

SENATE BILL 408

Introduced by Van Valkenburg, et al.

|      |                       |
|------|-----------------------|
| 2/13 | Introduced            |
| 2/13 | Referred to Taxation  |
| 2/21 | Fiscal Note Requested |
| 2/28 | Fiscal Note Received  |
| 3/02 | Fiscal Note Printed   |
| 3/08 | Hearing               |
|      | Died in Committee     |

1 *Senate* BILL NO. *408*  
2 INTRODUCED BY *Van Vleetburg Reson*  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
5 TAX LAWS OF THE STATE; REDUCING PAPERWORK FOR THE CITIZENS  
6 OF MONTANA; ELIMINATING CERTAIN TAXES; REDUCING INDIVIDUAL  
7 INCOME TAX RATES; REPEALING THE CORPORATION LICENSE TAX  
8 CLEARANCE CERTIFICATE FEE, THE EXPRESS COMPANY LICENSE TAX,  
9 THE SLEEPING CAR COMPANY LICENSE TAX, AND THE STORE LICENSE  
10 PROVISIONS; AMENDING SECTIONS 7-14-1133, 7-34-2416,  
11 13-37-218, 15-1-206, 15-30-101, 15-30-103, 15-30-105,  
12 15-30-121, 15-30-131, 15-30-132, 15-30-135, 15-30-136,  
13 15-20-141, 15-30-142, 15-30-144, 15-30-146, 15-30-156,  
14 15-30-303, 15-30-321, 15-30-323, 15-31-202, 15-31-204,  
15 15-31-553, 15-31-554, 23-2-715, 33-27-101 THROUGH 33-27-103,  
16 35-18-503, 53-2-101, 61-3-524, 61-3-525, AND 67-11-303, MCA;  
17 REPEALING SECTIONS 15-30-110 THROUGH 15-30-117, 15-30-122,  
18 15-30-123, 15-30-126, 15-30-127, 15-30-134, 15-31-552,  
19 15-54-101 THROUGH 15-54-113, 15-56-101 THROUGH 15-56-113,  
20 AND 15-57-101 THROUGH 15-57-110, MCA; AND PROVIDING AN  
21 IMMEDIATE EFFECTIVE DATE AND APPLICABILITY DATES."  
22  
23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
24 **Section 1.** Section 7-14-1133, MCA, is amended to read:  
25 "7-14-1133. Bonds and obligations. (1) An authority

1 may borrow money for any of its corporate purposes and issue  
2 bonds therefor, including refunding bonds, in such a form  
3 and upon such terms as it determines, payable out of any  
4 revenues of the authority, including revenues derived from:  
5 (a) any port or transportation and storage facility;  
6 (b) taxes levied pursuant to 7-14-1131 or 67-10-402;  
7 (c) grants or contributions from the federal  
8 government; or  
9 (d) other sources.  
10 (2) The bonds may be issued by resolution of the  
11 authority, without an election and without any limitation of  
12 amount, except that no bonds may be issued at any time if  
13 the total amount of principal and interest to become due in  
14 any year on such the bonds and on any then outstanding bonds  
15 for which revenues from the same source are pledged exceeds  
16 the amount of such the pledged revenues to be received in  
17 that year, as estimated in the resolution authorizing the  
18 issuance of the bonds. The authority shall take all action  
19 necessary and possible to impose, maintain, and collect  
20 rates, charges, rentals, and taxes, if any are pledged,  
21 sufficient to make the revenues from the pledged source in  
22 such the year at least equal to the amount of principal and  
23 interest due in that year.  
24 (3) The bonds may be sold at public or private sale  
25 and may bear interest as provided in 17-5-102. Except as

1 otherwise provided in this part, any bonds issued pursuant  
2 to this part by an authority may be payable as to principal  
3 and interest solely from revenues of the authority and shall  
4 state on their face the applicable limitations or  
5 restrictions regarding the source from which ~~such~~ the  
6 principal and interest are payable.

7 (4) Bonds issued by an authority, county, or  
8 municipality pursuant to the provisions of this part are  
9 declared to be issued for an essential public and  
10 governmental purpose by a political subdivision ~~within the~~  
11 ~~meaning of 15-30-111(2)(a).~~

12 (5) For the security of any ~~such~~ bonds, the authority,  
13 county, or municipality may by resolution make and enter  
14 into any covenant, agreement, or indenture and may exercise  
15 any additional powers authorized to be exercised by a  
16 municipality under Title 7, chapter 7, parts 44 and 45. The  
17 sums required from time to time to pay principal and  
18 interest and to create and maintain a reserve for the bonds  
19 may be paid from any revenues referred to in this part,  
20 prior to the payment of current costs of operation and  
21 maintenance of the facilities."

22 **Section 2.** Section 7-34-2416, MCA, is amended to read:

23 "7-34-2416. Tax-exempt status of bonds. Bonds issued  
24 by a county pursuant to the provisions of 7-34-2411 through  
25 7-34-2418 are declared to be issued for an essential public

1 and governmental purpose by a political subdivision ~~within~~  
2 ~~the meaning of 15-30-111(2)(a).~~"

3 **Section 3.** Section 13-37-218, MCA, is amended to read:

4 "13-37-218. Limitations on receipts from political  
5 committees. A candidate for the state senate may receive no  
6 more than \$1,000 in total combined monetary contributions  
7 from all political committees contributing to his campaign,  
8 and a candidate for the state house of representatives may  
9 receive no more than \$600 in total combined monetary  
10 contributions from all political committees contributing to  
11 his campaign. The foregoing limitations shall be multiplied  
12 by the inflation factor as defined in 15-30-101(8) for the  
13 year in which general elections are held after 1984; the  
14 resulting figure shall be rounded off to the nearest \$50  
15 increment. The commissioner of political practices shall  
16 publish the revised limitations as a rule. In-kind  
17 contributions may not be included in computing these  
18 limitation totals. The limitation provided in this section  
19 does not apply to contributions made by a political party  
20 eligible for a primary election under 13-10-601."

21 **Section 4.** Section 15-1-206, MCA, is amended to read:

22 "15-1-206. Waiver and abatement of penalties --  
23 interest. (1) The department may, in its discretion, waive  
24 the assessment of penalty for the late filing of any tax  
25 statement or return required to be filed with the department

1 when the filing is done within 5 days of the date specified  
 2 for filing the return or statement and for the late payment  
 3 of any tax collected by the department when the payment is  
 4 made within 5 days of the date specified for payment of the  
 5 tax or, if beyond the 5-day period in either case, upon a  
 6 showing of reasonable cause by the taxpayer seeking waiver  
 7 of the penalty.

8 (2) Whenever the department waives or abates a penalty  
 9 provided for in this title, it also may, in its discretion,  
 10 waive or abate interest not to exceed \$100 due upon the tax.

11 (3) Whenever the department is notified of a change in  
 12 federal taxable income as the result of a federal adjustment  
 13 or upon filing an amended federal return, as provided for in  
 14 15-30-304, the department shall abate the interest on the  
 15 additional tax liability from the date the department is  
 16 notified until the department sends the statement of  
 17 increased tax liability to the taxpayer."

18 **Section 5.** Section 15-30-101, MCA, is amended to read:

19 "15-30-101. Definitions. For the purpose of this  
 20 chapter, unless otherwise required by the context, the  
 21 following definitions apply:

22 (1) "Base-year-structure" means the following elements  
 23 of the income tax structure:

24 (a) the tax brackets established in 15-30-103, but  
 25 unadjusted by subsection (2) of 15-30-103, in effect on June

1 30 of the taxable year;

2 (b) the exemptions contained in 15-30-112, but  
 3 unadjusted by subsections (7) and (8) of 15-30-112, in  
 4 effect on June 30 of the taxable year;

5 (c) the maximum standard deduction provided in  
 6 15-30-122, but unadjusted by subsection (2) of 15-30-122, in  
 7 effect on June 30 of the taxable year;

8 (2)(1) "Consumer price index" means the consumer price  
 9 index, United States city average, for all items, using the  
 10 1967 base of 100 as published by the bureau of labor  
 11 statistics of the U.S. department of labor.

12 (3)(2) "Department" means the department of revenue.

13 (4) "Dividend" means any distribution made by a  
 14 corporation out of its earnings or profits to its  
 15 shareholders or members, whether in cash or in other  
 16 property or in stock of the corporation, other than stock  
 17 dividends as herein defined. "Stock dividends" means new  
 18 stock issued for surplus or profits capitalized to  
 19 shareholders in proportion to their previous holdings.

20 (5)(3) "Fiduciary" means a guardian, trustee,  
 21 executor, administrator, receiver, conservator, or any  
 22 person, whether individual or corporate, acting in any  
 23 fiduciary capacity for any person, trust, or estate.

24 (6)(4) "Foreign country" or "foreign government" means  
 25 any jurisdiction other than the one embraced within the

1 United States, its territories and possessions.

2 ~~{7}~~--"Gross-income"-means-the-taxpayer's-gross--income  
 3 for--federal-income-tax-purposes-as-defined-in-section-61-of  
 4 the-internal-Revenue-Code-of-1954-or-as-that-section-may--be  
 5 labeled--or--amended;--excluding-unemployment--compensation  
 6 included-in-federal-gross-income--under--the--provisions--of  
 7 section--85-of-the-internal-Revenue-Code-of-1954-as-amended;

8 ~~{8}~~(5) "Inflation factor" means a number determined  
 9 for each taxable year by dividing the consumer price index  
 10 for June of the taxable year by the consumer price index for  
 11 June, 1980.

12 ~~{9}~~(6) "Information agents" includes all individuals,  
 13 corporations, associations, and partnerships, in whatever  
 14 capacity acting, including lessees or mortgagors of real or  
 15 personal property, fiduciaries, employers, and all officers  
 16 and employees of the state or of any municipal corporation  
 17 or political subdivision of the state, having the control,  
 18 receipt, custody, disposal, or payment of interest, rent,  
 19 salaries, wages, premiums, annuities, compensations,  
 20 remunerations, emoluments, or other fixed or determinable  
 21 annual or periodical gains, profits, and income with respect  
 22 to which any person or fiduciary is taxable under this  
 23 chapter.

24 (7) "Internal Revenue Code" means the Internal Revenue  
 25 Code enacted August 16, 1954, and redesignated as the

1 "Internal Revenue Code of 1986" by section 2 of Public Law  
 2 99-514, as that code may be amended from time to time by the  
 3 United States congress. It is the specific intent of the  
 4 legislature that all amendments by the United States  
 5 congress must be incorporated into the context of any  
 6 section of Title 15 referring to the Internal Revenue Code.

7 ~~{10}~~(8) "Knowingly" is as defined in 45-2-101.

8 (9) "Nonresident" means every individual other than a  
 9 resident.

10 ~~{11}~~--"Net--income"-means-the-adjusted-gross-income-of-a  
 11 taxpayer-less-the-deductions-allowed-by-this-chapter.

12 ~~{12}~~(10) "Paid", for the purposes of the deductions and  
 13 credits under this chapter, except the deduction for federal  
 14 tax withholding, means paid or accrued or paid or incurred,  
 15 and the terms "paid or incurred" and "paid or accrued" shall  
 16 be construed according to the method of accounting upon the  
 17 basis of which the taxable income is computed under this  
 18 chapter.

19 ~~{13}~~(11) "Purposely" is as defined in 45-2-101.

20 ~~{14}~~(12) "Received", for the purpose of computation of  
 21 taxable income under this chapter, means received or accrued  
 22 and the term "received or accrued" shall be construed  
 23 according to the method of accounting upon the basis of  
 24 which the taxable income is computed under this chapter.

25 ~~{15}~~(13) "Resident" applies only to natural persons and

includes, for the purpose of determining liability to the tax imposed by this chapter with reference to the income of any taxable year, any person domiciled in the state of Montana and any other person who maintains a permanent place of abode within the state even though temporarily absent from the state and has not established a residence elsewhere.

{16}-"Taxable--income"--means-the-adjusted-gross-income of-a-taxpayer-less-the-deductions--and--exemptions--provided for-in-this-chapter-

{17}{14} "Taxable year" means the taxpayer's taxable year for federal income tax purposes.

{18}{15} "Taxpayer" includes any person or fiduciary, resident or nonresident, subject to a tax imposed by this chapter and does not include corporations."

**Section 6.** Section 15-30-103, MCA, is amended to read:

"15-30-103. Rate of tax. (1) There A tax shall be levied, collected, and paid for each taxable year commencing on-or after December 31, 1968 1989, upon the Montana taxable income of every taxpayer subject to this tax. 7 after-making allowance--for--exemptions--and--deductions--as--hereinafter provided,--a-tax-on-the-following-brackets-of-taxable-income as-adjusted-under-subsection-{2}-at-the-following-rates:

{a}--on-the-first-\$1,000-of-taxable-income-or-any-part thereof,-2%;

{b}--on--the--next-\$1,000-of-taxable-income-or-any-part thereof,-3%;

{c}--on-the-next-\$2,000-of-taxable-income-or--any--part thereof,-4%;

{d}--on--the--next-\$2,000-of-taxable-income-or-any-part thereof,-5%;

{e}--on-the-next-\$2,000-of-taxable-income-or--any--part thereof,-6%;

{f}--on--the--next-\$2,000-of-taxable-income-or-any-part thereof,-7%;

{g}--on-the-next-\$4,000-of-taxable-income-or--any--part thereof,-8%;

{h}--on--the--next-\$6,000-of-taxable-income-or-any-part thereof,-9%;

{i}--on-the-next-\$15,000-of-taxable-income-or-any-part thereof,-10%;

{j}--on--any-taxable-income-in-excess-of-\$35,000-or-any part-thereof,-11%: The tax must be determined in accordance with subsections (2) through (6).

(2) The tax for married persons filing jointly and for surviving spouses as defined in section 2(a) of the Internal Revenue Code is:

(a) 3% of the first \$4,000 of taxable income or any part thereof;

(b) 5% of the next \$8,000 of taxable income or any

1 part thereof;  
 2 (c) 8% of any taxable income in excess of \$12,000.  
 3 (3) The tax for married persons filing separately is:  
 4 (a) 3% of the first \$2,000 of taxable income or any  
 5 part thereof;  
 6 (b) 5% of the next \$4,000 of taxable income or any  
 7 part thereof;  
 8 (c) 8% of any taxable income in excess of \$6,000.  
 9 (4) The tax for a single person is:  
 10 (a) 3% of the first \$2,400 of taxable income or any  
 11 part thereof;  
 12 (b) 5% of the next \$4,800 of taxable income or any  
 13 part thereof;  
 14 (c) 8% of any taxable income in excess of \$7,200.  
 15 (5) The tax for a head of household, as that  
 16 designation is used in the Internal Revenue Code, is:  
 17 (a) 3% of the first \$3,200 of taxable income or any  
 18 part thereof;  
 19 (b) 5% of the next \$6,400 of taxable income or any  
 20 part thereof;  
 21 (c) 8% of any taxable income in excess of \$9,600.  
 22 (2)(6) By November 1 of each year, the department  
 23 shall multiply the bracket amount amounts contained in  
 24 subsection--(1) subsections (2) through (5) by the inflation  
 25 factor for that taxable year and round the cumulative

1 brackets to the nearest \$100. The resulting adjusted  
 2 brackets amounts are effective for that taxable year and  
 3 shall be used as the basis for imposition of the tax in  
 4 subsection--(1) of this section subsections (2) through (5).  
 5 (7) Except as provided in subsection (8), the  
 6 taxpayer's filing status as reported on his federal return  
 7 must be used for purposes of determining the Montana tax  
 8 rate in subsections (2) through (5).  
 9 (8) Montana taxpayers who are both residents and  
 10 nonresidents and who file jointly for federal purposes shall  
 11 file separately."  
 12 **Section 7.** Section 15-30-105, MCA, is amended to read:  
 13 "15-30-105. Tax on nonresident -- alternative tax  
 14 based on gross sales. (1) A like tax is imposed upon every  
 15 person not resident of this state, which tax shall be  
 16 levied, collected, and paid annually at the rates specified  
 17 in 15-30-103 with respect to his entire net income as herein  
 18 defined from all property owned and from every business,  
 19 trade, profession, or occupation carried on in this state.  
 20 Every nonresident and part-year resident is subject to the  
 21 tax imposed by 15-30-103 on all income from every business,  
 22 trade, profession, or occupation carried on in the state and  
 23 on all income, including interest, derived from any property  
 24 in the state.  
 25 (2) Pursuant to the provisions of Article III, section

1 2, of the Multistate Tax Compact, every nonresident taxpayer  
 2 required to file a return and whose only activity in Montana  
 3 consists of making sales and who does not own or rent real  
 4 estate or tangible personal property within Montana and  
 5 whose annual gross volume of sales made in Montana during  
 6 the taxable year does not exceed \$100,000 may elect to pay  
 7 an income tax of 1/2 of 1% of the dollar volume of gross  
 8 sales made in Montana during the taxable year. Such The tax  
 9 ~~shall--be~~ is in lieu of the tax imposed under 15-30-103. The  
 10 gross volume of sales made in Montana during the taxable  
 11 year shall be determined according to the provisions of  
 12 Article IV, sections 16 and 17, of the Multistate Tax  
 13 Compact."

14 NEW SECTION. Section 8. Montana gross income. Montana  
 15 gross income must be determined as provided in section 61 of  
 16 the Internal Revenue Code.

17 NEW SECTION. Section 9. Montana adjusted gross  
 18 income. In the case of resident taxpayers, Montana adjusted  
 19 gross income must be determined as provided in section 62 of  
 20 the Internal Revenue Code. In the case of nonresidents and  
 21 part-year residents, Montana adjusted gross income must be  
 22 determined as set forth in section 15-30-131.

23 NEW SECTION. Section 10. Montana taxable income. (1)  
 24 In the case of a full-year resident, Montana taxable income  
 25 must be determined as provided in section 63 of the Internal

1 Revenue Code, plus the additions to income in subsection (2)  
 2 and less the deductions from income in subsection (3). It is  
 3 the intent of the legislature that federal taxable income as  
 4 reported on a taxpayer's federal return for the taxable year  
 5 is the starting point for calculating the taxpayer's Montana  
 6 taxable income. A taxpayer who uses the federal standard  
 7 deduction to calculate federal taxable income shall also use  
 8 the federal standard deduction, subject to the applicable  
 9 adjustments in subsections (2) and (3), to calculate Montana  
 10 taxable income. A taxpayer who uses the federal itemized  
 11 deductions to calculate federal taxable income shall also  
 12 use the federal itemized deduction, subject to the  
 13 applicable adjustments in subsections (2) and (3), to  
 14 calculate Montana taxable income.

15 (2) The following additions to federal taxable income  
 16 are required:

17 (a) gross interest and dividends derived from  
 18 obligations or securities of states other than Montana in  
 19 the same amount that has been excluded from adjusted gross  
 20 income, less related expenses not deducted because of  
 21 section 265(a)(1) of the Internal Revenue Code;

22 (b) state taxes on or measured by income to the extent  
 23 the taxes have been deducted to compute federal taxable  
 24 income;

25 (c) losses on the sale of United States obligations



1 that the state is prohibited from taxing to the extent the  
2 losses have been deducted to compute federal adjusted gross  
3 income.

4 (3) The following deductions from federal taxable  
5 income are allowed:

6 (a) gross interest income and dividends from  
7 obligations or securities issued by Montana or any political  
8 subdivision of Montana that are included in federal adjusted  
9 gross income;

10 (b) to the extent included in adjusted gross income,  
11 income from obligations of the United States government that  
12 the state is prohibited by law from subjecting to a net  
13 income tax. This deduction must be reduced by any interest  
14 or indebtedness incurred to carry the obligations and, to  
15 the extent deducted to arrive at adjusted gross income, any  
16 expenses incurred to produce the interest income.

17 (c) actual tax liability for the taxable year as  
18 reported on the federal tax return in the amount of:

19 (i) \$3,300 for married taxpayers filing jointly or for  
20 a taxpayer filing as a surviving spouse;

21 (ii) \$1,650 for all other taxpayers;

22 (iii) the federal tax liability as later amended,  
23 including recalculation, for Montana tax purposes, to  
24 reflect the actual tax liability in subsections (3)(c)(i)  
25 and (3)(c)(ii);

1 (d) to the extent included in federal adjusted gross  
2 income, 40% of capital gains on the sale or exchange of  
3 capital assets before December 31, 1986, if the gain is  
4 calculated under subchapter P. of Chapter 1 of the Internal  
5 Revenue Code as it read on December 31, 1986;

6 (e) an amount equal to the federal tax credit allowed  
7 under sections 21 and 22 of the Internal Revenue Code for  
8 household and dependent care services necessary for gainful  
9 employment;

10 (f) up to \$800 interest income earned by each taxpayer  
11 age 65 or older. Taxpayers filing as married filing jointly  
12 or surviving spouse may deduct up to \$1,600 total per  
13 return.

14 (g) benefits not in excess of \$3,600 received as an  
15 annuity, pension, or endowment under any retirement plan or  
16 system;

17 (h) all Montana income tax refunds or credits;

18 (i) gain required to be recognized by a liquidating  
19 corporation pursuant to 15-31-113(1)(a)(ii);

20 (j) net railroad benefits to the extent federal law  
21 preempts this income from state taxation;

22 (k) salary received from the armed forces by residents  
23 and nonresidents who are on active duty;

24 (l) income of an enrolled tribal member while living  
25 and working on a federally established Indian reservation to

1 the extent federal law preempts this income from state  
2 taxation.

3 **Section 11.** Section 15-30-121, MCA, is amended to  
4 read:

5 "15-30-121. Deductions allowed in computing net  
6 income. In computing net income, there are allowed as  
7 deductions:

8 {1}--the items referred to in sections 161 and 211 of  
9 the Internal Revenue Code of 1954, or as sections 161 and  
10 211 shall be labeled or amended, subject to the following  
11 exceptions--which are not deductible:

12 {a}--items provided for in 15-30-123;

13 {b}--state income tax paid;

14 {2}--federal income tax paid within the taxable year;

15 {3}--expenses of household and dependent care services

16 as outlined in subsections {3}{a} through {3}{c} and subject  
17 to the limitations and rules as set out in subsections  
18 {3}{d} through {3}{f} as follows:

19 {a}--expenses for household and dependent care services  
20 necessary for gainful employment incurred for:

21 {i}--a dependent under 15 years of age for whom an  
22 exemption can be claimed;

23 {ii}--a dependent as allowable under 15-30-112(5),  
24 except that the limitations for age and gross income do not  
25 apply, who is unable to care for himself because of physical

1 or mental illness; and

2 {iii}--a spouse who is unable to care for himself  
3 because of physical or mental illness;

4 {b}--employment-related expenses incurred for the  
5 following services, but only if such expenses are incurred  
6 to enable the taxpayer to be gainfully employed:

7 {i}--household services which are attributable to the  
8 care of the qualifying individual; and

9 {ii}--care of an individual who qualifies under  
10 subsection {3}{a};

11 {c}--expenses incurred in maintaining a household if  
12 over half of the cost of maintaining the household is  
13 furnished by an individual or, if the individual is married  
14 during the applicable period, is furnished by the individual  
15 and his spouse;

16 {d}--the amounts deductible in subsection {3}{a}  
17 through {3}{c} are subject to the following limitations:

18 {i}--a deduction is allowed under subsection {3}{a} for  
19 employment-related expenses incurred during the year only to  
20 the extent such expenses do not exceed \$4,800;

21 {ii}--expenses for services in the household are  
22 deductible under subsection {3}{a} for employment-related  
23 expenses only if they are incurred for services in the  
24 taxpayer's household, except that employment-related  
25 expenses incurred for services outside the taxpayer's

1 household--are-deductible,-but-only-if-incurred-for-the-care  
 2 of-a-qualifying-individual-described-in-subsection-(3)(a)(i)  
 3 and-only-to-the-extent-such--expenses--incurred--during--the  
 4 year-do-not-exceed:  
 5 (A)--\$2,400--in--the-case-of-one-qualifying-individual;  
 6 (B)--\$3,600-in-the-case-of-two-qualifying-individuals;  
 7 and  
 8 (C)--\$4,800--in--the--case--of-three-or-more-qualifying  
 9 individuals;  
 10 (e)--if-the--combined--adjusted--gross--income--of--the  
 11 taxpayers--exceeds-\$18,000-for-the-taxable-year-during-which  
 12 the---expenses---are---incurred,---the---amount---of---the  
 13 employment-related--expenses--incurred--must--be--reduced-by  
 14 one-half-of-the-excess-of-the-combined-adjusted-gross-income  
 15 over-\$18,000;  
 16 (f)--for-purposes-of-this-subsection-(3):  
 17 (i)--married-couples-shall-file-a-joint-return-or--file  
 18 separately-on-the-same-form;  
 19 (ii)--if--the--taxpayer--is-married-during-any-period-of  
 20 the-taxable-year,-employment-related-expenses--incurred--are  
 21 deductible-only-if:  
 22 (A)--both-spouses-are-gainfully-employed,-in-which-case  
 23 the-expenses-are-deductible-only-to-the-extent-that-they-are  
 24 a-direct-result-of-the-employment;-or  
 25 (B)--the-spouse-is-a-qualifying-individual-described-in

1 subsection-(3)(a)(iii);  
 2 (iii)-an--individual--legally-separated-from-his-spouse  
 3 under-a-decree-of-divorce-or-of-separate-maintenance-may-not  
 4 be-considered-as-married;  
 5 (iv)-the-deduction-for-employment-related-expenses-must  
 6 be--divided--equally--between--the---spouses---when---filing  
 7 separately-on-the-same-form;  
 8 (v)-payment--made--to--a--child-of-the-taxpayer-who-is  
 9 under-19-years-of-age-at-the-close-of-the-taxable--year--and  
 10 payments--made--to--an--individual--with--respect--to-whom-a  
 11 deduction-is-allowable-under-15-30-112(5)-are-not-deductible  
 12 as-employment-related-expenses;  
 13 (4)--in--the---case---of---an---individual,---political  
 14 contributions--determined--in--accordance-with-the-provisions  
 15 of-section-218(a)-and-(b)-of-the-Internal-Revenue-Code--that  
 16 were-in-effect-for-the-taxable-year-ended-December-31,-1978;  
 17 (5)(1) that portion of expenses for organic fertilizer  
 18 allowed as a deduction under 15-32-303 which was not  
 19 otherwise deducted in computing taxable income; and  
 20 (6)(2) contributions to the child abuse and neglect  
 21 prevention program provided for in 41-3-701, subject to the  
 22 conditions set forth in 15-30-156."  
 23 **Section 12.** Section 15-30-131, MCA, is amended to  
 24 read:  
 25 "15-30-131. Nonresident Nonresident's and temporary

1 ~~resident-taxpayers----~~adjusted--gross part-year resident's  
 2 taxable income ---deductions. (1) In the case of a taxpayer  
 3 other than a resident of this state, adjusted gross income  
 4 includes the entire amount of adjusted gross income from  
 5 sources within this state but ~~shall~~ does not include income  
 6 from annuities, interest on bank deposits, interest on  
 7 bonds, notes, or other interest-bearing obligations, or  
 8 dividends on stock of corporations except to the extent to  
 9 ~~which the same shall be~~ they are a part of income from any  
 10 business, trade, profession, or occupation carried on in  
 11 this state. Interest income from installment sales of real  
 12 or tangible commercial or business property located in  
 13 Montana must be included in adjusted gross income. Adjusted  
 14 gross income from sources within and ~~without~~ outside this  
 15 state shall be allocated and apportioned under rules  
 16 prescribed by the department.

17 {2}--~~in the case of a taxpayer other than a resident of~~  
 18 ~~this state who is a resident of a state that imposes a tax~~  
 19 ~~on the income of natural persons residing within that state,~~  
 20 ~~the ---deductions--- allowed--- in--- computing--- net--- income--- are~~  
 21 ~~restricted to those directly connected with the production~~  
 22 ~~of Montana income.~~

23 {3}--~~in the case of a taxpayer other than a resident of~~  
 24 ~~this state who is a resident of a state that does not impose~~  
 25 ~~a tax on the income of natural persons residing within that~~

1 ~~state, the deductions allowed in computing net income are~~  
 2 ~~restricted to the greater of those directly relating to the~~  
 3 ~~production of Montana income or a prorated amount of those~~  
 4 ~~allowed under 15-30-121. For the purposes of this~~  
 5 ~~subsection, deductions allowed under 15-30-121 apply only to~~  
 6 ~~earned income and must be prorated according to the ratio~~  
 7 ~~that the taxpayer's Montana earned income bears to his~~  
 8 ~~federal earned income.~~

9 {4}--~~A temporary resident shall be allowed those~~  
 10 ~~deductions and the credit under 15-32-109 allowed a resident~~  
 11 ~~to the extent that such deductions or credit were actually~~  
 12 ~~incurred or expended in the state of Montana during the~~  
 13 ~~course of his residency.~~

14 {5}--~~For the purposes of this section, "earned income"~~  
 15 ~~shall be defined as the same term is defined in section 43~~  
 16 ~~of the Internal Revenue Code, or as that section may~~  
 17 ~~subsequently be amended.~~

18 {6}--~~Notwithstanding the provisions of subsections (2)~~  
 19 ~~and (3), any contribution made after December 31, 1982, to~~  
 20 ~~the state of Montana or a political subdivision thereof~~  
 21 ~~shall be an allowable deduction in computing net income.~~  
 22 ~~The deduction is subject to the limitations set forth in~~  
 23 ~~section 170 of the Internal Revenue Code of 1954, as labeled~~  
 24 ~~or amended.~~

25 {2} (a) To calculate Montana taxable income, a

1 nonresident taxpayer may deduct the following:

2 (i) that portion of the federal deduction for personal  
3 exemptions that Montana adjusted gross income bears to  
4 federal adjusted gross income; and

5 (ii) that portion of the federal standard deduction  
6 that Montana adjusted gross income bears to federal adjusted  
7 gross income or, in the alternative, the federal itemized  
8 deductions, subject to the limitations in [section  
9 10(3)(c)], that are directly attributable to Montana  
10 adjusted gross income.

11 (b) A nonresident taxpayer who uses the federal  
12 standard deduction to calculate federal taxable income shall  
13 also use the federal standard deduction to calculate Montana  
14 taxable income. A nonresident taxpayer who uses the federal  
15 itemized deductions to calculate federal taxable income  
16 shall also use the federal itemized deductions as a basis  
17 for calculating Montana taxable income.

18 (3) (a) In the case of a part-year resident, Montana  
19 taxable income is as determined in subsection (1) plus:

20 (i) the additions to income in [section 10(2)(b) and  
21 (2)(c)]; and

22 (ii) that portion of the income described in [section  
23 10(2)(a)] that was earned while the taxpayer was a resident  
24 of Montana.

25 (b) To calculate Montana taxable income, a part-year

1 resident taxpayer may deduct the following:

2 (i) that portion of the federal deduction for personal  
3 exemptions that Montana adjusted gross income bears to  
4 federal adjusted gross income; and

5 (ii) that portion of the federal standard deduction  
6 that Montana adjusted gross income bears to federal adjusted  
7 gross income or, in the alternative, the federal itemized  
8 deductions, subject to the limitations in [section  
9 10(3)(c)], that are directly attributable to Montana  
10 adjusted gross income.

11 (c) A part-year resident taxpayer who uses the federal  
12 standard deduction to calculate federal taxable income shall  
13 also use the federal standard deduction to calculate Montana  
14 taxable income. A part-year resident taxpayer who uses the  
15 federal itemized deductions to calculate federal taxable  
16 income shall also use the federal itemized deductions as a  
17 basis for calculating Montana taxable income.

18 (4) A part-year resident is allowed the credit under  
19 15-32-109 allowed a full-year resident for energy-conserving  
20 expenditures incurred in Montana during the taxable year.

21 (5) For purposes of this section, "installment  
22 sales" means sales in which the buyer agrees to pay the  
23 seller in one or more deferred installments."

24 **Section 13.** Section 15-30-132, MCA, is amended to  
25 read:

1       "15-30-132. Change from nonresident to resident or  
2 vice versa. If a taxpayer changes his status from that of  
3 resident to that of nonresident or from that of nonresident  
4 to that of resident during the taxable year, he shall file a  
5 return covering the fraction of the year during which he was  
6 a resident. ~~The exemptions provided in 15-30-112 shall be~~  
7 ~~prorated on the ratio the Montana adjusted gross income~~  
8 ~~bears to federal adjusted gross income.~~ A Montana citizen  
9 moving out of the state, abandoning his residence in the  
10 state, and establishing a residence elsewhere must file a  
11 return on the fractional basis. If he obtains employment  
12 outside the state without abandoning his Montana residence,  
13 then income from such the out-of-state employment is taxable  
14 in Montana."

15       **Section 14.** Section 15-30-135, MCA, is amended to  
16 read:

17       "15-30-135. Tax on beneficiaries or fiduciaries of  
18 estates or trusts. ~~{1}~~ A tax shall be is imposed, at the  
19 rate imposed on a single person, upon either the fiduciaries  
20 or the beneficiaries of estates and trusts as hereinafter  
21 provided in this section, except to the extent such the  
22 estates and trusts ~~shall be~~ are held for educational,  
23 charitable, or religious purposes, which The tax ~~shall~~ must  
24 be levied, collected, and paid annually with respect to the  
25 income of estates or of any kind of property held in trust,

1 including:

2       ~~{a} income received by estates of deceased persons~~  
3 ~~during the period of administration or settlement of the~~  
4 ~~estate;~~

5       ~~{b} income accumulated in trust for the benefit of~~  
6 ~~unborn or unascertained persons or persons with contingent~~  
7 ~~interests;~~

8       ~~{c} income held for future distribution under the~~  
9 ~~terms of the will or trust; and~~

10       ~~{d} income which is to be distributed to the~~  
11 ~~beneficiaries periodically, whether or not at regular~~  
12 ~~intervals, and the income collected by a guardian of a~~  
13 ~~minor, to be held or distributed as the court may direct;~~

14       ~~{2} The fiduciary shall be responsible for making the~~  
15 ~~return of income for the estate or trust for which he acts,~~  
16 ~~whether the fiduciary or the beneficiaries are taxable with~~  
17 ~~reference to the income of such estate or trust. In cases~~  
18 ~~under subsections {a} and {d} of subsection {1}, the~~  
19 ~~fiduciary shall include in the return a statement of each~~  
20 ~~beneficiary's distributive share of net income, whether or~~  
21 ~~not distributed before the close of the taxable year for~~  
22 ~~which the return is made.~~

23       ~~{3} In cases under subsections {a}, {b}, and {c} of~~  
24 ~~subsection {1}, the tax shall be imposed upon the fiduciary~~  
25 ~~of the estate or trust with respect to the net income of the~~

1 estate--or-trust-and-shall-be-paid-by-the-fiduciary.--If-the  
 2 taxpayer's-net-income-for-the-taxable-year-of-the-estate--or  
 3 trust--is-computed-upon-the-basis-of-a-period-different-from  
 4 that-upon-the-basis-of-which-the-net-income-of-the-estate-or  
 5 trust-is-computed, then-his-distributive-share--of--the--net  
 6 income--of--the-estate-or-trust-for-any-accounting-period-of  
 7 such-estate-or-trust-ending-within-the--fiscal--or--calendar  
 8 year--shall-be-computed-upon--the--basis--on-which--such  
 9 beneficiary's-net-income--is--computed.--In--such--cases,--a  
 10 beneficiary--not-a-resident-shall-be-taxable-with-respect-to  
 11 his-income-derived-through-such-estate-or-trust-only-to--the  
 12 extent--provided--in--15-30-131--for--individuals-other-than  
 13 residents;

14 {4}--The-fiduciary-of-a-trust-created-by-an-employer-as  
 15 a-part-of-a-stock-bonus, pension, or-profit-sharing-plan-for  
 16 the-exclusive-benefit-of-some-or-all-of--his--employees,--to  
 17 which--contributions-are-made-by-such-employer-or-employees,  
 18 or-both, for-the-purpose-of-distributing-to--such--employees  
 19 the--earnings--and--principal-of-the-fund-accumulated-by-the  
 20 trust-in-accordance-with-such-plan,--shall--not--be--taxable  
 21 under--this-section, but-any-amount-contributed-to-such-fund  
 22 by-the-employer-and-all--earnings--of--such--fund--shall--be  
 23 included--in--computing-the-income-of-the-distributee-in-the  
 24 year-in-which-distributed-or-made-available-to-him;

25 {5}--Where-any-part-of-the-income-of-a-trust-other-than

1 a-testamentary-trust-is-or-may-be-applied-to-the-payment--of  
 2 premiums--upon--policies--of--insurance--on--the-life-of-the  
 3 grantor--except-policies-of--insurance--irrevocably--payable  
 4 for-the-purposes-and-in-the-manner-specified-relating-to-the  
 5 so-called--"charitable--contribution"--deduction,--or-to-the  
 6 payment-of-premiums-upon-policies-of--life--insurance--under  
 7 which--the--grantor--is--the--beneficiary,--such-part-of-the  
 8 income-of-the-trust-shall-be-included-in-computing--the--net  
 9 income-of-the-grantor."

10 **Section 15.** Section 15-30-136, MCA, is amended to  
 11 read:

12 "15-30-136. Computation of income of estates or trusts  
 13 -- exemption. (1) Except as otherwise provided in this  
 14 chapter, the "gross income" of Montana taxable estates or  
 15 trusts means includes all federal taxable income from  
 16 whatever source derived in the taxable year, including but  
 17 not limited to the following items:

- 18 (a) dividends;
- 19 (b) interest received or accrued, including interest  
 20 received on obligations of another state or territory or a  
 21 county, municipality, district, or other political  
 22 subdivision thereof, but excluding interest income from  
 23 obligations of:
- 24 (i) the United States government or--the--state--of  
 25 Montana; and

1       {ii}-a-school-district;-or  
 2       {iii}-a---county;----municipality;----district;----or---other  
 3       political-subdivision-of-the-state;  
 4       {e}--income-from-partnerships-and-other-fiduciaries;  
 5       {d}--gross-rents-and-royalties;  
 6       {e}--gain-from-sale-or-exchange-of-property;-including  
 7       those--gains-that-are-excluded-from-gross-income-for-federal  
 8       fiduciary-income-tax--purposes--by--section--641(c)--of--the  
 9       Internal-Revenue-Code-of-1954;-as-amended;  
 10       {f}--gross-profit-from-trade-or-business;-and  
 11       {g}(b)   refunds recovered on federal income tax, to the  
 12       extent the deduction of such federal income tax resulted in  
 13       a reduction of Montana income tax liability for the taxable  
 14       year 1988.  
 15       (2) In computing net income, there are allowed as  
 16       deductions:  
 17       {a}--interest--expenses--deductible--for--federal---tax  
 18       purposes--according--to--section-163-of-the-Internal-Revenue  
 19       Code-of-1954;-as-amended;  
 20       {b}--taxes-paid-or-accrued--within--the--taxable--year;  
 21       including--but--not--limited--to--federal--income--tax;-but  
 22       excluding-Montana-income-tax;  
 23       {c}--that--fiduciary's--portion--of--depreciation--or  
 24       depletion--which--is--deductible--for--federal--tax-purposes  
 25       according-to-sections-167-611;-and--642--of--the--Internal

1       Revenue-Code-of-1954;-as-amended;  
 2       {d}--charitable--contributions--that-are-deductible-for  
 3       federal-tax-purposes-according--to--section--642(c)--of--the  
 4       Internal-Revenue-Code-of-1954;-as-amended;  
 5       {e}--administrative-expenses-claimed-for-federal-income  
 6       tax--purposes;-according--to-sections-212-and-642(g)-of-the  
 7       Internal-Revenue-Code-of-1954;-as-amended;-if-such--expenses  
 8       were--not--claimed--as--a--deduction-in-the-determination-of  
 9       Montana-inheritance-tax;  
 10       {f}--losses--from--fire;-storm;-shipwreck;-or--other  
 11       casualty-or-from-theft;-to-the-extent-not-compensated-for-by  
 12       insurance--or-otherwise;-that-are-deductible-for-federal-tax  
 13       purposes-according-to-section-165-of--the--Internal--Revenue  
 14       Code-of-1954;-as-amended;  
 15       {g}--net--operating-loss-deductions-allowed-for-federal  
 16       income-tax-under-section-642(d)-of-the-Internal-Revenue-Code  
 17       of-1954;-as-amended;-except-estates--may--not--claim--losses  
 18       that-are-deductible-on-the-decedent's-final-return;  
 19       {h}(a)   all benefits, not in excess of \$3,600,  
 20       received: as an annuity pension or endowment under a  
 21       retirement plan or system; and  
 22       {i}--as-federal-employees'-retirement;  
 23       {ii}-as--retirement--from--public-employment-in-a-state  
 24       other-than-Montana;-or  
 25       {iii}-as--an--annuity;-pension;-or--endowment---under



1 private-or-corporate-retirement-plans-or-systems;  
 2 {i}--all--benefits--paid--under--the--Montana-teachers'  
 3 retirement-system-that-are-specified-as-exempt-from-taxation  
 4 by-19-4-706;  
 5 {j}--all--benefits--paid--under--the--Montana--Public  
 6 Employees'-Retirement--System--Act--that--are--specified-as  
 7 exempt-from-taxation-by-19-3-105;  
 8 {k}--all--benefits--paid--under--the--Montana--highway  
 9 patrolmen's--retirement--system-that-are-specified-as-exempt  
 10 from-taxation-by-19-6-705;  
 11 {i}(b) Montana income tax refunds or credits thereof;  
 12 {m}--all--benefits--paid--under-19-11-602, 19-11-604,--and  
 13 19-11-605--to-retired-and-disabled-firemen-or-their-surviving  
 14 spouses-or-children;  
 15 {n}--all--benefits--paid--under--the--municipal--police  
 16 officers'-retirement-system-that--are--specified--as--exempt  
 17 from-taxation-by-19-9-1005;  
 18 {3}--in-the-case-of-a-shareholder-of-a-corporation-with  
 19 respect--to-which-the-election-provided-for-under-subchapter  
 20 S,--of-the-Internal-Revenue-Code-of-1954,--as-amended,--is--in  
 21 effect--but--with-respect-to-which-the-election-provided-for  
 22 under-15-31-202-is--not--in effect,--net--income--does--not  
 23 include--any-part-of-the-corporation's-undistributed-taxable  
 24 income, net-operating-loss, capital-gains--or--other--gains,  
 25 profits,--or--losses--required--to--be--included--in--the

1 shareholder's-federal-income-tax-net-income-by-reason-of-the  
 2 election-under-subchapter-S. However, the shareholder's--net  
 3 income--shall--include--actual--distribution--from--the  
 4 corporation-to-the-extent-it-would--be--treated--as--taxable  
 5 dividends--if-the-subchapter-S--election-were-not-in-effect.  
 6 {4}--The--following--additional--deductions--shall--be  
 7 allowed-in-deriving-taxable-income-of-estates-and-trusts:  
 8 {a}--any--amount--of--income--for--the--taxable--year  
 9 currently-required-to-be-distributed--to--beneficiaries--for  
 10 such-year;  
 11 {b}--any--other--amounts--properly--paid-or-credited-or  
 12 required-to-be-distributed-for-the-taxable-year;  
 13 {c}--the-amount--of--60%--of--the--excess--of--the--net  
 14 long-term-capital-gain-over-the-net-short-term-capital-loss  
 15 for-the-taxable-year;  
 16 {5}--The-exemption-allowed-for-estates--and--trusts--is  
 17 that-exemption-provided-in-15-30-112(2){a}-and-15-30-112(8);  
 18 {6}--A--trust--or--estate--excluding--benefits--under  
 19 subsections-(2){i}-through-(2){k},-(2){m},--or-(2){n}-may-not  
 20 exclude-benefits-described-in--subsection--(2){h}--from-net  
 21 income-unless-the-benefits-received-under-subsections-(2){i}  
 22 through--(2){k},-(2){m},--or-(2){n}-are-less-than-\$3,600,--in  
 23 which-case-the-trust--or--estate--may--combine--benefits--to  
 24 exclude-up-to-a-total-of-\$3,600-from-net-income.  
 25 {3} A trust or estate that elects to itemize its

deductions from adjusted gross income on its federal return for taxable year 1989 and that is required to pay additional federal tax due in 1989 for the taxable year 1988 may deduct the federal tax paid in 1989 from its Montana taxable income."

**Section 16.** Section 15-30-141, MCA, is amended to read:

"15-30-141. Tax as personal debt. Every tax imposed by this chapter and all increases, interest, and penalties thereon shall be, from the time they are due and payable, a personal debt from the person or fiduciary liable to pay the same--to the state. Taxpayers filing a joint return are jointly and severally liable for the tax and any interest and penalty unless the department determines, based on the criteria in section 6013(e) of the Internal Revenue Code, that a spouse is relieved of liability."

**Section 17.** Section 15-30-142, MCA, is amended to read:

"15-30-142. Returns and payment of tax---penalty--and interest-----refunds-----credits Filing of returns. (1) Every single individual and every married individual not filing a joint--return--with--his--or--her--spouse and having a gross income for the taxable year of more than \$1,000, as adjusted under--the--provisions--of--subsection--{7},--and--married individuals--not--filing--separate--returns--and--having--a

combined gross income for the--taxable--year--of--more--than \$2,000,--as adjusted under the provisions of subsection {7}, shall be liable for a return to be filed resident, part-year resident, or nonresident deriving any income from Montana shall file a tax return, on such forms and according to such rules as the department may prescribe, if that person:

(a) is subject to the requirement of filing a federal return pursuant to section 6012 of the Internal Revenue Code; or

(b) has sufficient adjustments to federal taxable income to require the payment of tax to Montana. The--gross income--amounts--referred to in the preceding sentence shall be increased by \$800, as adjusted under--the--provisions--of 15-30-112{7} and {8}, for each additional personal exemption allowance--the taxpayer is entitled to claim for himself and his spouse under 15-30-112{3} and {4}. A nonresident--shall be--required--to--file--a return if his gross income for the taxable year derived from sources within Montana exceeds the amount of the exemption deduction he is entitled--to--claim for--himself--and--his--spouse--under--the--provisions--of 15-30-112{2}, {3}, and {4}, as prorated according--to 15-30-112{6}:

{2}--In--accordance--with instructions set forth by the department, every taxpayer who is married--and--living--with husband or wife and is required to file a return may, at his

or her option, file a joint return with husband or wife even though one of the spouses has neither gross income nor deductions, if a joint return is made, the tax shall be computed on the aggregate taxable income and the liability with respect to the tax shall be joint and several. If a joint return has been filed for a taxable year, the spouses may not file separate returns after the time for filing the return of either has expired unless the department so consents.

(2) Every resident, part-year resident, or nonresident required to file a return under subsection (1) is required to file the state return using the same filing status as was used to file the return required by section 6012 of the Internal Revenue Code.

(3) If any such taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by a guardian or other person charged with the care of the person or property of such taxpayer.

(4) All taxpayers, including but not limited to those subject to the provisions of 15-30-202 and 15-30-241, shall compute the amount of income tax payable and shall, at the time of filing the return required by this chapter, pay to the department any balance of income tax remaining unpaid after crediting the amount withheld as provided by 15-30-202 and/or any payment made by reason of an estimated tax return

provided for in 15-30-241; provided, however, the tax so computed is greater by \$1 than the amount withheld and/or paid by estimated return as provided in this chapter. If the amount of tax withheld and/or payment of estimated tax exceeds by more than \$1 the amount of income tax as computed, the taxpayer shall be is entitled to a refund of the excess.

(5) As soon as practicable after the return is filed, the department shall examine and verify the tax.

(6) If the amount of tax as verified is greater than the amount theretofore paid, the excess shall be paid by the taxpayer to the department within 60 days after notice of the amount of the tax as computed, with interest added at the rate of 9%  $\frac{3}{4}$  of 1% per annum month or fraction thereof on the additional tax. In such case there shall be There is no penalty because of such the understatement, provided the deficiency is paid within 60 days after the first notice of the amount is mailed to the taxpayer.

(7) By November 1 of each year, the department shall multiply the minimum amount of gross income necessitating the filing of a return by the inflation factor for the taxable year. These adjusted amounts are effective for that taxable year, and persons having gross incomes less than these adjusted amounts are not required to file a return.

(8) Individual income tax forms distributed by the

department-for-each-taxable-year-must--contain--instructions  
and--tables--based--on--the-adjusted-base-year-structure-for  
that-taxable-year."

**Section 18.** Section 15-30-144, MCA, is amended to  
read:

"15-30-144. Time for filing -- extensions of time. (1)  
Returns ~~shall~~ must be made to the department on or before  
the 15th-day-of-the-4th-month-following--the--close--of--the  
taxpayer's--fiscal--year,--or--if--the--return-is-made-on-the  
basis-of-the-calendar-year,--then-the-return-shall-be-made-on  
or-before-the-15th-day-of-April-following-the-close--of--the  
calendar--year day when the federal return is due. Taxpayers  
shall submit to the department copies of any federal  
extension of time for filing. Each return ~~shall~~ must set  
forth such facts as the department considers necessary for  
the proper enforcement of this chapter. There ~~shall~~ must be  
annexed to ~~such the~~ return the affidavit or affirmation of  
the persons making the return to the effect that the  
statements contained therein are true. Blank forms of return  
~~shall~~ must be furnished by the department upon application,  
but failure to secure the form ~~shall~~ does not relieve any  
taxpayer of the obligation to make any return required under  
this law. Every taxpayer liable for a tax under this law  
shall pay a minimum tax of \$1.

(2)--An--automatic-6-month-extension-of-time-for-filing

a-return-is-allowed,--provided-that-on-or-before-the-due-date  
of-the-return,--an-application-is--made--on--forms--available  
from-the-department-or-in-writing-to-the-department."

**Section 19.** Section 15-30-146, MCA, is amended to  
read:

"15-30-146. Tolling of statute of limitations. The  
running of the statute of limitations provided for under  
15-30-145 shall be suspended during any period that the  
federal statute of limitations for collection of federal  
income tax has been suspended by written agreement signed by  
the taxpayer or when the taxpayer has instituted an action  
which has the effect of suspending the running of the  
federal statute of limitations and for 1 additional year.  
If the taxpayer fails to file a record of changes in federal  
taxable income or an amended return as required by  
15-30-304, the statute of limitations ~~shall~~ does not apply  
until 5 years from the date the federal changes become final  
or the amended federal return was filed. If the taxpayer  
omits from gross income an amount properly includable  
therein which is in excess of 25% of the amount of adjusted  
gross net taxable income stated in the return, the statute  
of limitations ~~shall~~ does not apply for 2 additional years  
from the time specified in 15-30-145."

**Section 20.** Section 15-30-156, MCA, is amended to  
read:

**"15-30-156. Deduction for contributions to child abuse and neglect prevention program.** A taxpayer filing an individual income tax return ~~who does not elect to take the standard deduction provided for in 15-30-122~~ may, in computing net income, claim a deduction for the payment of a contribution to the child abuse and neglect prevention program as follows:

(1) If the taxpayer paid a contribution in the taxable year for which the return is filed, he may deduct the amount of the contribution paid during that year, unless the amount was deducted as provided in subsection (2).

(2) If the taxpayer encloses a check or other order to pay money as a contribution with the timely filing of a tax return, in accordance with 15-30-144, he may elect to take a deduction for the amount of the contribution and apply the deduction in the taxable year for which he is filing the return."

**Section 21.** Section 15-30-303, MCA, is amended to read:

**"15-30-303. Confidentiality of tax records.** (1) Except in accordance with proper judicial order or as otherwise provided by law, it is unlawful for the department or any deputy, assistant, agent, clerk, or other officer or employee to divulge or make known in any manner the amount of income or any particulars set forth or disclosed in any

report or return required under this chapter or any other information secured in the administration of this chapter. It is also unlawful to divulge or make known in any manner any federal return or federal return information disclosed on any return or report required by rule of the department or under this chapter.

(2) The officers charged with the custody of such reports and returns shall not be required to produce any of them or evidence of anything contained in them in any action or proceeding in any court, except in any action or proceeding to which the department is a party under the provisions of this chapter or any other taxing act or on behalf of any party to any action or proceedings under the provisions of this chapter or such other act when the reports or facts shown thereby are directly involved in such action or proceedings, in either of which events the court may require the production of and may admit in evidence so much of said reports or of the facts shown thereby as are pertinent to the action or proceedings and no more.

(3) Nothing herein shall be construed to prohibit:

(a) the delivery to a taxpayer or his duly authorized representative of a certified copy of any return or report filed in connection with his tax;

(b) the publication of statistics so classified as to prevent the identification of particular reports or returns

1 and the items thereof; or

2 (c) the inspection by the attorney general or other  
3 legal representative of the state of the report or return of  
4 any taxpayer who shall bring action to set aside or review  
5 the tax based thereon or against whom an action or  
6 proceeding has been instituted in accordance with the  
7 provisions of 15-30-311 and 15-30-322.

8 (4) Reports and returns shall be preserved for 3 years  
9 and thereafter until the department orders them to be  
10 destroyed.

11 (5) Any offense against subsections (1) through (4) of  
12 this section shall be punished by a fine not exceeding  
13 \$1,000 or by imprisonment in the county jail not exceeding 1  
14 year, or both, at the discretion of the court, and if the  
15 offender be an officer or employee of the state, he shall be  
16 dismissed from office and be incapable of holding any public  
17 office in this state for a period of 1 year thereafter.

18 (6) Notwithstanding the provisions of this section,  
19 the department may permit the commissioner of internal  
20 revenue of the United States or the proper officer of any  
21 state imposing a tax upon the incomes of individuals or the  
22 authorized representative of either such officer to inspect  
23 the return of income of any individual or may furnish to  
24 such officer or his authorized representative an abstract of  
25 the return of income of any individual or supply him with

1 information concerning any item of income contained in any  
2 return or disclosed by the report of any investigation of  
3 the income or return of income of any individual, but such  
4 permission shall be granted or such information furnished to  
5 such officer or his representative only if the statutes of  
6 the United States or of such other state, as the case may  
7 be, grant substantially similar privileges to the proper  
8 officer of this state charged with the administration of  
9 this chapter.

10 (7) Further, notwithstanding any of the provisions of  
11 this section, the department shall furnish-

12 ~~(a)--to--the--department--of--justice--all--information~~  
13 ~~necessary--to--identify--those--persons--qualifying--for--the~~  
14 ~~additional--exemption--for--blindness--pursuant--to--15-30-112(4),~~  
15 ~~for--the--purpose--of--enabling--the--department--of--justice--to~~  
16 ~~administer--the--provisions--of--61-5-105;-and~~

17 ~~(b)~~ to the department of social and rehabilitation  
18 services information acquired under 15-30-301, pertaining to  
19 an applicant for public assistance, reasonably necessary for  
20 the prevention and detection of public assistance fraud and  
21 abuse, provided notice to the applicant has been given."

22 **Section 22.** Section 15-30-321, MCA, is amended to  
23 read:

24 "15-30-321. Penalties for violation of chapter. (1) If  
25 any person, without purposely or knowingly violating any

1 requirement imposed by this chapter, fails to file a return  
 2 of income on or before its due date (determined with regard  
 3 to an extension of time granted for filing the return),  
 4 there shall be imposed a penalty of 5% of any balance of tax  
 5 unpaid with respect to such the return as of its due date,  
 6 ~~but in no event shall the penalty for failure to file a~~  
 7 ~~return by its due date be less than \$5 or \$10, whichever is~~  
 8 greater. In addition, a penalty of 5% of any balance of tax  
 9 unpaid with respect to the return must be assessed for each  
 10 30-day period during which the tax remains unpaid following  
 11 notification of delinquency, with a maximum 30% penalty. The  
 12 department may abate the penalty if the taxpayer establishes  
 13 that the failure to file on time was due to reasonable cause  
 14 and was not due to neglect on his part. If any person,  
 15 without purposely or knowingly violating any requirement  
 16 imposed by this chapter, fails to pay any tax on or before  
 17 its due date ~~(determined with regard to an extension of time~~  
 18 ~~granted for filing the return)~~, there shall be added to the  
 19 tax a penalty of ~~10% 5% of said the tax, but not less than~~  
 20 ~~\$57 and interest.~~ In addition, a penalty of 5% of the  
 21 delinquent tax must be assessed for each 30-day period  
 22 during which the tax remains unpaid following notification  
 23 of delinquency, with a maximum 30% penalty. Interest shall  
 24 accrue on the tax at the rate of ~~9% per annum 3/4 of 1% per~~  
 25 month for the entire period it remains unpaid. The

1 department may abate the penalty if the taxpayer establishes  
 2 that the failure to pay on time was due to reasonable cause  
 3 and was not due to neglect on his part.

4 (2) If any person fails, purposely or knowingly  
 5 violating any requirement imposed by this chapter, to make a  
 6 return of income or to pay a tax if one is due at the time  
 7 required by or under the provisions of this chapter, there  
 8 shall be added to the tax an additional amount equal to 25%  
 9 thereof of the tax, but such the additional amount shall in  
 10 no case be less than \$25, and interest at 1% for each month  
 11 or fraction of a month during which the tax remains unpaid.

12 (3) Any individual, corporation, or partnership or any  
 13 officer or employee of any corporation or member or employee  
 14 of any partnership who, with intent to evade any tax or any  
 15 requirement of this chapter or any lawful requirement of the  
 16 department thereunder under this chapter, purposely or  
 17 knowingly, fails to pay the tax or to make, render, or sign  
 18 any return or to supply any information within the time  
 19 required by or under the provisions of this chapter or who,  
 20 with like intent, purposely or knowingly makes, renders, or  
 21 signs any false or fraudulent return or statement or  
 22 supplies any false or fraudulent information shall be liable  
 23 to a penalty of not more than \$1,000, to be recovered by the  
 24 attorney general in the name of the state by action in any  
 25 court of competent jurisdiction, ~~and The person~~ shall also

be guilty of a misdemeanor and shall upon conviction be fined not to exceed \$1,000 or be imprisoned not to exceed 1 year, or both, at the discretion of the court.

(4) With respect to the imposition of a civil penalty, evidence produced by the department to the effect that a tax has not been paid, that a return has not been filed, or that information has not been supplied as required under the provisions of this chapter is prima facie evidence that the tax has not been paid, the return has not been filed, or the information has not been supplied.

(5) The department may not assess a penalty until the penalty equals \$10 or more for any one tax period or for the period covered by a return or statement."

**Section 23.** Section 15-30-323, MCA, is amended to read:

"15-30-323. Penalty for deficiency. (1) If the payment required by 15-30-142(6) is not made within 60 days or if the understatement is due to negligence on the part of the taxpayer but without fraud, there shall be added to the amount of the deficiency 5% thereof; ~~provided, however, that no deficiency penalty shall be less than \$2 of the tax. In addition, a penalty of 5% of the delinquent tax must be assessed for each 30-day period during which the tax remains unpaid following notification of delinquency, with a maximum 30% penalty.~~ Interest will be computed at the rate of 9%  $\frac{3}{4}$

of 1% per annum month or fraction thereof on the additional assessment. Except as otherwise expressly provided in this subsection, the interest shall in all cases be computed from the date the return and tax were originally due as distinguished from the due date as it may have been extended to the date of payment.

(2) If the time for filing a return is extended, the taxpayer shall pay in addition interest thereon on the amount due at the rate of 9%  $\frac{3}{4}$  of 1% per annum month from the time when the return was originally required to be filed to the time of payment.

(3) The department may not assess a penalty until the penalty equals \$10 or more for any one tax period or for the period covered by a return or statement."

**Section 24.** Section 15-31-202, MCA, is amended to read:

"15-31-202. Election by small business corporation. (1) A small business corporation ~~may elect~~ that has made a valid election under subchapter S. of Chapter 1 of the Internal Revenue Code is not to be subject to the taxes imposed by this chapter.

~~(2) If a small business corporation makes an election under subsection (1), then:~~

~~(a) with respect to the taxable years of the corporation for which such election is in effect, such~~



1 corporation-is-not-subject-to--the--taxes--imposed--by--this  
 2 chapter--and,--with--respect--to--such-taxable-years-and-all  
 3 succeeding-taxable-years,--the-provisions-of-this-part--apply  
 4 to-such-corporation;--and

5 {b}--with-respect-to-the-taxable-years-of-a-shareholder  
 6 of-such-corporation-in-which-or-with-which-the-taxable-years  
 7 of-the-corporation-for-which-such-election-is-in-effect-end,  
 8 the--provisions--of-this-part-apply-to-such-shareholder,--and  
 9 with-respect--to--such--taxable--years--and--all--succeeding  
 10 taxable--years,--the--provisions--of-this-part-apply-to-such  
 11 shareholder.

12 {3}--An-election-under-subsection-{1}-must-be--made--in  
 13 accordance--with--rules--prescribed--by--the--department--of  
 14 revenue.

15 (2) A small business corporation that has made a valid  
 16 election under subchapter S. of Chapter 1 of the Internal  
 17 Revenue Code shall file by the 15th day of the third month  
 18 of its first taxable year a copy of the internal revenue  
 19 service notification or other proof that a valid federal  
 20 election has been made. If proof is not filed by the time  
 21 the department receives the corporation's first tax return,  
 22 the department shall notify the corporation that proof is  
 23 required within 60 days of the date of the notice. If proof  
 24 is not received within 60 days or a reasonable extension  
 25 date based upon a request by the taxpayer prior to the

1 expiration of the 60 days, the corporation is subject to the  
 2 taxes imposed by this chapter.

3 (3) A small business corporation that has made a valid  
 4 election under subchapter S. of Chapter 1 of the Internal  
 5 Revenue Code may elect to be subject to the taxes imposed by  
 6 this chapter by filing an election on a form provided by the  
 7 department. The form must have printed on it a notification  
 8 that making the election subjects income to tax under both  
 9 Title 15, chapter 30, and this chapter. For tax years  
 10 beginning on or after January 1, 1987, but before March 1,  
 11 1988, the election must be filed by May 15, 1988. Thereafter  
 12 the election must be filed by the 15th day of the third  
 13 month of the taxable year for which the election is to  
 14 become effective. The election may be revoked by written  
 15 notification to the department. A revocation must be filed  
 16 by the 15th day of the third month of the taxable year for  
 17 which the revocation is to be effective.

18 (4) This election section is not effective unless the  
 19 corporate net income or loss of such--electing the  
 20 nonelecting small business corporation is included in the  
 21 stockholders' adjusted--gross taxable income as-defined-in  
 22 15-30-111.

23 (5) Every electing nonelecting small business  
 24 corporation is required to pay the a minimum fee of \$10  
 25 required by 15-31-204."

**Section 25.** Section 15-31-204, MCA, is amended to read:

"15-31-204. Minimum fee of qualifying corporations unaffected. Notwithstanding the provisions of 15-31-121 corporations electing--and qualifying under 15-31-202 shall pay a minimum fee of \$10."

**Section 26.** Section 15-31-553, MCA, is amended to read:

"15-31-553. Fees to reimburse department for costs -- deposit in general fund. All moneys money collected under 15-31-551 and--15-31-552--shall-be is required to reimburse the department of revenue for costs involved in the preparation of the copies and certificates. All such-moneys money collected shall-go-into must be deposited in the general fund."

**Section 27.** Section 15-31-554, MCA, is amended to read:

"15-31-554. Returns to which sections apply. The provisions of 15-31-551 through and 15-31-553 shall apply to all returns on file and all returns to-be filed hereafter after December 31, 1988."

**Section 28.** Section 23-2-715, MCA, is amended to read:

"23-2-715. Assessment on passenger tramway receipts. {1}--The--department--is--hereby--authorized--to--impose--an assessment-of-1/4--of--1%--on--the--gross--receipts--of--all

passenger--tramways--operated--in--the--state--of--Montana--A minimum-of-\$100--shall-be-collected-annually-from--the--owner of--a--passenger--tramway--facility--The-assessment-shall-be calculated-upon-gross-receipts-received--during--the--period July--1--of--any--year--to-July-1-of-the-following-year--The assessments-shall-be-collected-by-the-department-of--revenue and--remitted--to-the-state-special-revenue-fund-by-December 31-of-each-year.

{2} All proceeds of the-gross-receipts-assessment--and the fees collected under 23-2-714 shall must be used only to support the duties of the department set forth in this part."

**Section 29.** Section 33-27-101, MCA, is amended to read:

"33-27-101. Short title. Sections 15-30-107, 15-30-127, 15-31-117, 15-31-118, and this chapter may be cited as the "Independent Liability Fund Act".

**Section 30.** Section 33-27-102, MCA, is amended to read:

"33-27-102. Purpose. The purpose of 15-30-107, 15-30-127, 15-31-117, 15-31-118, and this chapter is to create a means by which small businesses operating in Montana may establish independent liability funds to set aside assets or make investments to meet any liability claims that might be made against the small businesses by

1 third parties."

2 **Section 31.** Section 33-27-103, MCA, is amended to  
3 read:

4 "33-27-103. Definitions. As used in 15-30-107,  
5 ~~15-30-127,~~ 15-31-117, 15-31-118, and this chapter, the  
6 following definitions apply:

7 (1) "Fiscal year" means the 12-month period used by a  
8 particular small business in preparing and filing its  
9 Montana individual income tax, corporate license tax, or  
10 corporate income tax return.

11 (2) "Independent liability fund" means a collection of  
12 money, assets, and investments that has been set aside by a  
13 small business to meet the needs of any liability claims,  
14 except workers' compensation claims, brought against it by  
15 third parties.

16 (3) "Liability claim" means any legal or extralegal  
17 action by a third party asserting a right to compensation  
18 for a wrong done to it by a small business with an  
19 independent liability fund.

20 (4) "Small business" means any commercial or nonprofit  
21 enterprise qualified to do business in the state and  
22 qualified as a small business under the criteria established  
23 by the federal small business administration on April 20,  
24 1987.

25 (5) "Third party" means a person other than an

1 employee or the management of a small business or of a  
2 subsidiary or closely related enterprise of a small  
3 business."

4 **Section 32.** Section 35-18-503, MCA, is amended to  
5 read:

6 "~~35-18-503. Annual fee to department of revenue and~~  
7 ~~exemption from other taxes. Cooperatives Except as~~  
8 ~~provided in 10-4-201, cooperatives and foreign corporations~~  
9 ~~transacting business in this state pursuant to the~~  
10 ~~provisions of this chapter shall pay annually on or before~~  
11 ~~July 1, to the department of revenue a fee of \$10 for each~~  
12 ~~100 persons or fractions thereof to whom electricity or~~  
13 ~~telephone service is supplied within the state but except~~  
14 ~~as provided in 10-4-201 shall be~~ are exempt from all other  
15 excise and income taxes of whatever kind or nature."

16 **Section 33.** Section 53-2-101, MCA, is amended to read:

17 "53-2-101. Definitions. Unless the context requires  
18 otherwise, in this chapter the following definitions apply:

19 (1) "Department" means the department of social and  
20 rehabilitation services provided for in Title 2, chapter 15,  
21 part 22.

22 (2) "Protective services" means services to children  
23 and adults to be provided by the department of family  
24 services as permitted by Titles 41 and 53.

25 (3) "Public assistance" or "assistance" means any type

1 of monetary or other assistance furnished under this title  
2 to a person by a state or county agency, regardless of the  
3 original source of the assistance.

4 (4) "Needy person" is one who is eligible for public  
5 assistance under the laws of this state.

6 (5) "Net monthly income" means one-twelfth of the  
7 difference between the net income for the taxable year as  
8 ~~the term net income is defined in 15-30-101~~ and the state  
9 income tax paid as determined by the state income tax return  
10 filed during the current year.

11 (6) "Ward Indian" is hereby defined as an Indian who  
12 is living on an Indian reservation set aside for tribal use  
13 or is a member of a tribe or nation accorded certain rights  
14 and privileges by treaty or by federal statutes. If and when  
15 the federal Social Security Act is amended to define a "ward  
16 Indian", such definition shall supersede the foregoing  
17 definition."

18 **Section 34.** Section 61-3-524, MCA, is amended to read:

19 "61-3-524. Tax-paid decal required on camper --  
20 application for decal -- application fee -- issuance. (1) No  
21 camper, subject to taxation in Montana, may be operated by  
22 any person on the public highways or streets in this state  
23 unless there is displayed in a conspicuous place thereon on  
24 the camper a decal as visual proof that the tax has been  
25 paid thereon for the current year.

1 (2) Application for the issuance of the decal ~~shall~~  
2 must be made to ~~the--department-of-revenue-or~~ the county  
3 treasurer upon forms to be furnished for this purpose, which  
4 may be obtained from ~~the--department--or--at~~ the county  
5 treasurer's office in the county ~~wherein~~ where the owner  
6 resides. ~~7--and--is--to~~ The application must provide for  
7 substantially the following information:

- 8 (a) name of owner;
- 9 (b) address;
- 10 (c) name of manufacturer;
- 11 (d) model number;
- 12 (e) make;
- 13 (f) year of manufacture;
- 14 (g) statement evidencing payment of the property tax;
- 15 and
- 16 (h) ~~such~~ other information as the department may  
17 require.

18 (3) The application must be signed by the county  
19 treasurer and ~~transmitted--by--him--to--the--department~~  
20 accompanied by an application fee of \$1. Upon receipt of the  
21 application in approved form the ~~department--or~~ county  
22 treasurer shall issue to the applicant a decal in the style  
23 and design ~~prescribed by the department~~ and of a different  
24 color than the preceding year, numbered numerically.

25 (4) The county treasurer shall obtain from the

1 department of revenue, at no cost, the decals required by  
2 subsection (1) to be affixed to each camper."

3 **Section 35.** Section 61-3-525, MCA, is amended to read:

4 "61-3-525. Annual application for decals. Application  
5 may be made to the ~~department-of-revenue-or~~ county treasurer  
6 for the issuance of camper decals annually when the motor  
7 vehicle to which the camper is customarily attached is  
8 registered."

9 **Section 36.** Section 67-11-303, MCA, is amended to  
10 read:

11 "67-11-303. Bonds and obligations. (1) An authority  
12 may borrow money for any of its corporate purposes and issue  
13 its bonds therefor, including refunding bonds, in such a  
14 form and upon such terms as it may determine, payable out of  
15 any revenues of the authority, including revenues derived  
16 from:

17 (a) an airport or air navigation facility or  
18 facilities;

19 (b) taxes levied pursuant to 67-11-301 or other law  
20 for airport purposes;

21 (c) grants or contributions from the federal  
22 government; or

23 (d) other sources.

24 (2) The bonds may be issued by resolution of the  
25 authority, without an election and without any limitation of

1 amount, except that no ~~such~~ bonds may be issued at any time  
2 if the total amount of principal and interest to become due  
3 in any year on ~~such the~~ bonds and on any then outstanding  
4 bonds for which revenues from the same source or sources are  
5 pledged exceeds the amount of such revenues to be received  
6 in that year as estimated in the resolution authorizing the  
7 issuance of the bonds. The authority shall take all action  
8 necessary and possible to impose, maintain, and collect  
9 rates, charges, rentals, and taxes, if any are pledged,  
10 sufficient to make the revenues from the pledged source in  
11 such the year at least equal to the amount of ~~such~~ principal  
12 and interest due in that year.

13 (3) The bonds may be sold at public or private sale  
14 and may bear interest as provided in 17-5-102. Except as  
15 otherwise provided herein in this section, any bonds issued  
16 pursuant to this chapter by an authority may be payable as  
17 to principal and interest solely from revenues of the  
18 authority and shall state on their face the applicable  
19 limitations or restrictions regarding the source from which  
20 ~~such~~ principal and interest are payable.

21 (4) Bonds issued by an authority or municipality  
22 pursuant to the provisions of this chapter are declared to  
23 be issued for an essential public and governmental purpose  
24 by a political subdivision ~~within---the---meaning---of~~  
25 ~~§5-30-111(2)(a).~~

(5) For the security of any ~~such~~ bonds, the authority or municipality may by resolution make and enter into any covenant, agreement, or indenture and may exercise any additional powers authorized to be exercised by a municipality under Title 7, chapter 7, parts 44 and 45. The sums required from time to time to pay principal and interest and to create and maintain a reserve for the bonds may be paid from any revenues referred to in this chapter, prior to the payment of current costs of operation and maintenance of the facilities.

(6) Subject to the conditions stated in this subsection (6), the governing body of any municipality having a population in excess of 10,000, with respect to bonds issued pursuant to this chapter by the municipality or by an authority in which the municipality is included, may by resolution covenant that in the event that at any time all revenues, including taxes, appropriated and collected for ~~such the~~ bonds are insufficient to pay principal or interest then due, it will levy a general tax upon all of the taxable property in the municipality for the payment of ~~such the~~ deficiency; and may further covenant that at any time a deficiency is likely to occur within 1 year for the payment of principal and interest due on ~~such the~~ bonds, it will levy a general tax upon all the taxable property in the municipality for the payment of ~~such the~~ deficiency. ~~7--and~~

~~such~~ The taxes are not subject to any limitation of rate or amount applicable to other municipal taxes but are limited to a rate estimated to be sufficient to produce the amount of the deficiency. In the event more than one municipality having a population in excess of 10,000 is included in an authority issuing bonds pursuant to this chapter, the municipalities may apportion the obligation to levy taxes for the payment of, or in anticipation of, a deficiency in the revenues appropriated for ~~such the~~ bonds in ~~such a~~ manner as the municipalities may determine. The resolution shall state the principal amount and purpose of the bonds and the substance of the covenant respecting deficiencies. ~~No-such A~~ resolution ~~becomes~~ does not become effective until the question of its approval has been submitted to the qualified electors of the municipality at a special election called for that purpose by the governing body of the municipality and a majority of the electors voting on the question have voted in favor thereof. The notice and conduct of the election is governed, to the extent applicable, as provided for municipal general obligation bonds in Title 7, chapter 7, part 42, for an election called by cities and towns, and as provided for county general obligation bonds in Title 7, chapter 7, part 22, for an election called by counties. If a majority of the electors voting thereon vote against approval of the resolution, the municipality has no

1 authority to make the covenant or to levy a tax for the  
2 payment of deficiencies pursuant to this section, but ~~such~~  
3 the municipality or authority may nevertheless issue bonds  
4 under this chapter payable solely from the sources referred  
5 to in subsection (1) above."

6 NEW SECTION. Section 37. Repealer. Sections 15-30-110  
7 through 15-30-117, 15-30-122, 15-30-123, 15-30-126,  
8 15-30-127, 15-30-134, 15-31-552, 15-54-101 through  
9 15-54-113, 15-56-101 through 15-56-113, and 15-57-101  
10 through 15-57-110, MCA, are repealed.

11 NEW SECTION. Section 38. Extension of authority. Any  
12 existing authority to make rules on the subject of the  
13 provisions of [this act] is extended to the provisions of  
14 [this act].

15 NEW SECTION. Section 39. Codification instruction --  
16 code commissioner instruction. (1) [Sections 8 through 10]  
17 are intended to be codified as an integral part of Title 15,  
18 chapter 30, and the provisions of Title 15, chapter 30,  
19 apply to [sections 8 through 10].

20 (2) Sections 15-30-106 and 15-30-108 are intended to  
21 be renumbered within Title 15, chapter 30, if necessary to  
22 improve the organization of the chapter.

23 (3) The code commissioner is instructed to make  
24 changes throughout the Montana Code Annotated to reflect the  
25 change of definition for Internal Revenue Code in section

1 15-30-101.

2 NEW SECTION. Section 40. Severability. If a part of  
3 [this act] is invalid, all valid parts that are severable  
4 from the invalid part remain in effect. If a part of [this  
5 act] is invalid in one or more of its applications, the part  
6 remains in effect in all valid applications that are  
7 severable from the invalid applications.

8 NEW SECTION. Section 41. Effective date. [This act]  
9 is effective on passage and approval.

10 NEW SECTION. Section 42. Applicability dates. (1)  
11 Except as provided in subsections (2) and (3), [this act]  
12 applies to taxable years beginning after December 31, 1989.

13 (2) [Sections 26 through 28 and 34] apply  
14 retroactively, within the meaning of 1-2-109, to taxable  
15 years beginning after December 31, 1988.

16 (3) Section 32 applies to taxable years beginning on  
17 or after July 1, 1989.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB408, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the tax laws of the state; reducing paperwork for the citizens of Montana; eliminating certain taxes; reducing individual income tax rates; repealing the Corporation License Tax Clearance Certificate Fee, the Express Company License Tax, the Sleeping Car Company License Tax, and the Store License Tax provisions; and providing an immediate effective date and applicability dates.

ASSUMPTIONS:

1. Individual income tax revenues are projected to be \$239,124,000 in FY90, and \$254,428,000 in FY91 (BEAC).
2. The income tax provisions contained in the bill are anticipated to reduce revenue \$2,600,000 in FY91 (see section on Technical Note).
3. Store license tax revenues are projected to be \$270,000 in each year of the biennium (actual FY88 receipts).
4. All store license taxes are assumed to be paid in the last quarter of the calendar year for which they are due.
5. The Express Company License Tax and the Sleeping Car Company License Tax are expected to produce no revenue in the coming biennium.
6. Administrative expenses of the Department of Revenue will be reduced \$12,721 in each year of the biennium.
7. The provisions of this act apply to tax years beginning after December 31, 1989; there is no impact in FY90.

FISCAL IMPACT:Revenue Impact:

|                      | <u>FY90</u>        |                     |                   | <u>FY91</u>        |                     |                   |
|----------------------|--------------------|---------------------|-------------------|--------------------|---------------------|-------------------|
|                      | <u>Current Law</u> | <u>Proposed Law</u> | <u>Difference</u> | <u>Current Law</u> | <u>Proposed Law</u> | <u>Difference</u> |
| Individual           |                    |                     |                   |                    |                     |                   |
| Income Tax           | \$239,124,000      | \$239,124,000       | \$ 0              | \$254,428,000      | \$251,828,000       | \$(2,600,000)     |
| Express Company      |                    |                     |                   |                    |                     |                   |
| License Tax          | 0                  | 0                   | 0                 | 0                  | 0                   | 0                 |
| Sleeping Car Company |                    |                     |                   |                    |                     |                   |
| License Tax          | 0                  | 0                   | 0                 | 0                  | 0                   | 0                 |
| Store License        | 270,000            | 270,000             | 0                 | 270,000            | 0                   | ( 270,000)        |
| Total                | \$239,394,000      | \$239,394,000       | \$ 0              | \$254,698,000      | \$251,828,000       | \$(2,870,000)     |

*Ray Shackelford*

DATE 2/28/89

RAY SHACKLEFORD, BUDGET DIRECTOR  
Office of Budget and Program Planning

*Frederick Van Valkenburg*

DATE 3-1-89

FRED VAN VALKENBURG, PRIMARY SPONSOR

Fiscal Note for SB408, as introduced

**SB 408**



Fiscal Note Request SB408, as introduced

Form BD-15

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Fund Information:

|                    | FY90          |               |            | FY91          |               |               |
|--------------------|---------------|---------------|------------|---------------|---------------|---------------|
|                    | Current Law   | Proposed Law  | Difference | Current Law   | Proposed Law  | Difference    |
| General Fund       | \$139,440,168 | \$139,440,168 | \$ 0       | \$148,347,096 | \$146,563,896 | \$(1,783,200) |
| Foundation Program | 76,041,432    | 76,041,432    | 0          | 80,908,104    | 80,081,304    | ( 826,800)    |
| Sinking Fund       | 23,912,400    | 23,912,400    | 0          | 25,442,800    | 25,182,800    | ( 260,000)    |
| Total              | \$239,394,000 | \$239,394,000 | \$ 0       | \$254,698,000 | \$251,828,000 | \$(2,870,000) |

Expenditure Impact: (General Fund)

|                   |           |      |             |           |      |             |
|-------------------|-----------|------|-------------|-----------|------|-------------|
| Personal Services | \$ 5,871  | \$ 0 | \$( 5,871)  | \$ 5,871  | \$ 0 | \$( 5,871)  |
| Operating Expense | 6,850     | 0    | ( 6,850)    | 6,850     | 0    | ( 6,850)    |
| Total             | \$ 12,721 | \$ 0 | \$( 12,721) | \$ 12,721 | \$ 0 | \$( 12,721) |

TECHNICAL NOTE:

The income tax provisions contained in this bill are revenue-neutral with two exceptions. Continuing to allow a 40% exclusion of capital gains from installment sales entered into before January 1, 1987 is projected to reduce revenue \$2,000,000 in FY91. This revenue loss will gradually erode as the amount reported for pre-1987 gains on installment sales declines in future years.

The provision for allowing a deduction equal to the federal credit claimed for household and dependent care expense is estimated to reduce revenue \$600,000 in each year after FY90.

**SB 408**