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SENATE BILL NO. 773
 INTRODUCED BY Doherty Waterman Allett

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE INDIVIDUAL INCOME TAX DEDUCTION ALLOWED FOR EXPENSES OF HOUSEHOLD AND DEPENDENT CARE SERVICES; INCREASING THE LEVEL OF ADJUSTED GROSS INCOME ABOVE WHICH THE DEDUCTION IS NOT ALLOWED; 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

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 (3)(a) through (3)(c) are subject to the following~~
8 ~~limitations:~~

9 ~~(i) a deduction is allowed under subsection (3)(a) for employment-related expenses incurred during~~
10 ~~the year only to the extent 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 ~~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) (i) if the combined adjusted gross income of the taxpayers exceeds ~~\$18,000~~ \$45,000 for the
20 ~~taxable tax~~ tax year during which the expenses are incurred, the ~~amount of the deduction for~~
21 ~~employment-related expenses incurred must be reduced by one half of the excess of the combined adjusted~~
22 ~~gross income over \$18,000 is not allowed; or~~

23 (ii) if the adjusted gross income of a single taxpayer exceeds \$35,000 for the tax year during which
24 the expenses are incurred, the deduction for employment-related expenses incurred is not allowed;

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

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

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

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

- 1 (B) the spouse is a qualifying individual described in subsection (3)(a)(iii);
- 2 (iii) an individual legally separated from the individual's spouse under a decree of divorce or of
3 separate maintenance may not be considered as married;
- 4 (iv) the deduction for employment-related expenses must be divided equally between the spouses
5 when filing separately on the same form;
- 6 (v) payment made to a child of the taxpayer who is under 19 years of age at the close of the
7 ~~taxable tax~~ year and payments made to an individual with respect to whom a deduction is allowable under
8 15-30-112(5) are not deductible as employment-related expenses;
- 9 (4) in the case of an individual, political contributions determined in accordance with the provisions
10 of section 218(a) and (b) of the Internal Revenue Code that were in effect for the ~~taxable tax~~ year ended
11 December 31, 1978;
- 12 (5) that portion of expenses for organic fertilizer allowed as a deduction under 15-32-303 ~~which~~
13 that was not otherwise deducted in computing taxable income;
- 14 (6) contributions to the child abuse and neglect prevention program provided for in 41-3-701,
15 subject to the conditions set forth in 15-30-156;
- 16 (7) premium payments for long-term care insurance with benefits that meet or exceed the minimum
17 standards as established by the state insurance commissioner; and
- 18 (8) contributions to the Montana drug abuse resistance education program provided for in
19 44-2-702, subject to the conditions set forth in 15-30-159.
- 20 (9) (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care home
21 or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's own
22 child and at least one unrelated child in the ordinary course of business may deduct employment-related
23 expenses considered to have been paid for the care of the child.
- 24 (b) The amount of employment-related expenses considered to have been paid by the taxpayer is
25 equal to the amount that the taxpayer charges for the care of a child of the same age for the same number
26 of hours of care. The employment-related expenses apply regardless of whether any expenses actually have
27 been paid. ~~Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(iii).~~
- 28 (c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the
29 deduction under this subsection (9). (Subsection (8) terminates on occurrence of contingency--sec. 12, Ch.
30 808, L. 1991.)"

STATE OF MONTANA - FISCAL NOTE
Fiscal Note for SB0073, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing the individual income tax deduction allowed for expenses of household and dependent care services; increasing the level of adjusted gross income above which the deduction is not allowed; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Under current law, 1,961 taxpayers used this deduction in tax year 1993, deducting a total of \$2,165,121. The department is projecting a revenue loss associated with the current law program of \$30,000 for fiscal year 1996 and 1997 (DOR *Tax Expenditure Report*).
2. Under the proposal the following types of households will not use the deduction: taxpayers who file as single or married couples filing separately on separate forms; heads of household and married couples whose income levels exceed those allowed in the proposal; married couples filing separately on the same form who claim only two household exemptions; and retiree households. This results in a pool of 39,475 households eligible for the deduction.
3. The participation rate of these eligible households ranges between 25 and 50 percent.
4. Under current law the average deduction is \$1,100; under the proposal the average deduction will double to \$2,200.
5. Because some of the participating households will be in a negative taxable income situation notwithstanding the proposed deduction, only 85% of the total amount available for deduction will be used to reduce taxable incomes.
6. The average marginal tax rate applied to taxable incomes of households in the income range eligible for the deduction ranges between 4 and 5 percent.
7. The above assumptions result in a net revenue loss (proposed program cost minus current program cost) ranging between \$708,000 and \$1,815,000 annually:

$$(39,475)(.25)(2,200)(.85)(.04) = \$ 738,000 - \$30,000 = \$ 708,000$$

$$(39,475)(.50)(2,200)(.85)(.05) = \$ 1,845,000 - \$30,000 = \$1,815,000$$

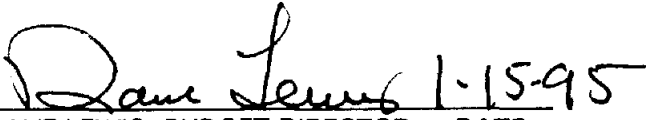
FISCAL IMPACT:


Expenditures:

There is no impact on department expenditures from this proposal.

Revenues:

See assumption #7, above.


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


STEVE DOHERTY, PRIMARY SPONSOR DATE
Fiscal Note for SB0073, as introduced
SB 73

APPROVED BY COMMITTEE
ON HIGHWAYS & TRANSPORTATION

HOUSE BILL NO. 73

INTRODUCED BY PAVLOVICH

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4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A PORTION OF MONTANA STATE HIGHWAY
5 78, FROM COLUMBUS THROUGH ABSAROKEE AND ROSCOE TO RED LODGE, AS THE DONALD J. RUHL
6 MEDAL OF HONOR HIGHWAY."

7
8 WHEREAS, Donald Jack Ruhl was born in Columbus, Montana, on July 2, 1923, and graduated
9 from high school in Joliet, Montana, in 1942; and

10 WHEREAS, Donald J. Ruhl was known and admired by employers, friends, and family as a
11 hard-working, responsible, and dedicated youth; and

12 WHEREAS, Donald J. Ruhl enlisted in the Marine Corps Reserves on September 12, 1942, entered
13 active duty on the same day, and began military service in San Diego, California; and

14 WHEREAS, Donald J. Ruhl, as a Marine recruit, demonstrated physical abilities as a sharpshooter,
15 combat swimmer, boxer, all-around athlete, and model soldier; and

16 WHEREAS, Donald J. Ruhl was promoted to Private First Class on December 19, 1942, and, within
17 5 weeks, had completed training and was certified as a qualified parachutist with Company "C", Third
18 Parachute Battalion, Third Marine Division; and

19 WHEREAS, PFC Ruhl sailed aboard the USS Mount Vernon on March 12, 1943, as a mortar
20 crewman, enroute to New Caledonia; and

21 WHEREAS, in September 1943, PFC Ruhl, as a member of the renamed Company "L", Third
22 Parachute Battalion, First Marine Parachute Regiment, First Marine Amphibious Corps, sailed for the island
23 of Guadalcanal aboard the USS American Legion, the first of several voyages in campaigns throughout the
24 Pacific theater; and

25 WHEREAS, PFC Ruhl began a last series of voyages in January 1945, sailing from Hilo, Hawaii,
26 through the Hawaiian Islands, to Saipan and eventually to the shores of Iwo Jima, where, on February 19,
27 1945, D-Day on Iwo Jima, PFC Donald J. Ruhl and the Marines landed and joined the battle; and

28 WHEREAS, with 24 hours of landing on Iwo Jima, PFC Donald J. Ruhl, ever valiant, single-handedly
29 seized a blockhouse by routing the enemy and, subsequently, rescued a wounded, fellow Marine from
30 enemy mortar and machine gun fire, thereby saving the Marine's life; and

1 WHEREAS, following that heroic effort, PFC Donald J. Ruhl returned to the unit, volunteered to
2 investigate an enemy gun emplacement, and occupied the position through the night; and

3 WHEREAS, on the morning of February 21, 1945, PFC Donald J. Ruhl, with a platoon guide,
4 assisted an advance of "E" Company, Twenty-Eighth Marines, against enemy fortifications at the base of
5 Mount Suribachi where, under heavy fire, the two Marines were targeted with an enemy grenade; and

6 WHEREAS, PFC Donald J. Ruhl, the selfless soldier, instantly called a warning to the other Marine,
7 dived upon the deadly missile, absorbed the full charge of the exploding grenade, and saved the life of a
8 friend and the lives of other nearby Marines; and

9 WHEREAS, 2 days later, "E" Company raised the American flag atop Mount Suribachi, an event that
10 was made possible in part by the heroic action and death of PFC Donald J. Ruhl; and

11 WHEREAS, PFC Donald J. Ruhl was posthumously awarded the Congressional Medal of Honor for
12 bravery and heroism, which award was presented to PFC Donald J. Ruhl's parents on January 12, 1947.

13

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

15

16 NEW SECTION. Section 1. Donald J. Ruhl medal of honor highway. The portion of Montana state
17 highway 78, from Columbus through Absarokee and Roscoe to Red Lodge, is established as the Donald J.
18 Ruhl medal of honor highway.

19

20 NEW SECTION. Section 2. Codification instruction. [Section 1] is intended to be codified as an
21 integral part of Title 60, chapter 1, part 2, and the provisions of Title 60, chapter 1, part 2, apply to
22 [section 1].

23

-END-