 15-30-111, MCA; and providing an immediate effective date and an applicability date.

FISCAL IMPACT:

A portion of social security benefits became taxable in 1985 when the taxpayer's adjusted gross income exceeds \$25,000 for an individual and \$32,000 for a couple because of a change in federal tax status. If this passes, the state will lose individual income tax revenue of \$2,435,409 in FY86 and \$1,729,524 in FY87.

	<u>Under</u> <u>Current Law</u>	<u>FY86</u> <u>Under</u> <u>Proposed Law</u>	<u>Estimated</u> <u>Decrease</u>	<u>Under</u> <u>Current Law</u>	<u>FY87</u> <u>Under</u> <u>Proposed Law</u>	<u>Estimated</u> <u>Decrease</u>
Effect on Revenue:						
Individual Income Tax	196,157,813	193,722,404	(2,435,409)	209,890,625	208,161,101	(1,729,524)
Fund Information:						
General Fund	125,541,000	123,982,338	(1,558,662)	134,330,000	133,223,105	(1,106,895)
School Foundation Program	49,039,453	48,430,601	( 608,852)	52,472,656	52,040,275	( 432,381)
Debt Service	21,577,360	21,309,465	( 267,895)	23,087,969	22,897,721	( 190,248)

  
BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: March 18, 1985



TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The FY1986 impact reflects the amendment that would make the proposed legislation retroactive to taxable years beginning after December 31, 1983. Inherent in the estimate is the assumption that all filers who paid income tax on a portion of their social security benefits received during 1983 will file amended returns. It is further assumed that approximately half of these filers will file amended returns impacting FY1985 and half will file returns impacting fiscal year 1986. The estimated reduction in tax revenue in each of the next three fiscal years is as follows:

FY 1985	\$ 787,989
FY 1986	\$2,435,409
FY 1987	<u>\$1,729,524</u>
TOTAL	<u>\$4,952,922</u>

STATE OF MONTANA  
FISCAL NOTE

CORRECTED AMENDED  
REQUEST NO. FNN 034-85  
Form BD-15

In compliance with a written request received March 12, 19 85, there is hereby submitted a Fiscal Note for Senate Bill 72 Corrected Amended 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 social security and tier 1 railroad retirement benefits from adjusted gross income in computing state individual income tax liability; amending Section 15-30-111, MCA; and providing an immediate effective date and an applicability date.

FISCAL IMPACT:

A portion of social security and tier 1 railroad retirement benefits became taxable in 1985 when adjusted gross income exceeds \$25,000 for an individual and \$32,000 for a couple because of a change in federal tax law. If the proposed legislation passes, the state will lose individual income tax revenue of \$2,435,409 in FY86 and \$1,729,524 in FY87.

	<u>Under</u> <u>Current Law</u>	<u>FY86</u> <u>Under</u> <u>Proposed Law</u>	<u>Estimated</u> <u>Decrease</u>	<u>Under</u> <u>Current Law</u>	<u>FY87</u> <u>Under</u> <u>Proposed Law</u>	<u>Estimated</u> <u>Decrease</u>
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Debt Service	21,577,360	21,309,465	( 267,895)	23,087,969	22,897,721	( 190,248)

*David L. Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: March 25, 1985

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The FY1986 impact reflects the amendment that would make the proposed legislation retroactive to taxable years beginning after December 31, 1983. Inherent in the estimate is the assumption that all filers who paid income tax on a portion of their social security benefits received during 1984 will file amended returns. It is further assumed that approximately half of these filers will file amended returns impacting FY1985 and half will file amended returns impacting FY 1986. The estimated reduction in tax revenue in each of the next three fiscal years is as follows:

FY 1985	\$ 787,989
FY 1986	\$2,435,409
FY 1987	\$1,729,524
TOTAL	<u>\$4,952,922</u>

APPROVED BY COMMITTEE  
ON TAXATION

1 SENATE BILL NO. 72

2 INTRODUCED BY HAGER, STEPHENS, KOLSTAD,  
3 H. HAMMOND, THAYER, FARRELL, SHAW, ANDERSON,  
4 E. SMITH, HARDING, GAGE, SEVERSON, MCCALLUM,  
5 FULLER, REGAN, GOODOVER, REHBERG, NELSON,  
6 WINSLOW, KITSELMAN, HANNAH

7  
8 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXCLUDE SOCIAL  
9 SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS FROM  
10 ADJUSTED GROSS INCOME IN COMPUTING STATE INDIVIDUAL INCOME  
11 TAX LIABILITY; AMENDING SECTION 15-30-111, MCA; AND  
12 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY  
13 DATE."  
14

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

16 Section 1. Section 15-30-111, MCA, is amended to read:

17 "15-30-111. Adjusted gross income. (1) Adjusted gross  
18 income shall be the taxpayer's federal income tax adjusted  
19 gross income as defined in section 62 of the Internal  
20 Revenue Code of 1954 or as that section may be labeled or  
21 amended and in addition shall include the following:

22 (a) interest received on obligations of another state  
23 or territory or county, municipality, district, or other  
24 political subdivision thereof;

25 (b) refunds received of federal income tax, to the

1 extent the deduction of such tax resulted in a reduction of  
2 Montana income tax liability.

3 (2) Notwithstanding the provisions of the federal  
4 Internal Revenue Code of 1954 as labeled or amended,  
5 adjusted gross income does not include the following which  
6 are exempt from taxation under this chapter:

7 (a) all interest income from obligations of the United  
8 States government, the state of Montana, county,  
9 municipality, district, or other political subdivision  
10 thereof;

11 (b) interest income earned by a taxpayer age 65 or  
12 older in a taxable year up to and including \$800 for a  
13 taxpayer filing a separate return and \$1,600 for each joint  
14 return;

15 (c) all benefits received under the Federal Employees'  
16 Retirement Act not in excess of \$3,600;

17 (d) all benefits, not in excess of \$360, received as  
18 an annuity, pension, or endowment under any private or  
19 corporate retirement plan or system;

20 (e) all benefits paid under the teachers' retirement  
21 law which are specified as exempt from taxation by 19-4-706;

22 (f) all benefits paid under The Public Employees'  
23 Retirement System Act which are specified as exempt from  
24 taxation by 19-3-105;

25 (g) all benefits paid under the highway patrol

1 retirement law which are specified as exempt from taxation  
2 by 19-6-705;

3 (h) all Montana income tax refunds or credits thereof;

4 (i) all benefits paid under 19-11-602, 19-11-604, and  
5 19-11-605 to retired and disabled firefighters, their  
6 surviving spouses and orphans;

7 (j) all benefits paid by first- or second-class cities  
8 for the policemen's retirement system provided for by Title  
9 19, chapter 9;

10 (k) gain required to be recognized by a liquidating  
11 corporation under 15-31-113(1)(a)(ii);

12 (l) all tips covered by section 3402(k) of the  
13 Internal Revenue Code of 1954, as amended and applicable on  
14 January 1, 1983, received by persons for services rendered  
15 by them to patrons of premises licensed to provide food,  
16 beverage, or lodging;

17 ~~(m) all benefits received under the federal Social~~  
18 ~~Security Act, 42-8-5-6-A, chapter 77, subchapter 11~~ SOCIAL  
19 ~~SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS DESCRIBED~~  
20 ~~IN SECTION 86 OF THE INTERNAL REVENUE CODE OF 1954, AS~~  
21 ~~AMENDED, AND APPLICABLE ON JANUARY 1, 1984.~~

22 (3) In the case of a shareholder of a corporation with  
23 respect to which the election provided for under subchapter  
24 S. of the Internal Revenue Code of 1954, as amended, is in  
25 effect but with respect to which the election provided for

1 under 15-31-202, as amended, is not in effect, adjusted  
2 gross income does not include any part of the corporation's  
3 undistributed taxable income, net operating loss, capital  
4 gains or other gains, profits, or losses required to be  
5 included in the shareholder's federal income tax adjusted  
6 gross income by reason of the said election under subchapter  
7 S. However, the shareholder's adjusted gross income shall  
8 include actual distributions from the corporation to the  
9 extent they would be treated as taxable dividends if the  
10 subchapter S. election were not in effect.

11 (4) A shareholder of a DISC that is exempt from the  
12 corporation license tax under 15-31-102(1)(1) shall include  
13 in his adjusted gross income the earnings and profits of the  
14 DISC in the same manner as provided by federal law (section  
15 995, Internal Revenue Code) for all periods for which the  
16 DISC election is effective.

17 (5) A taxpayer who, in determining federal adjusted  
18 gross income, has reduced his business deductions by an  
19 amount for wages and salaries for which a federal tax credit  
20 was elected under section 44B of the Internal Revenue Code  
21 of 1954 or as that section may be labeled or amended is  
22 allowed to deduct the amount of such wages and salaries paid  
23 regardless of the credit taken. The deduction must be made  
24 in the year the wages and salaries were used to compute the  
25 credit. In the case of a partnership or small business

1 corporation, the deduction must be made to determine the  
2 amount of income or loss of the partnership or small  
3 business corporation."

4 NEW SECTION. Section 2. Extension of authority. Any  
5 existing authority of the department of revenue to make  
6 rules on the subject of the provisions of this act is  
7 extended to the provisions of this act.

8 NEW SECTION. Section 3. Effective date --  
9 applicability. This act is effective on passage and approval  
10 and applies to taxable years beginning after December 31,  
11 ~~1984~~ 1983.

-End-

SENATE BILL NO. 72

INTRODUCED BY HAGER, STEPHENS, KOLSTAD,

H. HAMMOND, THAYER, FARRELL, SHAW, ANDERSON,

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A BILL FOR AN ACT ENTITLED: "AN ACT TO EXCLUDE SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS FROM ADJUSTED GROSS INCOME IN COMPUTING STATE INDIVIDUAL INCOME TAX LIABILITY; AMENDING SECTION 15-30-111, 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 15-30-111, MCA, is amended to read:

"15-30-111. Adjusted gross income. (1) Adjusted gross income shall be the taxpayer's federal income tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954 or as that section may be labeled or amended and in addition shall include the following:

(a) interest received on obligations of another state or territory or county, municipality, district, or other political subdivision thereof;

(b) refunds received of federal income tax, to the

extent the deduction of such tax resulted in a reduction of Montana income tax liability.

(2) Notwithstanding the provisions of the federal Internal Revenue Code of 1954 as labeled or amended, adjusted gross income does not include the following which are exempt from taxation under this chapter:

(a) all interest income from obligations of the United States government, the state of Montana, county, municipality, district, or other political subdivision thereof;

(b) interest income earned by a taxpayer age 65 or older in a taxable year up to and including \$800 for a taxpayer filing a separate return and \$1,600 for each joint return;

(c) all benefits received under the Federal Employees' Retirement Act not in excess of \$3,600;

(d) all benefits, not in excess of \$360, received as an annuity, pension, or endowment under any private or corporate retirement plan or system;

(e) all benefits paid under the teachers' retirement law which are specified as exempt from taxation by 19-4-706;

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3 (h) all Montana income tax refunds or credits thereof;

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5 19-11-605 to retired and disabled firefighters, their  
6 surviving spouses and orphans;

7 (j) all benefits paid by first- or second-class cities  
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15 by them to patrons of premises licensed to provide food,  
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17 (m) all benefits received under the federal Social  
18 Security Act, 42 U.S.C.A. chapter 7, subchapter F SOCIAL  
19 SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS DESCRIBED  
20 IN SECTION 86 OF THE INTERNAL REVENUE CODE OF 1954, AS  
21 AMENDED, AND APPLICABLE ON JANUARY 1, 1984.

22 (3) In the case of a shareholder of a corporation with  
23 respect to which the election provided for under subchapter  
24 S. of the Internal Revenue Code of 1954, as amended, is in  
25 effect but with respect to which the election provided for

1 under 15-31-202, as amended, is not in effect, adjusted  
2 gross income does not include any part of the corporation's  
3 undistributed taxable income, net operating loss, capital  
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15 995, Internal Revenue Code) for all periods for which the  
16 DISC election is effective.

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18 gross income, has reduced his business deductions by an  
19 amount for wages and salaries for which a federal tax credit  
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22 allowed to deduct the amount of such wages and salaries paid  
23 regardless of the credit taken. The deduction must be made  
24 in the year the wages and salaries were used to compute the  
25 credit. In the case of a partnership or small business



1 corporation, the deduction must be made to determine the  
2 amount of income or loss of the partnership or small  
3 business corporation."

4 NEW SECTION. Section 2. Extension of authority. Any  
5 existing authority of the department of revenue to make  
6 rules on the subject of the provisions of this act is  
7 extended to the provisions of this act.

8 NEW SECTION. Section 3. Effective date --  
9 applicability. This act is effective on passage and approval  
10 and applies to taxable years beginning after December 31,  
11 ~~1984~~ 1983.

-End-

COMMITTEE OF THE WHOLE AMENDMENT 4201500P.CW

HOUSE

4-20-85

DATE

3:00

TIME

MR. CHAIRMAN: I MOVE TO AMEND Senate Bill

No. 72

third reading copy ( blue ) as follows:  
Color

1. Title, line 8.  
Following: "EXCLUDE"  
Insert: "CERTAIN"
2. Title, line 9.  
Following: "AND"  
Insert: "CERTAIN"
3. Title, line 11.  
Following: "LIABILITY"  
Insert: "BY PROVIDING A BASE EXCLUSION FOR MARRIED PERSONS FILING SEPARATELY"
4. Page 3, line 16.  
Strike: " , "  
Insert: " , "
5. Page 3, lines 17 through 21.  
Strike: subsection (m) in its entirety.
6. Page 5, following line 3.  
Insert: "(6) Married taxpayers, filing a joint federal return, who must include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income, may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return."

ADOPT  
REJECT

*Waldron*  
Rep. Waldron

COMMITTEE OF THE WHOLE AMENDMENT

HOUSE

4-22-85

DATE

14:18

TIME

MR. CHAIRMAN: I MOVE TO AMEND Senate Bill

No. 72

3rd reading copy ( blue ) as follows:  
Color

1. Title, lines 9.  
Strike: "AND"  
Insert: ~~xxx~~ "BENEFITS,"  
Following: "BENEFITS"  
Insert: ", WORKERS' COMPENSATION BENEFITS, AND CERTAIN EMPLOYER PAID HEALTH INSURANCE PREMIUMS"
2. Page 3, line 21.  
Following: "1984"  
Insert: "(n) all benefits received under the workers' compensation laws; and  
(o) all health insurance premiums paid by an employer for an employee if attributed as income to the employee under federal law."

ADOPT  
REJECT

*Driscoll*  
Driscoll

SENATE BILL NO. 72

INTRODUCED BY HAGER, STEPHENS, KOLSTAD,
H. HAMMOND, THAYER, FARRELL, SHAW, ANDERSON,
E. SMITH, HARDING, GAGE, SEVERSON, MCCALLUM,
FULLER, REGAN, GOODOVER, REHBERG, NELSON,
WINSLOW, KITSELMAN, HANNAH

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXCLUDE CERTAIN
SOCIAL SECURITY AND BENEFITS, CERTAIN TIER 1 RAILROAD
RETIREMENT BENEFITS, WORKERS' COMPENSATION BENEFITS, AND
CERTAIN EMPLOYER-PAID HEALTH INSURANCE PREMIUMS FROM
ADJUSTED GROSS INCOME IN COMPUTING STATE INDIVIDUAL INCOME
TAX LIABILITY BY PROVIDING A BASE EXCLUSION FOR MARRIED
PERSONS FILING SEPARATELY; AMENDING SECTION 15-30-111, 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 15-30-111, MCA, is amended to read:

"15-30-111. Adjusted gross income. (1) Adjusted gross
income shall be the taxpayer's federal income tax adjusted
gross income as defined in section 62 of the Internal
Revenue Code of 1954 or as that section may be labeled or
amended and in addition shall include the following:

(a) interest received on obligations of another state

or territory or county, municipality, district, or other
political subdivision thereof;

(b) refunds received of federal income tax, to the
extent the deduction of such tax resulted in a reduction of
Montana income tax liability.

(2) Notwithstanding the provisions of the federal
Internal Revenue Code of 1954 as labeled or amended,
adjusted gross income does not include the following which
are exempt from taxation under this chapter:

(a) all interest income from obligations of the United
States government, the state of Montana, county,
municipality, district, or other political subdivision
thereof;

(b) interest income earned by a taxpayer age 65 or
older in a taxable year up to and including \$800 for a
taxpayer filing a separate return and \$1,600 for each joint
return;

(c) all benefits received under the Federal Employees'
Retirement Act not in excess of \$3,600;

(d) all benefits, not in excess of \$360, received as
an annuity, pension, or endowment under any private or
corporate retirement plan or system;

(e) all benefits paid under the teachers' retirement
law which are specified as exempt from taxation by 19-4-706;

(f) all benefits paid under The Public Employees'



1 Retirement System Act which are specified as exempt from  
2 taxation by 19-3-105;

3 (g) all benefits paid under the highway patrol  
4 retirement law which are specified as exempt from taxation  
5 by 19-6-705;

6 (h) all Montana income tax refunds or credits thereof;

7 (i) all benefits paid under 19-11-602, 19-11-604, and  
8 19-11-605 to retired and disabled firefighters, their  
9 surviving spouses and orphans;

10 (j) all benefits paid by first- or second-class cities  
11 for the policemen's retirement system provided for by Title  
12 19, chapter 9;

13 (k) gain required to be recognized by a liquidating  
14 corporation under 15-31-113(1)(a)(ii);

15 (l) all tips covered by section 3402(k) of the  
16 Internal Revenue Code of 1954, as amended and applicable on  
17 January 1, 1983, received by persons for services rendered  
18 by them to patrons of premises licensed to provide food,  
19 beverage, or lodging;

20 ~~(m) all benefits received under the federal Social~~  
21 ~~Security Act 42-U.S.C.A. 77 chapter 77 subchapter 11 SOFIA~~  
22 ~~SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS DESCRIBED~~  
23 ~~IN SECTION 86 OF THE INTERNAL REVENUE CODE OF 1954 AS~~  
24 ~~AMENDED AND APPLICABLE ON JANUARY 17 1984~~

25 (N)(M) ALL BENEFITS RECEIVED UNDER THE WORKERS'

1 COMPENSATION LAWS; AND

2 (N) ALL HEALTH INSURANCE PREMIUMS PAID BY AN  
3 EMPLOYER FOR AN EMPLOYEE IF ATTRIBUTED AS INCOME TO THE  
4 EMPLOYEE UNDER FEDERAL LAW.

5 (3) In the case of a shareholder of a corporation with  
6 respect to which the election provided for under subchapter  
7 S. of the Internal Revenue Code of 1954, as amended, is in  
8 effect but with respect to which the election provided for  
9 under 15-31-202, as amended, is not in effect, adjusted  
10 gross income does not include any part of the corporation's  
11 undistributed taxable income, net operating loss, capital  
12 gains or other gains, profits, or losses required to be  
13 included in the shareholder's federal income tax adjusted  
14 gross income by reason of the said election under subchapter  
15 S. However, the shareholder's adjusted gross income shall  
16 include actual distributions from the corporation to the  
17 extent they would be treated as taxable dividends if the  
18 subchapter S. election were not in effect.

19 (4) A shareholder of a DISC that is exempt from the  
20 corporation license tax under 15-31-102(1)(1) shall include  
21 in his adjusted gross income the earnings and profits of the  
22 DISC in the same manner as provided by federal law (section  
23 995, Internal Revenue Code) for all periods for which the  
24 DISC election is effective.

25 (5) A taxpayer who, in determining federal adjusted

1 gross income, has reduced his business deductions by an  
 2 amount for wages and salaries for which a federal tax credit  
 3 was elected under section 44B of the Internal Revenue Code  
 4 of 1954 or as that section may be labeled or amended is  
 5 allowed to deduct the amount of such wages and salaries paid  
 6 regardless of the credit taken. The deduction must be made  
 7 in the year the wages and salaries were used to compute the  
 8 credit. In the case of a partnership or small business  
 9 corporation, the deduction must be made to determine the  
 10 amount of income or loss of the partnership or small  
 11 business corporation.

12 (6) MARRIED TAXPAYERS FILING A JOINT FEDERAL RETURN  
 13 WHO MUST INCLUDE PART OF THEIR SOCIAL SECURITY BENEFITS OR  
 14 PART OF THEIR TIER 1 RAILROAD RETIREMENT BENEFITS IN FEDERAL  
 15 ADJUSTED GROSS INCOME MAY SPLIT THE FEDERAL BASE USED IN  
 16 CALCULATION OF FEDERAL TAXABLE SOCIAL SECURITY BENEFITS OR  
 17 FEDERAL TAXABLE TIER 1 RAILROAD RETIREMENT BENEFITS WHEN  
 18 THEY FILE SEPARATE MONTANA INCOME TAX RETURNS. THE FEDERAL  
 19 BASE MUST BE SPLIT EQUALLY ON THE MONTANA RETURN.

20 NEW SECTION. Section 2. Extension of authority. Any  
 21 existing authority of the department of revenue to make  
 22 rules on the subject of the provisions of this act is  
 23 extended to the provisions of this act.

24 NEW SECTION. Section 3. Effective date --  
 25 applicability. This act is effective on passage and approval

1 and applies to taxable years beginning after December 31,  
 2 1984 ~~1983~~ 1984.

-End-