

HOUSE BILL 4

Introduced by Elliott

7/02	Introduced
7/02	Referred to Taxation
7/02	Fiscal Note Required
7/06	First Reading
7/08	Fiscal Note Received
7/08	Fiscal Note Printed
7/09	Hearing
	Died in Committee

1 HOUSE BILL NO. 4

2 INTRODUCED BY ELLIOTT

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE
5 DEDUCTION OF FEDERAL TAXES USED IN DETERMINING MONTANA NET
6 TAXABLE INCOME FOR INCOME TAX PURPOSES MAY NOT EXCEED
7 \$10,000 FOR TAXPAYERS FILING SINGLY OR SEPARATELY AND
8 \$20,000 FOR MARRIED TAXPAYERS FILING JOINTLY; AMENDING
9 SECTION 15-30-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
10 DATE AND A RETROACTIVE APPLICABILITY DATE."

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

13 **Section 1.** Section 15-30-121, MCA, is amended to read:

14 **"15-30-121. Deductions allowed in computing net income.**

15 In computing net income, there are allowed as deductions:

16 (1) the items referred to in sections 161, including
17 the contributions referred to in 33-15-201(5)(b), and 211 of
18 the Internal Revenue Code of 1954, or as sections 161 and
19 211 shall be labeled or amended, subject to the following
20 exceptions which are not deductible:

21 (a) items provided for in 15-30-123;

22 (b) state income tax paid;

23 (2) federal income tax paid within the taxable year,

24 not to exceed:

25 (a) \$10,000 for each taxpayer filing singly or for

1 married taxpayers filing separately; or

2 (b) \$20,000 for married taxpayers filing jointly;

3 (3) expenses of household and dependent care services
4 as outlined in subsections (3)(a) through (3)(c) and subject
5 to the limitations and rules as set out in subsections
6 (3)(d) through (3)(f) as follows:

7 (a) expenses for household and dependent care services
8 necessary for gainful employment incurred for:

9 (i) a dependent under 15 years of age for whom an
10 exemption can be claimed;

11 (ii) a dependent as allowable under 15-30-112(5), except
12 that the limitations for age and gross income do not apply,
13 who is unable to care for himself because of physical or
14 mental illness; and

15 (iii) a spouse who is unable to care for himself because
16 of physical or mental illness;

17 (b) employment-related expenses incurred for the
18 following services, but only if such expenses are incurred
19 to enable the taxpayer to be gainfully employed:

20 (i) household services which are attributable to the
21 care of the qualifying individual; and

22 (ii) care of an individual who qualifies under
23 subsection (3)(a);

24 (c) expenses incurred in maintaining a household if
25 over half of the cost of maintaining the household is

1 furnished by an individual or, if the individual is married
2 during the applicable period, is furnished by the individual
3 and his spouse;

4 (d) the amounts deductible in subsection (3)(a) through
5 (3)(c) are subject to the following limitations:

6 (i) a deduction is allowed under subsection (3)(a) for
7 employment-related expenses incurred during the year only to
8 the extent such expenses do not exceed \$4,800;

9 (ii) expenses for services in the household are
10 deductible under subsection (3)(a) for employment-related
11 expenses only if they are incurred for services in the
12 taxpayer's household, except that employment-related
13 expenses incurred for services outside the taxpayer's
14 household are deductible, but only if incurred for the care
15 of a qualifying individual described in subsection (3)(a)(i)
16 and only to the extent such expenses incurred during the
17 year do not exceed:

18 (A) \$2,400 in the case of one qualifying individual;

19 (B) \$3,600 in the case of two qualifying individuals;

20 and

21 (C) \$4,800 in the case of three or more qualifying
22 individuals;

23 (e) if the combined adjusted gross income of the
24 taxpayers exceeds \$18,000 for the taxable year during which
25 the expenses are incurred, the amount of the

1 employment-related expenses incurred must be reduced by
2 one-half of the excess of the combined adjusted gross income
3 over \$18,000;

4 (f) for purposes of this subsection (3):

5 (i) married couples shall file a joint return or file
6 separately on the same form;

7 (ii) if the taxpayer is married during any period of the
8 taxable year, employment-related expenses incurred are
9 deductible only if:

10 (A) both spouses are gainfully employed, in which case
11 the expenses are deductible only to the extent that they are
12 a direct result of the employment; or

13 (B) the spouse is a qualifying individual described in
14 subsection (3)(a)(iii);

15 (iii) an individual legally separated from his spouse
16 under a decree of divorce or of separate maintenance may not
17 be considered as married;

18 (iv) the deduction for employment-related expenses must
19 be divided equally between the spouses when filing
20 separately on the same form;

21 (v) payment made to a child of the taxpayer who is
22 under 19 years of age at the close of the taxable year and
23 payments made to an individual with respect to whom a
24 deduction is allowable under 15-30-112(5) are not deductible
25 as employment-related expenses;

1 (4) in the case of an individual, political
2 contributions determined in accordance with the provisions
3 of section 218(a) and (b) of the Internal Revenue Code that
4 were in effect for the taxable year ended December 31, 1978;

5 (5) that portion of expenses for organic fertilizer
6 allowed as a deduction under 15-32-303 which was not
7 otherwise deducted in computing taxable income;

8 (6) contributions to the child abuse and neglect
9 prevention program provided for in 41-3-701, subject to the
10 conditions set forth in 15-30-156;

11 (7) premium payments for long-term care insurance with
12 benefits that meet or exceed the minimum standards as
13 established by the state insurance commissioner; and

14 (8) contributions to the Montana drug abuse resistance
15 education program provided for in 44-2-702, subject to the
16 conditions set forth in 15-30-159. (Subsection (8)
17 terminates on occurrence of contingency--sec. 12, Ch. 808,
18 L. 1991.)"

19 NEW SECTION. **Section 2.** **Effective date -- retroactive**
20 **applicability.** [This act] is effective on passage and
21 approval and applies retroactively, within the meaning of
22 1-2-109, to tax years beginning after December 31, 1991.

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