

SENATE BILL 21

Introduced by Halligan

6/23	Introduced
6/23	Referred to Taxation
6/23	Fiscal Note Requested
6/27	Hearing
6/28	Fiscal Note Received
6/30	Sponsor Fiscal Note Printed
	Died in Committee

1 Senate BILL NO. 21  
2 INTRODUCED BY Wallyja  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
5 LAWS RELATING TO THE TAXATION OF INCOME; TO PROVIDE FOR THE  
6 QUARTERLY PAYMENT OF ESTIMATED TAX BY CERTAIN TAXPAYERS; TO  
7 REQUIRE QUARTERLY ESTIMATED PAYMENTS BY ALL TAXPAYERS  
8 SUBJECT TO CORPORATE LICENSE OR INCOME TAX WHO HAVE ANNUAL  
9 STATE TAX LIABILITIES IN EXCESS OF \$5,000; TO PROVIDE  
10 PENALTIES FOR UNDERPAYMENT; TO PROVIDE A REFUNDABLE STATE  
11 INCOME TAX CREDIT FOR MALPRACTICE INSURANCE COSTS TO  
12 PHYSICIANS PROVIDING OBSTETRICAL OR  
13 OBSTETRICAL-GYNECOLOGICAL CARE IN MONTANA; TO CREATE A  
14 UNIVERSITY SYSTEM CAPITAL PROJECTS FUND AND TO PROVIDE FOR  
15 THE USE OF THE FUND; AMENDING SECTIONS 15-1-501, 15-30-241,  
16 15-30-242, 15-31-101, AND 15-31-502, MCA; AND PROVIDING AN  
17 IMMEDIATE EFFECTIVE DATE AND APPLICABILITY DATES."

18  
19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

20 **Section 1.** Section 15-1-501, MCA, is amended to read:

21 "15-1-501. Disposition of moneys money from certain  
22 designated license and other taxes. (1) The state treasurer  
23 shall deposit to the credit of the state general fund all  
24 moneys money received by him from the collection of:

25 (a) fees from driver's licenses, motorcycle

1 endorsements, and duplicate driver's licenses as provided in  
2 61-5-121;

3 (b) electrical energy producer's license taxes under  
4 chapter 51;

5 (c) severance taxes allocated to the general fund  
6 under chapter 36;

7 (d) liquor license taxes under Title 16;

8 (e) telephone [company] license taxes under chapter  
9 53; and

10 (f) inheritance and estate taxes under Title 72,  
11 chapter 16.

12 (2) ~~All~~ moneys Except as provided in subsection (6),  
13 all money received from the collection of income taxes under  
14 chapter 30 of this title shall must be deposited as follows:

15 (a) 58.2% to the credit of the state general fund;

16 (b) 10% to the credit of the debt service account for  
17 long-range building program bonds as described in 17-5-408;  
18 and

19 (c) 31.8% to the credit of the state special revenue  
20 fund for state equalization aid to the public schools of  
21 Montana as described in 20-9-343.

22 (3) ~~All~~ moneys Except as provided in 15-31-702 and  
23 subsection (6) of this section, all money received from the  
24 collection of corporation license and income taxes under  
25 chapter 31 of this title ~~except as provided in 15-31-702,~~



1 shall must be deposited as follows:

2 (a) 64% to the credit of the state general fund;

3 (b) 11% to the credit of the debt service account for  
4 long-range building program bonds as described in 17-5-408;  
5 and

6 (c) 25% to the credit of the state special revenue  
7 fund for state equalization aid to the public schools of  
8 Montana as described in 20-9-343.

9 (4) The state treasurer shall also deposit to the  
10 credit of the state general fund all moneys money received  
11 by him from the collection of license taxes, fees, and all  
12 net revenues and receipts from all other sources under the  
13 operation of the Montana Alcoholic Beverage Code.

14 (5) After the distribution provided for in 15-36-112,  
15 the remainder of the oil severance tax collections shall  
16 must be deposited in the general fund.

17 (6) (a) One-quarter of all money collected under  
18 15-30-242(1) for the estimated tax payments due on April 15,  
19 1989, June 15, 1989, September 15, 1989, and January 15,  
20 1990, must be credited to the university system capital  
21 projects account created in [section 8].

22 (b) One-quarter of all money collected under  
23 15-30-242(3) for the estimated tax payments due 3 1/2  
24 months, 5 1/2 months, 8 1/2 months, and 12 1/2 months after  
25 the beginning of a taxpayer's first taxable year beginning

1 after [the effective date of this act] must be credited to  
2 the university system capital projects account created in  
3 [section 8]."

4 **Section 2.** Section 15-30-241, MCA, is amended to read:

5 "15-30-241. Declaration and payment of estimated tax  
6 -- procedure. (1) Every individual except farmers, ranchers,  
7 or stockmen, as defined in section 6654(i)(2) of the  
8 Internal Revenue Code of 1986, as amended, shall, at the  
9 time prescribed in ~~subsection (3) of this section~~ 15-30-242,  
10 make a declaration of and pay his estimated tax for the  
11 taxable year if his ~~net--income--from--sources--other--than~~  
12 ~~wages, salaries, bonuses, or other emoluments can reasonably~~  
13 ~~be expected to equal or exceed his net--income--from--wages,~~  
14 ~~salaries,--bonuses--or--other--emoluments, which are subject to~~  
15 withholding estimated tax, as calculated in subsection  
16 (2)(a) of this section, is \$400 or more.

17 (2) (a) In the declaration required under subsection  
18 (1) ~~of this section,~~ the individual ~~shall--state~~ estimated  
19 tax must be one of the following:

20 (a)(i) ~~the--amount--which--he--estimates--as--the--amount--of~~  
21 ~~tax under 15-30-103--for--the--taxable--year;~~ 100% of the  
22 individual's Montana income tax from the prior year or, if  
23 the individual is married and filing jointly, 100% of the  
24 joint income tax liability; or

25 (ii) 90% of the individual's Montana income tax in the

1 current year.

2 (b) A taxpayer who estimates his tax under subsection  
3 (2)(a)(ii) shall:

4 (i) annualize his taxable income for the current year;  
5 (ii) calculate the tax using the tax rates provided in  
6 15-30-103; and

7 (b)(iii) the amount which he estimates will be withheld  
8 from wages paid by his employer if said individual is an  
9 employee; deduct all withholding and credits to which he is  
10 entitled.

11 (c) the excess of the amount estimated under  
12 subsection (2)(a) over the amount estimated under subsection  
13 (2)(b), which excess for purposes of this section shall be  
14 considered the estimated tax for the taxable year;

15 (d) such other information as may be prescribed in  
16 rules promulgated by the department;

17 (3) The declaration required under subsection (1) of  
18 this section shall be filed with the department on or before  
19 April 15 of the taxable year, except that if the  
20 requirements of subsection (1) of this section are first  
21 met:

22 (a) after April 1 and before October 1 of the taxable  
23 year, the declaration shall be filed on or before October 15  
24 of the taxable year;

25 (b) after October 1 of the taxable year, the

1 declaration shall be filed on or before February 15 of the  
2 succeeding taxable year;

3 (4) An individual may make amendments of a declaration  
4 filed during the taxable year under subsection (3) of this  
5 section under rules prescribed by the department;

6 (5) If on or before February 15 of the succeeding  
7 taxable year, the taxpayer files a return for the taxable  
8 year for which the declaration is required and pays in full  
9 the amount computed on his return as payable, then under  
10 rules prescribed by the department:

11 (a) if the declaration is not required to be filed  
12 during the taxable year but is required to be filed on or  
13 before such February 15, such return shall for the purposes  
14 of this section be considered as such declaration; and

15 (b) if the tax shown on the return is greater than the  
16 estimated tax shown in a declaration previously made or in  
17 the last amendments thereof, such return shall for the  
18 purposes of this section be considered as the amendment of  
19 the declaration permitted by subsection (4) of this section  
20 to be filed on or before such February 15;

21 (6) The department shall promulgate rules governing  
22 reasonable extensions of time for filing declarations and  
23 paying the estimated tax except in the case of taxpayers who  
24 are abroad, and no such extension shall be for more than 6  
25 months;

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

5 (8) Any individual who fails to file a declaration of  
6 estimated tax as required by this section is not subject to  
7 the penalties set forth in 15-30-321.

8 (3) An individual required to declare his estimated  
9 tax shall make four equal installments on the dates  
10 prescribed in 15-30-242 if the estimated annual tax due, as  
11 calculated in subsection (2)(a) of this section, is \$400 or  
12 more.

13 (4) During the taxable year, an individual may make  
14 amendments to the declaration required under subsection (1)  
15 if the amount of his estimated tax changes. The adjustment  
16 must be reflected in his next required installment.

17 (5) If the taxpayer is unable to make his own  
18 declaration, the declaration must be made by a duly  
19 authorized agent or guardian of the taxpayer."

20 Section 3. Section 15-30-242, MCA, is amended to read:

21 "15-30-242. Installment payments of estimated tax --  
22 penalty and interest for underpayment of installment. (1)  
23 Estimated tax provided for in 15-30-241 shall be paid as  
24 follows:

25 (a) If the declaration is filed on or before April 15

1 of the taxable year, the estimated tax shall be paid in two  
2 equal installments. The first installment shall be paid at  
3 the time of filing of the declaration and the second or last  
4 installment shall be paid on October 15 of the taxable year.

5 (b) If the declaration is filed after April 15 and not  
6 after October 15 of the taxable year and is not required by  
7 15-30-241(3) to be filed on or before April 15 of the  
8 taxable year, the estimated tax shall be paid at the time of  
9 filing of the declaration.

10 (c) If the declaration is filed after October 15 of  
11 the taxable year and is not required by 15-30-241(3) to be  
12 filed on or before October 15 of the taxable year, the  
13 estimated tax shall be paid in full at the time of filing of  
14 the declaration.

15 (d) If the declaration is filed after the time  
16 prescribed in 15-30-241, including cases where extensions of  
17 time have been granted, subsections (1)(b) and (1)(c) of  
18 this section shall not apply and there shall be paid at the  
19 time of such filing all installments of estimated tax which  
20 would have been payable on or before such time if the  
21 declaration had been filed within the time prescribed in  
22 15-30-241(3) and the remaining installments shall be paid at  
23 the times at which and in the amounts in which they would  
24 have been payable if the declaration had been so filed.

25 (2) If any amendment of a declaration is filed after

1 ~~April 15 and before October 15 of the taxable year, the~~  
 2 ~~remaining installment, if any, shall be ratably increased or~~  
 3 ~~decreased, as the case may be, to reflect the respective~~  
 4 ~~increase or decrease in the estimated tax by reason of such~~  
 5 ~~amendment. If any amendment is made after October 15 of the~~  
 6 ~~taxable year, any increase in the estimated tax by reason~~  
 7 ~~thereof shall be paid at the time of making such amendment.~~  
 8 ~~(3) At the election of the individual, any installment~~  
 9 ~~of the estimated tax may be paid prior to the date~~  
 10 ~~prescribed for its payment.~~  
 11 ~~(4) Payment of the estimated tax or any installment~~  
 12 ~~thereof shall be considered payment on account of the tax~~  
 13 ~~for the taxable year.~~  
 14 ~~(5) The application of this section to taxable years~~  
 15 ~~of less than 12 months shall be as prescribed in the rules~~  
 16 ~~promulgated by the department.~~  
 17 ~~(6) In the application of this section to taxpayers~~  
 18 ~~reporting income on a fiscal year basis, there shall be~~  
 19 ~~substituted for the dates specified therein the months~~  
 20 ~~corresponding thereto.~~  
 21 ~~(7) An individual who fails to pay an estimated tax as~~  
 22 ~~required by this section is not subject to the penalties set~~  
 23 ~~forth in 15-30-321.~~  
 24 (1) For calendar year taxpayers, quarterly estimated  
 25 payments provided for in 15-30-241 are due on the following

1 dates of the taxable year:  
 2 1st installment April 15  
 3 2nd installment June 15  
 4 3rd installment September 15  
 5 4th installment January 15  
 6 (2) At the election of the individual, any installment  
 7 of the estimated tax may be paid prior to the date  
 8 prescribed for its payment.  
 9 (3) For an individual whose taxable year begins on a  
 10 date other than January 1, estimated tax payments are due  
 11 the following number of months after the beginning of his  
 12 taxable year:  
 13 1st installment 3 1/2 months  
 14 2nd installment 5 1/2 months  
 15 3rd installment 8 1/2 months  
 16 4th installment 12 1/2 months  
 17 (4) This section does not apply to an individual with  
 18 a short taxable year or to a part-time resident.  
 19 (5) An individual who is required to pay an estimated  
 20 tax under 15-30-241 but fails to pay the tax is subject to a  
 21 penalty of 10% of the underpayment, but not less than \$5 for  
 22 each installment, and interest at the rate of 9% a year. To  
 23 calculate the amount of the underpayment and the period of  
 24 the time for interest to be paid, the provisions of section  
 25 6654(b)(1) through (3) of the Internal Revenue Code of 1986,

1 as amended, apply.

2 (6) Except as provided in [section 4], the penalty and  
3 interest for underpayment of estimated tax must be added to  
4 the tax due under 15-30-103."

5 NEW SECTION. Section 4. Exceptions to assessment of  
6 penalty and interest -- no interest for overpayment. (1) A  
7 taxpayer is subject to the payment of penalty and interest  
8 provided in 15-30-242(5) only if the amount of an  
9 installment paid, if any, is less than:

10 (a) 25% of 90% of the actual tax due; or

11 (b) 25% of 100% of the previous year's tax liability,  
12 provided the tax is for a full tax year.

13 (2) (a) Penalty or interest may not be imposed under  
14 15-30-242(5) with respect to any underpayment of estimated  
15 taxes for a newly retired or newly disabled person. For the  
16 purposes of this subsection (2)(a), "newly retired" or  
17 "newly disabled" person means a person who retired at 62  
18 years of age or older or who became disabled in the taxable  
19 year for which estimated payments are required to be made or  
20 in the taxable year preceding the current taxable year.

21 (b) Penalty or interest may not be imposed under  
22 15-30-242(5) with respect to any underpayment to the extent  
23 the director of the department of revenue determines that by  
24 reason of casualty, disaster, or other unusual circumstance  
25 the imposition of the payment of estimated taxes would be

1 contrary to equity and good conscience.

2 (3) Interest may not be paid for any overpayment of  
3 estimated tax, except as provided in 15-30-149(4).

4 **Section 5.** Section 15-31-101, MCA, is amended to read:

5 "15-31-101. Organizations subject to tax. (1) The term  
6 "corporation" includes associations, joint-stock companies,  
7 common-law trusts and business trusts which do business in  
8 an organized capacity, and all other corporations whether  
9 created, organized, or existing under and pursuant to the  
10 laws, agreements, or declarations of trust of any state,  
11 country, or the United States.

12 (2) The terms "engaged in business" and "doing  
13 business" both mean actively engaging in any transaction for  
14 the purpose of financial or pecuniary gain or profit.

15 (3) Except as provided in 15-31-103 or 33-2-705(4) or  
16 as may be otherwise specifically provided, every corporation  
17 engaged in business in the state of Montana shall annually  
18 pay to the state treasurer as a license fee for the  
19 privilege of carrying on business in this state such  
20 percentage or percentages of its total net income for the  
21 preceding taxable year at the rate hereinafter set forth. In  
22 the case of corporations having income from business  
23 activity which is taxable both within and without this  
24 state, the license fee shall be measured by the net income  
25 derived from or attributable to Montana sources as

1 determined under part 3. This Except as provided in  
 2 15-31-502, this tax is due and payable on the 15th day of  
 3 the 5th month following the close of the taxable year of the  
 4 corporation; however, the tax becomes a lien as provided in  
 5 this chapter on the last day of the taxable year in which  
 6 the income was earned and is for the privilege of carrying  
 7 on business in this state for the taxable year in which the  
 8 income was earned.

9 (4) Every bank organized under the laws of the state  
 10 of Montana, of any other state, or of the United States and  
 11 every savings and loan association organized under the laws  
 12 of this state or of the United States is subject to the  
 13 Montana corporation license tax provided for under this  
 14 chapter. For taxable years beginning on and after January 1,  
 15 1972, this subsection is effective in accordance with Public  
 16 Law 91-156, section 2 (12 U.S.C. 548)."

17 **Section 6.** Section 15-31-502, MCA, is amended to read:

18 \*15-31-502. Assessment and payment of tax, ~~penalty~~  
 19 ~~and interest~~ -- estimated tax payment. (1) All taxpayers  
 20 shall compute the amount of tax payable under this chapter  
 21 and shall remit such the amount to the department of revenue  
 22 on or before the 15th day of the 5th month following the  
 23 close of the taxable period. ~~If the tax is not paid on or~~  
 24 ~~before the due date, there shall be assessed a penalty of~~  
 25 ~~10% of the amount of the tax unless it is shown that the~~

1 ~~failure was due to reasonable cause and not due to neglect.~~  
 2 ~~if any tax due under this chapter is not paid when due, by~~  
 3 ~~reason of extension granted or otherwise, interest shall be~~  
 4 ~~added thereto at the rate of 12% per annum from the due date~~  
 5 ~~until paid.~~

6 (2) Each corporation shall make estimated tax payments  
 7 if its annual estimated tax can reasonably be expected to be  
 8 \$5,000 or more. The estimated payments must be made in  
 9 installments as follows:

10 (a) If the \$5,000 The following percentages of  
 11 threshold is met or the estimated tax must be  
 12 exceeded: paid on the 15th day of the

13 applicable months:  
 14 4th 6th 9th 12th  
 15 month month month month

16 Before the 1st day of the  
 17 4th month of the taxable  
 18 year: 25% 25% 25% 25%

19 After the last day of the  
 20 3rd month and before the  
 21 1st day of the 6th month of  
 22 the taxable year: 33 1/3% 33 1/3% 33 1/3%

23 After the last day of the  
 24 5th month and before the  
 25 1st day of the 9th month of





1 applicable to the taxable year, but otherwise on the basis  
2 of the facts shown on the return of the corporation for, and  
3 the law applicable to, the preceding taxable year; or

4 (iii) an amount equal to 80% of the tax for the taxable  
5 year, computed by placing on an annualized basis the taxable  
6 income:

7 (A) for the first 3 months of the taxable year in the  
8 case of the installment required to be paid in the 4th  
9 month;

10 (B) for the first 3 months or for the first 5 months  
11 of the taxable year in the case of the installment required  
12 to be paid in the 6th month;

13 (C) for the first 6 months or for the first 8 months  
14 of the taxable year in the case of the installment required  
15 to be paid in the 9th month; and

16 (D) for the first 9 months or for the first 11 months  
17 of the taxable year in the case of the installment required  
18 to be paid in the 12th month of the taxable year.

19 (c) For purposes of subsection (1)(b)(iii), the  
20 taxable income must be placed on an annualized basis by:

21 (i) multiplying by 12 the taxable income referred to  
22 in subsection (1)(b)(iii); and

23 (ii) dividing the resulting amount by the number of  
24 months in the taxable year (3, 5, 6, 8, 9, or 11, as the  
25 case may be) referred to in subsection (1)(b)(iii).

1 (d) Notwithstanding subsections (1)(a) through (1)(c),  
2 the penalty with respect to an underpayment of any  
3 installment may not be imposed if the total amount of all  
4 payments of estimated tax made on or before the last date  
5 prescribed for the payment of the installment equals or  
6 exceeds 80% of the amount determined under subsection  
7 (1)(e).

8 (e) Determine the amount under this subsection (e) for  
9 any installment by:

10 (i) taking the taxable income for all months during  
11 the taxable year preceding the filing month;

12 (ii) dividing the amount by the base period percentage  
13 for all months during the taxable year preceding the filing  
14 month;

15 (iii) determining the tax on the amount calculated  
16 under subsection (1)(e)(ii); and

17 (iv) multiplying the tax computed under subsection  
18 (1)(e)(iii) by the base period percentage for the filing  
19 month and all months during the taxable year preceding the  
20 filing month.

21 (f) For purposes of this subsection (1):

22 (i) the base period percentage for any period of  
23 months is the average percentage that the taxable income for  
24 the corresponding months in each of the 3 preceding taxable  
25 years bears to the taxable income of the 3 taxable preceding

1 years;

2 (ii) the term "filing month" means the month in which  
3 the installment is required to be paid;

4 (iii) this subsection (1) applies only if the base  
5 period percentage for any 6 consecutive months of the  
6 taxable year equals or exceeds 70%; and

7 (iv) the department of revenue may by rule provide for  
8 the determination of the base period percentage in the case  
9 of reorganizations, new corporations, and other similar  
10 circumstances.

11 (2) If the tax for any corporation is not paid on or  
12 before the due date of the return as provided in  
13 15-31-111(2), there is assessed a penalty of 10% of the  
14 amount of the tax due, unless it is shown that the failure  
15 was due to reasonable cause and not to neglect.

16 (3) If any tax due under this section is not paid when  
17 due, by reason of extension granted or otherwise, interest  
18 is added to the tax due at the rate of 12% a year from the  
19 due date until paid.

20 **NEW SECTION. Section 8. University system capital**  
21 **projects account -- use.** (1) There is within the state  
22 special revenue fund a university system capital projects  
23 account.

24 (2) The account is comprised of:

25 (a) all money allocated to the fund under 15-1-501(6);

1 and

2 (b) all interest earned on the account, except the  
3 amount appropriated by the legislature to service bonds  
4 issued for purposes authorized under subsection (3).

5 (3) Interest earned on the account may be appropriated  
6 only to service bonds issued for the purpose of financing  
7 capital projects authorized by the legislature for the  
8 Montana university system. However, money from the account  
9 may not be expended or obligated without:

10 (a) specific authorization of the project by the  
11 legislature; and

12 (b) appropriation of funds by the legislature.

13 (4) For the purposes of this section, the term  
14 "capital project" means a building or any infrastructure  
15 necessary to support a building or other infrastructure at  
16 the university of Montana, Montana state university, eastern  
17 Montana college, western Montana college, northern Montana  
18 college, or Montana college of mineral science and  
19 technology. The term does not include facilities  
20 appurtenant to the commissioner of higher education or the  
21 board of regents, unless the facilities are located on the  
22 campus or an extension of the campus of one of the six units  
23 specified in this subsection.

24 **NEW SECTION. Section 9. Credit for malpractice**  
25 **insurance costs allowed physicians providing obstetrical or**

1 obstetrical-gynecological care. (1) There is allowed a  
 2 credit against income tax liability for a physician licensed  
 3 to practice medicine in this state and who provides  
 4 obstetrical or obstetrical-gynecological services in this  
 5 state. The credit is allowed for a percentage of the amount  
 6 paid for medical malpractice insurance by a physician  
 7 providing obstetrical or obstetrical-gynecological services,  
 8 subject to the following provisions:

9 (a) For a physician who provides obstetrical or  
 10 obstetrical-gynecological services in a metropolitan  
 11 statistical area, as designated by the U. S. office of  
 12 management and budget, the amount of the credit allowed is  
 13 25% of the amount paid for malpractice insurance associated  
 14 with the provision of obstetrical or  
 15 obstetrical-gynecological services.

16 (b) For a physician who provides obstetrical or  
 17 obstetrical-gynecological services outside a metropolitan  
 18 statistical area and in a city with a population between  
 19 10,000 and 49,999, the amount of the credit allowed is 35%  
 20 of the amount paid for malpractice insurance associated with  
 21 the provision of obstetrical or obstetrical-gynecological  
 22 services.

23 (c) For a physician who provides obstetrical or  
 24 obstetrical-gynecological services outside a metropolitan  
 25 statistical area and in a city or community with a

1 population of less than 10,000, the amount of the credit  
 2 allowed is 50% of the amount paid for malpractice insurance  
 3 associated with the provision of obstetrical or  
 4 obstetrical-gynecological services.

5 (2) If the amount of the credit provided for in  
 6 subsection (1)(a) or (1)(b) exceeds the physician's  
 7 individual income tax liability under this chapter, the  
 8 amount of the excess must be refunded to the physician. The  
 9 credit may be claimed even though the physician has no  
 10 income taxable under this chapter.

11 NEW SECTION. Section 10. Saving clause. [This act]  
 12 does not affect rights and duties that matured, penalties  
 13 that were incurred, or proceedings that were begun before  
 14 [the effective date of this act].

15 NEW SECTION. Section 11. Codification instruction.  
 16 (1) [Section 4] is intended to be codified as an integral  
 17 part of Title 15, chapter 30, part 2, and the provisions of  
 18 Title 15, chapter 30, part 2, apply to [section 4].

19 (2) [Section 7] is intended to be codified as an  
 20 integral part of Title 15, chapter 31, part 5, and the  
 21 provisions of Title 15, chapter 31, part 5, apply to  
 22 [section 7].

23 (3) [Section 8] is intended to be codified as an  
 24 integral part of Title 17, and the provisions of Title 17  
 25 apply to [section 8].

LC 0121/01

1           (4) [Section 9] is intended to be codified as an  
2 integral part of Title 15, chapter 30, and the provisions of  
3 Title 15, chapter 30, apply to [section 9].

4           NEW SECTION. Section 12. Applicability. (1) Except as  
5 provided in subsection (2), [this act] applies to taxable  
6 years beginning after December 31, 1989.

7           (2) [Section 9] applies retroactively, within the  
8 meaning of 1-2-109, to taxable years beginning after  
9 December 31, 1988.

10           NEW SECTION. Section 13. Effective date. [This act]  
11 is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE  
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB21 as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the laws relating to the taxation of income; to provide for the quarterly payment of estimated tax by certain taxpayers; to require quarterly estimated payments by all taxpayers subject to corporate license or income tax who have annual state tax liabilities in excess of \$5,000; to provide for penalties for underpayment; to provide a refundable state income tax credit for malpractice insurance costs to physicians providing obstetrical or obstetrical-gynecological care in Montana; to create a university system capital projects fund and to provide for the use of the fund; and providing an immediate effective date and an applicability date.

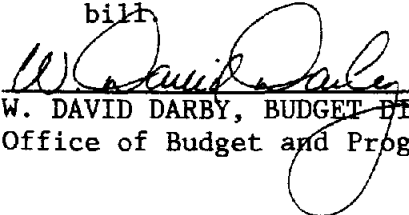
ASSUMPTIONS:

CORPORATION LICENSE TAX

1. Corporation license tax collections are projected to be \$51,044,000 in FY90 and \$51,474,000 in FY91 (HJR13).
2. The percentage distribution of corporate tax liabilities across taxable income brackets in 1987 is assumed constant in future years.
3. Corporations will submit through required estimated payments 80% of their total tax liability.
4. The requirement to submit estimated payments will apply to approximately 1,000 corporations. These 1,000 corporations account for 77.4% of revenue collected from the corporation license or income tax.

INDIVIDUAL INCOME TAX

5. Current law individual income tax collections are estimated to be \$ 256,617,000 in FY90; \$ 274,732,000 in FY91; and \$288,164,000 in FY92 (HJR13 and OBPP).
6. The ratio of estimated tax reported in Statewide Budgeting & Accounting System (SBAS) to total individual income tax collections is .10 (SBAS, FY88).
7. Under current law, the estimated tax currently reported in SBAS, and paid before April 15, is 42.4% of the total liability subject to estimated tax provisions.
8. Taxpayers whose total remaining liability after withholding and credits is less than \$400 will not be subject to the estimated tax provisions.
9. Taxpayers subject to these provisions will pay 90% of their total liabilities in estimated payments.
10. The proposed penalty provisions are sufficient to enforce 100% taxpayer compliance with the provisions of this bill.

  
W. DAVID DARBY, BUDGET DIRECTOR  
Office of Budget and Program Planning

6/28/89

DATE

  
MIKE HALLIGAN, PRIMARY SPONSOR  
DATE

6-29-89

DATE

Fiscal Note for SB21 as introduced

**SB 21**

Fiscal Note Request SB21 as introduced

Form BD-15

Page 2

11. The net effect of this bill is to accelerate 42.22% of total FY91 liability subject to estimated tax provisions into FY90. (25% of total estimated tax liability paid in April, and 25% paid in June, less 7.78% already being paid under current law.)
12. All June, 1990, payments are recorded in time to meet the June SBAS cutoff date.
13. If there were no growth in total income tax liability from one year to the next, the impact in the second year of the biennium would be zero. The impact shown is attributable to collections estimated to increase approximately 4.89% from FY91 to FY92.
14. Short-term interest rates are estimated to be 8.0% in FY90 and FY91.(HJR13)
15. The submission of quarterly estimated tax payments will increase the workload of the Income Tax Division and the Natural Resource and Corporation Tax Division. Workload will increase due to additional forms and payments to be processed. Also, a one-time expenditure is necessary for changing the corporation tax computer system and the revenue control system to account for the different method of tax receipts.
16. It is estimated the income tax credit for malpractice insurance costs to physicians providing obstetrical or obstetrical-gynecological care in Montana would total \$1,500,000 each fiscal year.

FISCAL IMPACT:

Note: This bill is identical to SB14, with the exception of the provisions for allowing an individual income tax credit for malpractice insurance for OBGYN doctors. To facilitate comparison, the revenue and funding impacts for this additional proposal are show below. The combined effect is shown in the following set of tables.

Revenue Impact: CREDIT FOR MALPRACTICE INSURANCE

	<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	\$256,617,000	\$255,117,000	(\$1,500,000)	\$274,732,000	\$273,232,000	(\$1,500,000)
<u>Fund Information:</u>						
General Fund	\$149,351,094	\$148,478,094	(\$873,000)	\$159,894,024	\$159,021,024	(\$873,000)
Foundation Program	81,604,206	81,127,206	(477,000)	87,364,776	86,887,776	(477,000)
Debt Service	25,661,700	25,511,700	(150,000)	27,473,200	27,323,200	(150,000)
Total	\$256,617,000	\$255,117,000	(\$1,500,000)	\$274,732,000	\$273,232,000	(\$1,500,000)

Revenue Impact: COMBINED

	<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>
Corporation Tax	\$ 51,044,000	\$ 59,272,293	\$ 8,228,293	\$ 51,474,000	\$ 65,891,867	\$14,417,867
Individual Income Tax	256,617,000	282,470,000	25,859,000	274,732,000	274,570,000	(162,000)
Total	\$307,661,000	\$341,748,293	\$34,087,293	\$326,206,000	\$340,461,867	\$14,275,867

SR 21

Corporation Tax note: additional interest earned due to the change in the timing of the receipts is estimated to be \$79,833 in FY90 and \$845,234 in FY91

Individual Income Tax note: accelerating collections through the estimated tax provisions of this bill are estimated to increase interest income approximately \$244,090 in FY90, and \$361,882 in FY91.

Fund Information:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
General Fund	\$179,283,067	\$191,371,166	\$12,088,099	\$190,059,073	\$185,881,965	(\$4,177,108)
Foundation Program	93,296,383	105,037,840	11,741,458	99,147,998	102,091,214	2,943,215
Debt Service	30,806,258	32,873,992	2,067,734	32,657,818	31,929,981	(727,837)
Local Governments	4,275,292	4,964,469	689,177	4,341,111	5,557,056	1,215,945
Univ. Capital Proj.	0	7,500,825	7,500,825	0	15,001,651	15,001,651
Total	\$307,661,000	\$341,748,293	\$34,087,293	\$326,206,000	\$340,461,867	\$14,255,867

Expenditure Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Personal Services	\$ 0	\$ 87,681	\$ 87,681	\$ 0	\$ 87,937	\$ 87,937
Operating Expense	0	44,900	44,900	0	31,500	31,500
Capital Outlay	0	23,656	23,656	0	0	0
Total	\$ 0	\$ 156,237	\$ 156,237	\$ 0	\$ 119,437	\$ 119,437