

HB 444 INTRODUCED BY RAMIREZ, ET AL.  
ADJUST RATES FOR INDIVIDUAL INCOME TAX AND  
CORPORATION TAX TO PREVENT "WINDFALL"

1/24 INTRODUCED  
1/24 REFERRED TO TAXATION  
1/24 FISCAL NOTE REQUESTED  
1/26 FISCAL NOTE RECEIVED  
2/13 HEARING  
3/19 TABLED IN COMMITTEE

1 House BILL NO. 444  
 2 INTRODUCED BY Ramirez Boyer Hammer Bishop  
 3 Garbon

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ADJUST THE RATES FOR  
 5 INDIVIDUAL INCOME TAXES AND FOR CORPORATION LICENSE OR  
 6 INCOME TAXES TO PREVENT ANY INCREASE IN REVENUE AS A RESULT  
 7 OF THE FEDERAL TAX REFORM ACT OF 1986; AMENDING SECTIONS  
 8 15-30-103 AND 15-31-121, MCA; AND PROVIDING AN IMMEDIATE  
 9 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

12 Section 1. Section 15-30-103, MCA, is amended to read:  
 13 "15-30-103. Rate of tax. (1) There shall be levied,  
 14 collected, and paid for each taxable year ~~commencing on or~~  
 15 ~~after--December--31,--1968,~~ indicated hereafter upon the  
 16 taxable income of every taxpayer subject to this tax, after  
 17 making allowance for exemptions and deductions as  
 18 hereinafter provided, a tax on the following brackets of  
 19 taxable income as adjusted under subsection (2) at the  
 20 following rates:

- 21 (a) on the first \$1,000 of taxable income or any part  
 22 thereof, ~~2%~~ 1.808% for 1987 and 1.682% thereafter;
- 23 (b) on the next \$1,000 of taxable income or any part  
 24 thereof, ~~3%~~ 2.712% for 1987 and 2.523% thereafter;
- 25 (c) on the next \$2,000 of taxable income or any part

- 1 thereof, ~~4%~~ 3.616% for 1987 and 3.364% thereafter;
- 2 (d) on the next \$2,000 of taxable income or any part
- 3 thereof, ~~5%~~ 4.520% for 1987 and 4.205% thereafter;
- 4 (e) on the next \$2,000 of taxable income or any part
- 5 thereof, ~~6%~~ 5.424% for 1987 and 5.046% thereafter;
- 6 (f) on the next \$2,000 of taxable income or any part
- 7 thereof, ~~7%~~ 6.328% for 1987 and 5.887% thereafter;
- 8 (g) on the next \$4,000 of taxable income or any part
- 9 thereof, ~~8%~~ 7.232% for 1987 and 6.728% thereafter;
- 10 (h) on the next \$6,000 of taxable income or any part
- 11 thereof, ~~9%~~ 8.136% for 1987 and 7.569% thereafter;
- 12 (i) on the next \$15,000 of taxable income or any part
- 13 thereof, ~~10%~~ 9.040% for 1987 and 8.410% thereafter;
- 14 (j) on any taxable income in excess of \$35,000 or any
- 15 part thereof, ~~11%~~ 9.944% for 1987 and 9.251% thereafter.
- 16 (2) By November 1 of each year, the department shall
- 17 multiply the bracket amount contained in subsection (1) by
- 18 the inflation factor for that taxable year and round the
- 19 cumulative brackets to the nearest \$100. The resulting
- 20 adjusted brackets are effective for that taxable year and
- 21 shall be used as the basis for imposition of the tax in
- 22 subsection (1) of this section."
- 23 Section 2. Section 15-31-121, MCA, is amended to read:
- 24 "15-31-121. Rate of tax -- minimum tax. (1) The
- 25 percentage of net income to be paid under 15-31-101 shall be

1 ~~6-3/4%~~ 6.595% of all net income for the taxable period  
2 beginning on or after January 1, 1987, and 6.156%  
3 thereafter. The--rate--set--forth--in--this--part--shall--be  
4 effective--for--all--taxable--years--ending--on--or--after--February  
5 28,--1971--This--rate--is--retroactive--to--and--effective--for--all  
6 taxable--years--ending--on--or--after--February--28,--1971--

7 (2) Every corporation subject to taxation under this  
8 part shall, in any event, pay a minimum tax of not less than  
9 \$50."

10 NEW SECTION. Section 3. Extension of authority. Any  
11 existing authority of the department of revenue to make  
12 rules on the subject of the provisions of this act is  
13 extended to the provisions of this act.

14 NEW SECTION. Section 4. Effective date --  
15 applicability. (1) This act is effective on passage and  
16 approval.

17 (2) This act applies retroactively, within the meaning  
18 of 1-2-109, to taxable years beginning after December 31,  
19 1986.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB444, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to adjust the rates for individual income taxes and for corporate license or income taxes to prevent any increase in revenue as a result of the Federal Tax Reform Act of 1986; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The Revenue Estimating Advisory Council's individual and corporate license tax collections forecasts provide the basis for comparison.
2. Individual income tax collection under current state and federal laws will be \$208,088,000 in FY88 and \$229,991,000 in FY89 (REAC).
3. Corporate license tax collections under current state and federal laws will be \$53,063,000 in FY88 and \$58,995,000 in FY89 (REAC).
4. The proposed rate tables were designed to reduce state tax collection to levels forecast prior to federal tax reform. These levels for individuals are \$187,766,000 in FY88 and \$194,144,000 in FY89. Corporate income license tax collections without federal tax reform would have been \$48,815,000 in FY88 and \$53,406,000 in FY89 (REAC).
5. Financial institutions will pay 11.57 percent of the total corporate license tax (REAC).

FISCAL IMPACT:Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Individual Income Tax	\$208,088,000	\$187,766,000	(\$20,322,000)	\$229,991,000	\$194,144,000	(\$35,847,000)
Corp. License Tax	53,063,000	48,815,000	( 4,248,000)	58,995,000	53,406,000	( 5,589,000)

Fund Information:

General Fund	163,992,960	148,519,828	( 15,473,132)	181,456,000	155,268,075	( 26,187,925)
Foundation Program	64,059,750	58,015,558	( 6,044,192)	70,881,250	60,651,592	( 10,229,658)
Sinking Fund	28,186,290	25,526,846	( 2,659,444)	31,187,750	26,686,700	( 4,501,050)
Local Governments	4,912,000	4,518,768	( 393,232)	5,461,000	4,943,633	( 517,367)

*David L. Hunter*

DATE

1/26/87

DAVID L. HUNTER, BUDGET DIRECTOR  
Office of Budget and Program Planning

DATE

JACK RAMIREZ, PRIMARY SPONSOR

Fiscal Note for HB444, as introduced.

HB 444