

SENATE BILL 22

Introduced by Halligan

12/01	Introduced
12/01	Referred to Taxation
12/01	Fiscal Note Requested
12/01	First Reading
12/02	Fiscal Note Received
12/02	Fiscal Note Printed
12/07	Hearing
	Died in Committee

1 Senate BILL NO. 22  
2 INTRODUCED BY Hallyn  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A TAX CREDIT  
5 TO FEDERAL RETIREES TO REFUND TAXES PAID ON FEDERAL PENSION  
6 INCOME DURING THE PERIOD FROM 1983 THROUGH 1987; REQUIRING  
7 APPLICATION FOR THE TAX CREDIT; AMENDING SECTION 15-30-147,  
8 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

11 NEW SECTION. Section 1. Credit for taxes paid on  
12 federal pension income. (1) For the tax year beginning after  
13 December 31, 1994, and the succeeding 3 tax years, a  
14 taxpayer who was required to pay a tax on federal pension  
15 income for any of the tax years 1983 through 1987 is allowed  
16 a tax credit against the taxes imposed by 15-30-103 for the  
17 amount certified pursuant to 15-30-147(2)(d). The credit may  
18 be claimed on returns filed after December 31, 1994.

19 (2) The maximum credit that a taxpayer may claim on any  
20 year's tax liability is 25% of the original amount certified  
21 pursuant to 15-30-147(2)(d), not to exceed the total amount  
22 of the taxpayer's tax liability for the year in which the  
23 credit is claimed. That portion of the credit which exceeds  
24 the taxpayer's liability in any year may be carried over to  
25 be applied to any succeeding year's tax liability.

1 **Section 2.** Section 15-30-147, MCA, is amended to read:

2 "15-30-147. Application for revision -- appeal --  
3 application for tax credit for federal pension income. (1)  
4 An application for revision may be filed with the department  
5 by a taxpayer within 5 years from the last day prescribed  
6 for filing the return as provided in 15-30-145(3),  
7 regardless of whether the return was filed on or after the  
8 last day prescribed for filing. If the department has  
9 revised a return pursuant to 15-30-145(3), the taxpayer may  
10 revise the same return until the liability for that tax year  
11 is finally determined. If the taxpayer is not satisfied with  
12 the action taken by the department, the taxpayer may appeal  
13 to the state tax appeal board.

14 (2) (a) Notwithstanding the provisions of subsection  
15 (1), a taxpayer who included federal pension income in  
16 Montana adjusted gross income that resulted in the payment  
17 of a tax and who did not file a timely claim for a refund of  
18 taxes paid on federal pension income for any of the tax  
19 years 1983 through 1987 may file an application for a tax  
20 credit to be used for the payment of future tax liabilities  
21 as provided in [section 1].

22 (b) A taxpayer who filed an income tax return using the  
23 status of married filing jointly and:

24 (i) who did not receive federal pension income as the  
25 result of personal services performed by the taxpayer for

any of the tax years 1983 through 1987 may not file a claim for a credit;

(ii) who, for any of the tax years 1983 through 1987, received federal pension income along with the taxpayer's spouse and whose spouse is now deceased may file a claim for a credit only for the amount of federal pension income received individually by the taxpayer.

(c) The application for credit must be made between [the effective date of this act] and June 30, 1994. The application may be made only for tax years 1983 through 1987. For a taxpayer who is physically or mentally incapacitated, a claim for the credit may be filed on the taxpayer's behalf by a person authorized by law to handle the taxpayer's affairs or to act for the taxpayer.

(d) Upon receipt of the application, the department shall review the application for completeness and accuracy. After review, the department shall certify to the taxpayer the amount of the taxpayer's credit for taxes paid on federal pension income.

(3) For purposes of this section "federal pension income" means pension income received from the United States government or an agency of the United States government."

**NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15,

chapter 30, apply to [section 1].

**NEW SECTION. Section 4. Effective date.** [This act] 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 SB0022, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act providing a tax credit to federal retirees to refund taxes paid on federal pension income during the period from 1983 to 1987; requiring application for the tax credit; and providing an immediate effective date.

ASSUMPTIONS:

1. Because the proposal applies to tax years beginning after December 31, 1994, there is no impact on revenues in the 1995 biennium.
2. The credit provided for in the proposal is a nonrefundable credit--credits will not be refunded to the extent that they exceed tax liability in the year applied for.
3. The proposal provides for refunds to federal taxpayers regardless of whether or not they have filed timely claims for refunds.
4. The proposal does not provide for the refunding of any interest associated with the credits claimed.
5. Refunds for retirees who have filed timely claims for refunds total \$8,578,433.
6. Potential refunds for retirees who have not filed timely claims for refunds total \$9,765,768. Of this amount, 80%, or \$7,812,614 will be claimed. This results in total claims for refunds of \$16,391,047.
7. For each taxpayer, the maximum credit allowed in any single year is 25% of the total credit certified. The total amount of refunds claimed will be credited in equal amounts for tax years 1995 through 1998 (fiscal years 1996 through 1999).

FISCAL IMPACT:

Expenditures:

Additional processing and administration costs will total \$96,000 in FY95 (general fund).

Revenues:

There is no impact on revenues in the current biennium.

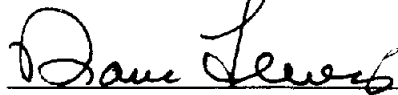
LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:


Revenues will be reduced approximately \$4.1 million in each year for the period fiscal 1996 through fiscal 1999.

TECHNICAL NOTES:

Section 1 provides that the credits are allowed for tax years beginning after December 31, 1994; but also states that the credit may be claimed on returns filed after December 31, 1994. If the credits are allowed for tax years beginning after December 31, 1994 then the credit would first be claimed on returns filed in April of 1996.

The bill is silent regarding the treatment of interest on credits claimed.

 12-2  
DAVE LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

 12-2-93  
MIKE HALLIGAN, PRIMARY SPONSOR      DATE  
Fiscal Note for SB0022, as introduced

SB 22