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INTRODUCED BY House BILL NO. 202
Tom Nelson Roney

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INDIVIDUAL INCOME TAX DEDUCTION FOR PREMIUM PAYMENTS FOR MEDICAL CARE INSURANCE; AMENDING SECTION 15-30-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

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

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

- (a) items provided for in 15-30-123;
- (b) state income tax paid;
- (2) federal income tax paid within the ~~taxable~~ tax year;

(3) expenses of household and dependent care services as outlined in subsections (3)(a) through (3)(c) and (9) and subject to the limitations and rules as set out in subsections (3)(d) through (3)(f), as follows:

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

- (i) a dependent under 15 years of age for whom an exemption can be claimed;
- (ii) a dependent as allowable under 15-30-112(5), except that the limitations for age and gross income do not apply, who is unable to provide self-care because of physical or mental illness; and
- (iii) a spouse who is unable to provide self-care because of physical or mental illness;

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

- (i) household services ~~which~~ that are attributable to the care of the qualifying individual; and



HB 202
INTRODUCED BILL

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

2 (c) expenses incurred in maintaining a household if over half of the cost of maintaining the
3 household is furnished by an individual or, if the individual is married during the applicable period, is
4 furnished by the individual and the individual's spouse;

5 (d) the amounts deductible in ~~subsection~~ subsections (3)(a) through (3)(c), ~~are~~ subject to the
6 following limitations:

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

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

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

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

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

17 (e) if the combined adjusted gross income of the taxpayers exceeds \$18,000 for the ~~taxable tax~~
18 year during which the expenses are incurred, the amount of the employment-related expenses incurred,
19 ~~must to~~ be reduced by one-half of the excess of the combined adjusted gross income over \$18,000;

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

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

22 (ii) if the taxpayer is married during any period of the ~~taxable tax~~ year, employment-related expenses
23 incurred are deductible only if:

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

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

27 (iii) an individual legally separated from the individual's spouse under a decree of divorce or of
28 separate maintenance may not be considered as married;

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

1 (v) payment made to a child of the taxpayer who is under 19 years of age at the close of the
2 ~~taxable~~ tax year and payments made to an individual with respect to whom a deduction is allowable under
3 15-30-112(5) are not deductible as employment-related expenses;

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

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

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

11 (7) premium payments for:

12 (a) insurance for medical care made directly by the taxpayer or made by an employer for the
13 taxpayer that are attributed as income to the taxpayer under federal law; and

14 (b) long-term care insurance with benefits that meet or exceed the minimum standards as
15 established by the state insurance commissioner; and

16 (8) contributions to the Montana drug abuse resistance education program provided for in
17 44-2-702, subject to the conditions set forth in 15-30-159.

18 (9) (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care home
19 or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's own
20 child and at least one unrelated child in the ordinary course of business may deduct employment-related
21 expenses considered to have been paid for the care of the child.

22 (b) The amount of employment-related expenses considered to have been paid by the taxpayer is
23 equal to the amount that the taxpayer charges for the care of a child of the same age for the same number
24 of hours of care. The employment-related expenses apply regardless of whether any expenses actually have
25 been paid. Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(ii).

26 (c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the
27 deduction under this subsection (9). (Subsection (8) terminates on occurrence of contingency--sec. 12, Ch.
28 808, L. 1991.)"

29
30 NEW SECTION. **Section 2. Effective date -- retroactive applicability.** [This act] is effective on

1 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
2 December 31, 1994.

3 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0202, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act allowing an individual income tax deduction for premium payments for medical care insurance; and providing an immediate effective date, and a retroactive applicability date.

ASSUMPTIONS:


State Auditor

1. Tax year (calendar year) 1993 individual health insurance premiums paid were \$129,900,000
2. Tax year 1993 group health insurance premiums paid were \$264,592,986. 10.7% of these premiums were paid by the individuals within the group and the remainder by the employer (Department of Labor & Industry survey).
3. Tax year 1993 Blue Cross administrative services only (ASO) business totalled \$54,000,000. Blue Cross represents 45% of the state market (Blue Cross). 10.7% of these premiums are paid by the individual.
4. Tax year 1993 other Montana ASO represents 55% of the state's market or \$66,000,000. 10.7% of these premiums are paid by individuals.
5. Total tax year 1993 (fiscal year 1994) health insurance premiums attributable to individuals were \$171,040,000.
6. Premium growth will be 4% per year.
7. Estimated health insurance premiums attributable to individuals would be \$177,900,000 in tax year 1994 (FY95), \$185,000,000 tax year 1995 (FY96) and \$192,400,000 in tax year 1996 (FY97).

Department of Revenue

8. This proposal applies to tax years beginning after December 31, 1994.
9. The percent distribution of individually insured households by household income is as follows: under \$10,000, 20.7%; \$10,000 to \$20,000, 27.8 %; \$20,000 to \$30,000, 18.8%; \$30,000 and over, 32.7% (Montana Health Care Authority & MDOR).
10. The average premium for individually insured households is the same regardless of household income (MDOR).
11. No additional households will individually purchase health insurance as a result of this legislation.
12. Total tax year 1995 and 1996 health insurance premiums are distributed among household income classes using the same percent distribution as specified above for the number of households (MDOR).
13. Health insurance premiums are the first dollars spent on health care by a household in a given year (MDOR).

(continued page 2)


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


THOMAS NELSON, PRIMARY SPONSOR DATE

Fiscal Note for HB0202, as introduced

HB 202

ASSUMPTIONS: (continued)

14. Health insurance premiums are not deducted under current law because of the 7.5 percent of adjusted gross income floor; all premiums will be deducted by taxpayers under the proposed law (MDOR).
15. The effective tax rates (taxes/total income) for Montana households by income category are as follows: under \$10,000, 0.85%; \$10,000 to \$20,000, 1.6%; \$20,000 to \$30,000, 2.3%, and \$30,000 and above, 3.95% (MDOR).
16. Applying these rates to the distribution of insurance premiums by income group yields the following estimated tax decreases for tax year 1995 (FY 96): under \$10,000, (\$ 314,500); \$10,000 to \$20,000, (\$817,700); \$20,000 to \$30,000, (\$803,400); \$30,000 and above, (\$2,389,600); for a total of (\$4,325,200) (MDOR).
17. Using the same methodology, the tax decrease estimates for tax year 1996 (FY 97) are: under \$10,000, (\$ 327,100); \$10,000 to \$20,000, (\$850,400); \$20,000 to \$30,000, (\$835,600); \$30,000 and above, (\$2,485,100); for a total of (\$4,498,200) (MDOR).
18. A new line will need to be added to the individual income tax form, along with associated changes in the Individual Income Tax System at a one time cost of \$7,318, and an ongoing yearly cost of approximately \$2,850.

FISCAL IMPACT:

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
<u>Expenditures:</u> (Department of Revenue)		
Operating Expenses	\$10,168	\$2,850
<u>Revenues:</u>		
Individual Income Tax	(\$4,325,200)	(\$4,498,200)
<u>Net Impact:</u>		
	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
General Fund	(\$4,335,368)	(\$4,501,050)

TECHNICAL NOTE:

As currently written, this bill would allow premium payments to be deducted in addition to the amount presently allowed. MCA section 15-30-121 (1), lines 13-14 on page 1 of the bill, allows premiums to be deducted subject to a 7.5 percent floor for all medical expenses (current law). The new section 15-30-121 (7a), lines 12-14 on page 3 of the bill, would allow an additional separate deduction, not subject to the 7.5 percent floor.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0202, Third Reading

DESCRIPTION OF PROPOSED LEGISLATION: A bill allowing an income tax deduction for one-half of premium payments for medical care insurance; amending 15-30-121, MCA; and providing an immediate effective date, a retroactive applicability date, and a contingent voidness provision.

ASSUMPTIONS:

1. The proposal as amended is estimated to reduce income tax revenues by \$1,520,000 in FY 96 and \$1,671,000 in FY 97 (DOR).
2. HB 2 as approved by the House contains a contingent voidness clause to allow this to become law if approved.
3. A new line will need to be added to the income tax form, along with associated changes in the Income Tax System at a one-time cost of \$7,318, and ongoing annual costs of \$2,850.

FISCAL IMPACT:

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
<u>Expenditures:</u> (Department of Revenue)		
Operating Costs	\$10,168	\$2,850
 <u>Revenues:</u>		
Individual Income Tax	(\$1,520,000)	(\$1,671,000)
 <u>Net Impact:</u>		
General Fund	(\$1,530,168)	(\$1,673,850)

Dave Lewis 3-21-95
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Thomas C. Nelson 3-21-95
 THOMAS NELSON, PRIMARY SPONSOR DATE

APPROVED BY SELECT
COMMITTEE ON HEALTH CARE

HOUSE BILL NO. 202

INTRODUCED BY T. NELSON, RANEY

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INDIVIDUAL INCOME TAX DEDUCTION FOR ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE INSURANCE; AMENDING SECTION 15-30-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE ~~AND~~ A RETROACTIVE APPLICABILITY DATE, AND A CONTINGENT VOIDNESS PROVISION."

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

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

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

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

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

(b) state income tax paid;

(C) ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE AS PROVIDED IN SUBSECTION (7);

(2) federal income tax paid within the ~~taxable~~ tax year;

(3) expenses of household and dependent care services as outlined in subsections (3)(a) through (3)(c) and (9) and subject to the limitations and rules as set out in subsections (3)(d) through (3)(f), as follows:

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

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

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

(iii) a spouse who is unable to provide self-care because of physical or mental illness;

(b) employment-related expenses incurred for the following services, but only if ~~such~~ the expenses

- 1 are incurred to enable the taxpayer to be gainfully employed:
- 2 (i) household services ~~which~~ that are attributable to the care of the qualifying individual; and
- 3 (ii) care of an individual who qualifies under subsection (3)(a);
- 4 (c) expenses incurred in maintaining a household if over half of the cost of maintaining the
- 5 household is furnished by an individual or, if the individual is married during the applicable period, is
- 6 furnished by the individual and the individual's spouse;
- 7 (d) the amounts deductible in ~~subsection~~ subsections (3)(a) through (3)(c), ~~are~~ subject to the
- 8 following limitations:
- 9 (i) a deduction is allowed under subsection (3)(a) for employment-related expenses incurred during
- 10 the year only to the extent that the expenses do not exceed \$4,800;
- 11 (ii) expenses for services in the household are deductible under subsection (3)(a) for
- 12 employment-related expenses only if they are incurred for services in the taxpayer's household, except that
- 13 employment-related expenses incurred for services outside the taxpayer's household are deductible, but
- 14 only if incurred for the care of a qualifying individual described in subsection (3)(a)(i) and only to the extent
- 15 that the expenses incurred during the year do not exceed:
- 16 (A) \$2,400 in the case of one qualifying individual;
- 17 (B) \$3,600 in the case of two qualifying individuals; and
- 18 (C) \$4,800 in the case of three or more qualifying individuals;
- 19 (e) if the combined adjusted gross income of the taxpayers exceeds \$18,000 for the ~~taxable~~ tax
- 20 year during which the expenses are incurred, the amount of the employment-related expenses incurred,
- 21 ~~must to~~ be reduced by one-half of the excess of the combined adjusted gross income over \$18,000;
- 22 (f) for purposes of this subsection (3):
- 23 (i) married couples shall file a joint return or file separately on the same form;
- 24 (ii) if the taxpayer is married during any period of the ~~taxable~~ tax year, employment-related expenses
- 25 incurred are deductible only if:
- 26 (A) both spouses are gainfully employed, in which case the expenses are deductible only to the
- 27 extent that they are a direct result of the employment; or
- 28 (B) the spouse is a qualifying individual described in subsection (3)(a)(iii);
- 29 (iii) an individual legally separated from the individual's spouse under a decree of divorce or of
- 30 separate maintenance may not be considered as married;

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

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

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

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

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

13 (7) ONE-HALF OF premium payments, EXCEPT PREMIUMS DEDUCTED IN DETERMINING
14 MONTANA ADJUSTED GROSS INCOME, for:

15 (a) insurance for medical care made directly by the taxpayer or made by an employer for the
16 taxpayer that are attributed as income to the taxpayer under federal law; and

17 (b) long-term care insurance with benefits that meet or exceed the minimum standards as
18 established by the state insurance commissioner; and

19 (8) contributions to the Montana drug abuse resistance education program provided for in
20 44-2-702, subject to the conditions set forth in 15-30-159.

21 (9) FOR THE PURPOSE OF SUBSECTION (7)(A), DEDUCTIBLE MEDICAL INSURANCE PREMIUMS
22 ARE THOSE PREMIUMS THAT PROVIDE PAYMENT FOR MEDICAL CARE AS DEFINED BY 26 U.S.C.
23 213(D).

24 ~~(9)(10)~~ (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care
25 home or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's
26 own child and at least one unrelated child in the ordinary course of business may deduct
27 employment-related expenses considered to have been paid for the care of the child.

28 (b) The amount of employment-related expenses considered to have been paid by the taxpayer is
29 equal to the amount that the taxpayer charges for the care of a child of the same age for the same number
30 of hours of care. The employment-related expenses apply regardless of whether any expenses actually have

1 been paid. Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(ii).

2 (c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the
3 deduction under this subsection ~~(9)~~ (10). (Subsection (8) terminates on occurrence of contingency--sec.
4 12, Ch. 808, L. 1991.)"

5

6 NEW SECTION. Section 2. Effective date -- retroactive applicability. [This act] is effective on
7 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
8 December 31, 1994.

9

10 NEW SECTION. SECTION 3. CONTINGENT VOIDNESS. IN ORDER TO MAINTAIN A BALANCED
11 BUDGET, BECAUSE [THIS ACT] REDUCES REVENUE, IT MAY NOT BE TRANSMITTED TO THE GOVERNOR
12 UNLESS A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS CONTAINED IN HOUSE BILL NO.
13 2. IF A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS NOT CONTAINED IN HOUSE BILL NO.
14 2, [THIS ACT] IS VOID.

15

-END-

1 HOUSE BILL NO. 202

2 INTRODUCED BY T. NELSON, RANEY

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INDIVIDUAL INCOME TAX DEDUCTION FOR
 5 ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE INSURANCE; AMENDING SECTION 15-30-121,
 6 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND, A RETROACTIVE APPLICABILITY DATE,
 7 AND A CONTINGENT VOIDNESS PROVISION."
 8

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

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

12 **"15-30-121. Deductions allowed in computing net income.** In computing net income, there are
 13 allowed as deductions:

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

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

18 (b) state income tax paid;

19 (C) ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE AS PROVIDED IN SUBSECTION (7);

20 (2) federal income tax paid within the ~~taxable~~ tax year;

21 (3) expenses of household and dependent care services as outlined in subsections (3)(a) through
 22 (3)(c) and (9) and subject to the limitations and rules as set out in subsections (3)(d) through (3)(f), as
 23 follows:

24 (a) expenses for household and dependent care services necessary for gainful employment incurred
 25 for:

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

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

29 (iii) a spouse who is unable to provide self-care because of physical or mental illness;

30 (b) employment-related expenses incurred for the following services, but only if ~~such~~ the expenses

1 are incurred to enable the taxpayer to be gainfully employed:

2 (i) household services ~~which~~ that are attributable to the care of the qualifying individual; and

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

4 (c) expenses incurred in maintaining a household if over half of the cost of maintaining the
5 household is furnished by an individual or, if the individual is married during the applicable period, is
6 furnished by the individual and the individual's spouse;

7 (d) the amounts deductible in ~~subsection~~ subsections (3)(a) through (3)(c), ~~are~~ subject to the
8 following limitations:

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

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

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

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

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

19 (e) if the combined adjusted gross income of the taxpayers exceeds \$18,000 for the ~~taxable tax~~ tax
20 year during which the expenses are incurred, the amount of the employment-related expenses incurred,
21 ~~must to~~ be reduced by one-half of the excess of the combined adjusted gross income over \$18,000;

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

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

24 (ii) if the taxpayer is married during any period of the ~~taxable tax~~ tax year, employment-related expenses
25 incurred are deductible only if:

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

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

29 (iii) an individual legally separated from the individual's spouse under a decree of divorce or of
30 separate maintenance may not be considered as married;

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

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

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

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

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

13 (7) ONE-HALF OF premium payments, EXCEPT PREMIUMS DEDUCTED IN DETERMINING
14 MONTANA ADJUSTED GROSS INCOME, for:

15 (a) insurance for medical care made directly by the taxpayer or made by an employer for the
16 taxpayer that are attributed as income to the taxpayer under federal law; and

17 (b) long-term care insurance with benefits that meet or exceed the minimum standards as
18 established by the state insurance commissioner; and

19 (8) contributions to the Montana drug abuse resistance education program provided for in
20 44-2-702, subject to the conditions set forth in 15-30-159.

21 (9) FOR THE PURPOSE OF SUBSECTION (7)(A), DEDUCTIBLE MEDICAL INSURANCE PREMIUMS
22 ARE THOSE PREMIUMS THAT PROVIDE PAYMENT FOR MEDICAL CARE AS DEFINED BY 26 U.S.C.
23 213(D).

24 ~~(9)(10)~~ (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care
25 home or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's
26 own child and at least one unrelated child in the ordinary course of business may deduct
27 employment-related expenses considered to have been paid for the care of the child.

28 (b) The amount of employment-related expenses considered to have been paid by the taxpayer is
29 equal to the amount that the taxpayer charges for the care of a child of the same age for the same number
30 of hours of care. The employment-related expenses apply regardless of whether any expenses actually have

1 been paid. Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(ii).

2 (c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the
3 deduction under this subsection ~~(9)~~ (10). (Subsection (8) terminates on occurrence of contingency--sec.
4 12, Ch. 808, L. 1991.)"

5

6 **NEW SECTION. Section 2. Effective date -- retroactive applicability.** [This act] is effective on
7 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
8 December 31, 1994.

9

10 **NEW SECTION. SECTION 3. CONTINGENT VOIDNESS. IN ORDER TO MAINTAIN A BALANCED**
11 **BUDGET, BECAUSE [THIS ACT] REDUCES REVENUE, IT MAY NOT BE TRANSMITTED TO THE GOVERNOR**
12 **UNLESS A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS CONTAINED IN HOUSE BILL NO.**
13 **2. IF A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS NOT CONTAINED IN HOUSE BILL NO.**
14 **2, [THIS ACT] IS VOID.**

15

-END-

1 HOUSE BILL NO. 202

2 INTRODUCED BY T. NELSON, RANEY

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INDIVIDUAL INCOME TAX DEDUCTION FOR
 5 ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE INSURANCE; AMENDING SECTION 15-30-121,
 6 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND, A RETROACTIVE APPLICABILITY DATE,
 7 AND A CONTINGENT VOIDNESS PROVISION."

8

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

10

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

12 **"15-30-121. Deductions allowed in computing net income.** In computing net income, there are
 13 allowed as deductions:

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

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

18 (b) state income tax paid;

19 (C) ONE-HALF OF PREMIUM PAYMENTS FOR MEDICAL CARE AS PROVIDED IN SUBSECTION ~~(7)~~
 20 (9);

21 (2) federal income tax paid within the ~~taxable~~ tax year;

22 (3) expenses of household and dependent care services as outlined in subsections (3)(a) through
 23 (3)(c) and (9) and subject to the limitations and rules as set out in subsections (3)(d) through (3)(f), as
 24 follows:

25 (a) expenses for household and dependent care services necessary for gainful employment incurred
 26 for:

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

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

30 (iii) a spouse who is unable to provide self-care because of physical or mental illness;

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

3 (i) household services ~~which~~ that are attributable to the care of the qualifying individual; and

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

5 (c) expenses incurred in maintaining a household if over half of the cost of maintaining the
6 household is furnished by an individual or, if the individual is married during the applicable period, is
7 furnished by the individual and the individual's spouse;

8 (d) the amounts deductible in ~~subsection~~ subsections (3)(a) through (3)(c), ~~are~~ subject to the
9 following limitations:

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

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

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

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

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

20 (e) if the combined adjusted gross income of the taxpayers exceeds \$18,000 for the ~~taxable~~ tax
21 year during which the expenses are incurred, the amount of the employment-related expenses incurred,
22 ~~must to~~ be reduced by one-half of the excess of the combined adjusted gross income over \$18,000;

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

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

25 (ii) if the taxpayer is married during any period of the ~~taxable~~ tax year, employment-related expenses
26 incurred are deductible only if:

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

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

30 (iii) an individual legally separated from the individual's spouse under a decree of divorce or of

1 separate maintenance may not be considered as married;

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

4 (v) payment made to a child of the taxpayer who is under 19 years of age at the close of the
5 ~~taxable tax~~ year and payments made to an individual with respect to whom a deduction is allowable under
6 15-30-112(5) are not deductible as employment-related expenses;

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

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

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

14 (7) ONE-HALF OF premium payments, EXCEPT PREMIUMS DEDUCTED IN DETERMINING
15 MONTANA ADJUSTED GROSS INCOME, for:

16 (a) insurance for medical care made directly by the taxpayer or made by an employer for the
17 taxpayer that are attributed as income to the taxpayer under federal law; and

18 (b) long-term care insurance with benefits that meet or exceed the minimum standards as
19 established by the state insurance commissioner; and

20 (8) contributions to the Montana drug abuse resistance education program provided for in
21 44-2-702, subject to the conditions set forth in 15-30-159.

22 (9) FOR THE PURPOSE OF SUBSECTION (7)(A), DEDUCTIBLE MEDICAL INSURANCE PREMIUMS
23 ARE THOSE PREMIUMS THAT PROVIDE PAYMENT FOR MEDICAL CARE AS DEFINED BY 26 U.S.C.
24 213(D).

25 ~~(9)~~(10) (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care
26 home or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's
27 own child and at least one unrelated child in the ordinary course of business may deduct
28 employment-related expenses considered to have been paid for the care of the child.

29 (b) The amount of employment-related expenses considered to have been paid by the taxpayer is
30 equal to the amount that the taxpayer charges for the care of a child of the same age for the same number

1 of hours of care. The employment-related expenses apply regardless of whether any expenses actually have
2 been paid. Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(ii).

3 (c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the
4 deduction under this subsection ~~(9)~~ (10). (Subsection (8) terminates on occurrence of contingency--sec.
5 12, Ch. 808, L. 1991.)"

6

7 NEW SECTION. Section 2. Effective date -- retroactive applicability. [This act] is effective on
8 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
9 December 31, 1994.

10

11 NEW SECTION. SECTION 3. CONTINGENT VOIDNESS. IN ORDER TO MAINTAIN A BALANCED
12 BUDGET, BECAUSE [THIS ACT] REDUCES REVENUE, IT MAY NOT BE TRANSMITTED TO THE GOVERNOR
13 UNLESS A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS CONTAINED IN HOUSE BILL NO.
14 2. IF A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS NOT CONTAINED IN HOUSE BILL NO.
15 2, [THIS ACT] IS VOID.

16

-END-