

Curtis
Wells

Bar DENNY *Wells* *House* *Bill* NO. *389*
Sliter *Mod* *B. Huey* *John* *Molnar* *Frost* *Belinger*
Stacy *Wagon* *Brainard* *Bergman* *John* *Joyce* *Stead* *H. Bond*

A BILL FOR AN ACT ENTITLED: "AN ACT EXCLUDING FROM INHERITANCE TAXES ANY INTEREST IN
AND THE REAL PROPERTY AND TANGIBLE PERSONAL PROPERTY OF CLOSELY HELD BUSINESSES THAT
ARE TRANSFERRED TO THE LINEAL DESCENDANTS OF THE DECEDENT'S GRANDPARENTS; AMENDING
SECTIONS 72-16-101, 72-16-453, AND 72-16-455, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
DATE AND A RETROACTIVE APPLICABILITY DATE."

Anderson *Mercere* *Chris* *Armas* *Thomas* *AKLESTAD* *Milly* *Hayne* *Beck* *in* *Hanson* *Wm. E. Boharski*
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Rose *Mc* *John* *Spang* *Arnott* *Mc* *Bookout*
Richard *Estrada*
NEW SECTION. Section 1. Exemption for closely held business property. (1) The value of any
interest in a closely held business represented by real property and tangible personal property and all real
property and tangible personal property of a closely held business, as defined in 72-16-453, that is
transferred to the lineal descendants of the decedent's grandparents is exempt from the tax imposed under
parts 1 through 8.

(2) Property owned by a closely held business is considered as being owned proportionately by or
for its shareholders, partners, or owners.

(3) For the purposes of this section, "tangible personal property" means property, other than
intangible property as defined in 72-16-101, that is owned by a closely held business. The term does not
include an ownership interest in the closely held business.

Section 2. Section 72-16-101, MCA, is amended to read:

"72-16-101. Definitions. In parts 1 through 8, the following definitions apply:

(1) ~~The words "county~~ "County treasurer", "public administrator", and "county attorney" shall be
~~taken to~~ mean the treasurer, public administrator, and county attorney of the county in which the district
court has jurisdiction of the proceedings.

(2) ~~The word "decedent" shall include~~ "Decedent" includes the testator, intestate, grantor,
bargainor, vendor, or donor.

(3) ~~The words "estate"~~ "Estate" and "property" shall be taken to mean the real and personal

1 property or interest ~~therein in the property~~ passing or transferred to individual legatees, devisees, heirs, next
 2 of kin, grantees, donees, or vendees and not ~~as the property or interest therein in the property~~ of the
 3 decedent, grantor, donor, or vendor and ~~shall include~~ include all personal property within or ~~without~~ outside
 4 of the state.

5 (4) "Intangible" or "intangible property", when used without other qualifications, ~~shall be taken to~~
 6 include includes but is not limited to all ~~moneys~~ money, stocks, bonds, notes, securities, leaseholds,
 7 contracts, and credits of all kinds, secured or unsecured.

8 (5) ~~The terms "joint" "Joint" and "jointly"~~ refer to ownership of property by two or more persons
 9 having as one of the incidents of ~~such the~~ the ownership the right of survivorship in the surviving owner or
 10 owners upon the death of one of the owners. This definition does not affect the concept of property owned
 11 as tenants in common, and this type of ownership ~~shall continue~~ continues to be recognized ~~where~~ when
 12 applicable.

13 (6) ~~The word "transfer" shall be taken to include~~ "Transfer" includes the passing of property or any
 14 interest ~~therein in the property~~, in possession or enjoyment, present or future, by inheritance, descent,
 15 devise, succession, bequest, grant, deed, bargain, sale, gift, or appointment in the manner ~~herein~~ prescribed
 16 in parts 1 through 8 to each individual or corporation."

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18 **Section 3.** Section 72-16-453, MCA, is amended to read:

19 **"72-16-453. Closely held business defined -- qualification.** (1) For the purposes of [section 1] and
 20 72-16-452, the ~~term~~ following definitions apply:

21 (a) "Closely held business" means:

22 (i) a trade or business carried on as a sole proprietorship;

23 (ii) a partnership carrying on a trade or business if the partnership had 15 or fewer partners; or

24 (iii) a corporation carrying on a trade or business if the corporation had 15 or fewer shareholders.

25 (b) ~~"interest"~~ "Interest in a closely held business" means:

26 ~~(i)~~ (i) an interest as a sole proprietor in a trade or business carried on as a proprietorship;

27 ~~(ii)~~ (ii) an interest as a partner in a partnership carrying on a trade or business if:

28 ~~(A)~~ (A) 20% or more of the total capital interest in the partnership is would be taxable under Title
 29 72, chapter 16, part 3, except for [section 1], as a transfer from the decedent; or

30 ~~(B)~~ (B) the partnership had 15 or fewer partners;

- 1 ~~(e)~~(iii) stock in a corporation carrying on a trade or business if:
- 2 ~~(ii)~~(A) 20% or more in value of the voting stock of the corporation ~~is~~ would be taxable under Title
- 3 72, chapter 16, part 3, except [section 1], as a transfer from the decedent; or
- 4 ~~(ii)~~(B) the corporation had 15 or fewer shareholders.
- 5 (2) Determination for qualification under subsection (1)(b) must be made as of the time immediately
- 6 before the decedent's death.
- 7 (3) Stock or a partnership interest held by a husband and wife as joint tenants or tenants in
- 8 common is treated as owned by one shareholder or one partner, as the case may be.
- 9 (4) Property owned directly or indirectly by or for a corporation, partnership, estate, or trust is
- 10 considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. For the
- 11 purposes of this subsection, a person is a beneficiary of a trust only if ~~he~~ the person has a present interest
- 12 in the trust.
- 13 (5) All stock and all partnership interests held by the decedent or by any member of ~~his~~ the
- 14 decedent's family within the meaning of section 267(c)(4) of the Internal Revenue Code is treated as being
- 15 owned by the decedent."

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17 **Section 4.** Section 72-16-455, MCA, is amended to read:

18 "**72-16-455. Partnership interests and stock not readily tradable.** (1) If the personal representative

19 elects the benefits of this section, at ~~such~~ the time and in ~~such~~ the manner as the department may

20 prescribe:

21 (a) for the purposes of 72-16-453~~(1)(b)~~~~(1)(b)(ii)(A)~~ or ~~(1)(b)(iii)(A)~~ (1)(b)(ii)(A), whichever is

22 appropriate, and for the purposes of 72-16-456, any capital interest in a partnership and any nonreadily

23 tradable stock, which after the application of 72-16-453(2) through (5) is treated as owned by the

24 decedent, ~~shall~~ must be treated as taxable under Title 72, chapter 16, part 3, in determining the value of

25 a transfer from the decedent;

26 (b) the personal representative ~~shall~~ must be treated as having selected under 72-16-452(3) the

27 date prescribed by 72-16-441 for the payment of the tax without interest; and

28 (c) section 72-16-461 does not apply.

29 (2) For the purposes of this section, "nonreadily tradable stock" means stock for which at the time

30 of the decedent's death there was no market on the stock exchange or in an over-the-counter market."

1 **NEW SECTION. Section 5. Codification instruction.** [Section 1] is intended to be codified as an
2 integral part of Title 72, chapter 16, part 3, and the provisions of Title 72, chapter 16, part 3, apply to
3 [section 1].

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5 **NEW SECTION. Section 6. Effective date -- retroactive applicability.** [This act] is effective on
6 passage and approval and applies retroactively, within the meaning of 1-2-109, to estates of persons who
7 die after December 31, 1996.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0384, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

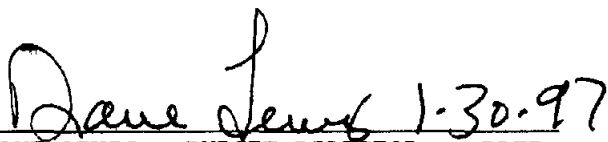
An act excluding from inheritance taxes any interest in and the real property and tangible personal property of closely held businesses that are transferred to the lineal descendants of the decedent's grandparents; and providing an immediate effective date and retroactive applicability date.

ASSUMPTIONS:

1. This proposal is effective upon passage and approval and applies retroactively to estates of persons who die after December 31, 1996. The first full-year impact on revenue will be in FY98.
2. Lineal descendants of the decedent's grandparents would be exempt from the inheritance tax.
3. Only tangible personal and real property would qualify for the exemption. Intangible personal property - cash, stocks, bond, notes, etc., would continue to be taxable in full.
4. A stratified random sample of 100 inheritance tax returns filed between January 1, 1996 and November 30, 1996 was examined to determine the amount of closely held property subject to inheritance tax. Based on Department of Revenue analysis of the sample, it is estimated that inheritance taxes would be reduced by approximately \$1.1 million per year under this proposal.

FISCAL IMPACT:

	<u>FY 98</u>	<u>FY 99</u>
<u>Revenues:</u>		
Inheritance Tax (General Fund)	(\$1,100,000)	(\$1,100,000)


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


ALVIN ELLIS JR., PRIMARY SPONSOR DATE

Fiscal Note for HB0384, as introduced

HB 384

Bar DENNY *Wells* *Moore* *Hayne* *Mohr* *Prose* *Belinger*
Lea *Sliter* *Moore* *Bitney* *38* *Johnner* *Beaudry* *Hayne*
House BILL NO. *38*

2 INTRODUCED BY *Ellis Feland* *Ritzberger* *Rohrer* *Stead*
Story *Wagner* *Brainard* *Bergman* *John* *Jay* *Stead* *Hood*

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8 *Thomas Aklestad* *Milly* *Hayne* *Bel* *M. Hansen* *Wm. E. Boharski*
9 *Thomas AKLESTAD* *Wm. E. Boharski*
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 *Ross* *W. Lee* *John Spague* *Arnott* *M. Lee* *Bookout*
Richard *Estad*

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16 parts 1 through 8. *Barnett* *Vester*

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M. Johnson

Cobb
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3 [section 1].

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5 **NEW SECTION.** **Section 6. Effective date -- retroactive applicability.** [This act] is effective on
6 passage and approval and applies retroactively, within the meaning of 1-2-109, to estates of persons who
7 die after December 31, 1996.

8

-END-

House DENNY Wells House BILL NO. 389

INTRODUCED BY Ellis Felard Reynolds Robinson Stead

A BILL FOR AN ACT ENTITLED: "AN ACT EXCLUDING FROM INHERITANCE TAXES ANY INTEREST IN AND THE REAL PROPERTY AND TANGIBLE PERSONAL PROPERTY OF CLOSELY HELD BUSINESSES THAT ARE TRANSFERRED TO THE LINEAL DESCENDANTS OF THE DECEDENT'S GRANDPARENTS; AMENDING SECTIONS 72-16-101, 72-16-453, AND 72-16-455, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."
THOMAS AKLESTAD
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Ross McKen John Sprague Carnott McKen Bookout

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Curtis

Malcolm

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-END-

Bar Denny Wells House *38* *Johnner* *Molan* *Kross* *Bouvier*
Sliter *Blue* *Caundry* *Colayne*

2 INTRODUCED BY *Ellis Felger* *Ritzinger* *Rohinson* *Walt*
Story *Wagner* *Bisnardi* *Bergman* *Imo* *Jayle* *Stead* *Hobart*

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8 DATE AND A RETROACTIVE APPLICABILITY DATE *Alvany* *Feister* *Grande* *Knob*
9 *Masala* *Banfield* *Milly* *Hayne* *Bel* *M. Hansen* *Barnett* *Smith* *Knob*

10 **THOMAS AKLESTAD**
11 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:**

12 *Rosa* *W. Lee* *John Spague* *Arnott* *M. W.* *Booker*
13 *Richard* *Estad*

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 9 having as one of the incidents of ~~such the~~ ownership the right of survivorship in the surviving owner or
 10 owners upon the death of one of the owners. This definition does not affect the concept of property owned
 11 as tenants in common, and this type of ownership ~~shall continue~~ continues to be recognized ~~where~~ when
 12 applicable.

13 (6) ~~The word "transfer" shall be taken to include~~ "Transfer" includes the passing of property or any
 14 interest ~~therein in the property~~, in possession or enjoyment, present or future, by inheritance, descent,
 15 devise, succession, bequest, grant, deed, bargain, sale, gift, or appointment in the manner ~~herein~~ prescribed
 16 in parts 1 through 8 to each individual or corporation."

17
 18 **Section 3. Section 72-16-453, MCA, is amended to read:**

19 **"72-16-453. Closely held business defined -- qualification. (1) For the purposes of [section 1] and**
 20 **72-16-452, the ~~term~~ following definitions apply:**

21 **(a) "Closely held business" means:**

22 **(i) a trade or business carried on as a sole proprietorship;**

23 **(ii) a partnership carrying on a trade or business if the partnership had 15 or fewer partners; or**

24 **(iii) a corporation carrying on a trade or business if the corporation had 15 or fewer shareholders.**

25 **(b) ~~interest~~ "Interest in a closely held business" means:**

26 **(~~a~~) (i) an interest as a sole proprietor in a trade or business carried on as a proprietorship;**

27 **(~~b~~) (ii) an interest as a partner in a partnership carrying on a trade or business if:**

28 **(~~ii~~) (A) 20% or more of the total capital interest in the partnership ~~is~~ would be taxable under Title**
 29 **72, chapter 16, part 3, except for [section 1], as a transfer from the decedent; or**

30 **(~~ii~~) (B) the partnership had 15 or fewer partners;**

1 ~~(e)(iii)~~ stock in a corporation carrying on a trade or business if:

2 ~~##(A)~~ 20% or more in value of the voting stock of the corporation ~~is~~ would be taxable under Title
3 72, chapter 16, part 3, except [section 1], as a transfer from the decedent; or

4 ~~##(B)~~ the corporation had 15 or fewer shareholders.

5 (2) Determination for qualification under subsection (1)~~(b)~~ (b) must be made as of the time immediately
6 before the decedent's death.

7 (3) Stock or a partnership interest held by a husband and wife as joint tenants or tenants in
8 common is treated as owned by one shareholder or one partner, as the case may be.

9 (4) Property owned directly or indirectly by or for a corporation, partnership, estate, or trust is
10 considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. For the
11 purposes of this subsection, a person is a beneficiary of a trust only if ~~he~~ the person has a present interest
12 in the trust.

13 (5) All stock and all partnership interests held by the decedent or by any member of ~~his~~ the
14 decedent's family within the meaning of section 267(c)(4) of the Internal Revenue Code is treated as being
15 owned by the decedent."

16
17 **Section 4. Section 72-16-455, MCA, is amended to read:**

18 **"72-16-455. Partnership interests and stock not readily tradable.** (1) If the personal representative
19 elects the benefits of this section, at ~~each~~ the time and in ~~each~~ the manner as the department may
20 prescribe:

21 (a) for the purposes of 72-16-453~~(1)(b)(iii)~~ (1)(b)(ii)(A) or ~~(1)(b)(iii)(A)~~ (1)(b)(iii)(A), whichever is
22 appropriate, and for the purposes of 72-16-456, any capital interest in a partnership and any nonreadily
23 tradable stock, which after the application of 72-16-453(2) through (5) is treated as owned by the
24 decedent, ~~shall~~ must be treated as taxable under Title 72, chapter 16, part 3, in determining the value of
25 a transfer from the decedent;

26 (b) the personal representative ~~shall~~ must be treated as having selected under 72-16-452(3) the
27 date prescribed by 72-16-441 for the payment of the tax without interest; and

28 (c) section 72-16-461 does not apply.

29 (2) For the purposes of this section, "nonreadily tradable stock" means stock for which at the time
30 of the decedent's death there was no market on the stock exchange or in an over-the-counter market."

1 **NEW SECTION.** **Section 5. Codification instruction.** [Section 1] is intended to be codified as an
2 integral part of Title 72, chapter 16, part 3, and the provisions of Title 72, chapter 16, part 3, apply to
3 [section 1].

4

5 **NEW SECTION.** **Section 6. Effective date -- retroactive applicability.** [This act] is effective on
6 passage and approval and applies retroactively, within the meaning of 1-2-109, to estates of persons who
7 die after December 31, 1996.

8

-END-

1 HOUSE BILL NO. 384

2 INTRODUCED BY ELLIS, FELAND, KITZENBERG, REHBEIN, TASH, BAER, LAWSON, DENNY, SLITER,
3 WELLS, MOOD, MESAROS, HARGROVE, BITNEY, AHNER, MOLNAR, PROUSE, BOHLINGER, BEAUDRY
4 ADAMS, CURTISS, SOFT, STORY, WAGNER, BRAINARD, BERGMAN, SIMON, TAYLOR, STOVALL,
5 HIBBARD, COBB, KEENAN, JORE, HOLLAND, KNOX, ANDERSON, MERCER, OHS, GRIMES, JENKINS,
6 MASOLO, BANKHEAD, MILLS, HAYNE, DEVANEY, BECK, M. HANSON, KASTEN, BARNETT, GRINDE,
7 SMITH, BOHARSKI, THOMAS, AKLESTAD, ROSE, MCGEE, SPRAGUE, ARNOTT, BOOKOUT,
8 ESTRADA, GLASER, EMERSON, BURNETT, FOSTER, MAHLUM, MARSHALL, DEVLIN, DEPRATU,
9 MCNUTT

10
11 A BILL FOR AN ACT ENTITLED: "AN ACT EXCLUDING FROM INHERITANCE TAXES ANY INTEREST IN
12 AND THE REAL PROPERTY AND TANGIBLE PERSONAL PROPERTY OF CLOSELY HELD BUSINESSES THAT
13 ARE TRANSFERRED TO THE LINEAL DESCENDANTS OF THE DECEDENT'S GRANDPARENTS; AMENDING
14 SECTIONS 72-16-101, 72-16-453, AND 72-16-455, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
15 DATE AND A RETROACTIVE APPLICABILITY DATE."
16

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

19 NEW SECTION. **Section 1. Exemption for closely held business property.** (1) The value of any
20 interest in a closely held business represented by real property and tangible personal property and all real
21 property and tangible personal property of a closely held business, as defined in 72-16-453, that is
22 transferred to the lineal descendants of the decedent's grandparents is exempt from the tax imposed under
23 parts 1 through 8.

24 (2) Property owned by a closely held business is considered as being owned proportionately by or
25 for its shareholders, partners, or owners.

26 (3) For the purposes of this section, "tangible personal property" means property, other than
27 intangible property as defined in 72-16-101, that is owned by a closely held business. The term does not
28 include an ownership interest in the closely held business.
29

30 **Section 2.** Section 72-16-101, MCA, is amended to read:

1 **"72-16-101. Definitions.** In parts 1 through 8, the following definitions apply:

2 (1) ~~The words "county~~ "County treasurer", "public administrator", and "county attorney" ~~shall be~~
3 ~~taken to~~ mean the treasurer, public administrator, and county attorney of the county in which the district
4 court has jurisdiction of the proceedings.

5 (2) ~~The word "decedent" shall include~~ "Decedent" includes the testator, intestate, grantor,
6 bargainor, vendor, or donor.

7 (3) ~~The words "estate"~~ "Estate" and "property" ~~shall be taken to~~ mean the real and personal
8 property or interest ~~therein in the property~~ passing or transferred to individual legatees, devisees, heirs, next
9 of kin, grantees, donees, or vendees and not ~~as~~ the property or interest ~~therein in the property~~ of the
10 decedent, grantor, donor, or vendor and ~~shall include~~ include all personal property within or ~~without~~ outside
11 of the state.

12 (4) "Intangible" or "intangible property", when used without other qualifications, ~~shall be taken to~~
13 ~~include~~ includes but is not limited to all ~~moneys~~ money, stocks, bonds, notes, securities, leaseholds,
14 contracts, and credits of all kinds, secured or unsecured.

15 (5) ~~The terms "joint"~~ "Joint" and "jointly" refer to ownership of property by two or more persons
16 having as one of the incidents of ~~such~~ the ownership the right of survivorship in the surviving owner or
17 owners upon the death of one of the owners. This definition does not affect the concept of property owned
18 as tenants in common, and this type of ownership ~~shall continue~~ continues to be recognized ~~where~~ when
19 applicable.

20 (6) ~~The word "transfer" shall be taken to include~~ "Transfer" includes the passing of property or any
21 interest ~~therein in the property~~, in possession or enjoyment, present or future, by inheritance, descent,
22 devise, succession, bequest, grant, deed, bargain, sale, gift, or appointment in the manner ~~herein~~ prescribed
23 in parts 1 through 8 to each individual or corporation."

24

25 **Section 3.** Section 72-16-453, MCA, is amended to read:

26 **"72-16-453. Closely held business defined -- qualification.** (1) For the purposes of [section 1] and
27 72-16-452, the ~~term~~ following definitions apply:

28 (a) "Closely held business" means:

29 (i) a trade or business carried on as a sole proprietorship;

30 (ii) a partnership carrying on a trade or business if the partnership had 15 or fewer partners; or

1 (iii) a corporation carrying on a trade or business if the corporation had 15 or fewer shareholders.

2 (b) ~~"interest "~~Interest in a closely held business" means:

3 ~~(a)(i)~~ an interest as a sole proprietor in a trade or business carried on as a proprietorship;

4 ~~(b)(ii)~~ an interest as a partner in a partnership carrying on a trade or business if:

5 ~~(i)(A)~~ 20% or more of the total capital interest in the partnership ~~is~~ would be taxable under Title
6 72, chapter 16, part 3, except for [section 1], as a transfer from the decedent; or

7 ~~(ii)(B)~~ the partnership had 15 or fewer partners;

8 ~~(c)(iii)~~ stock in a corporation carrying on a trade or business if:

9 ~~(i)(A)~~ 20% or more in value of the voting stock of the corporation ~~is~~ would be taxable under Title
10 72, chapter 16, part 3, except [section 1], as a transfer from the decedent; or

11 ~~(ii)(B)~~ the corporation had 15 or fewer shareholders.

12 (2) Determination for qualification under subsection (1)(b) must be made as of the time immediately
13 before the decedent's death.

14 (3) Stock or a partnership interest held by a husband and wife as joint tenants or tenants in
15 common is treated as owned by one shareholder or one partner, as the case may be.

16 (4) Property owned directly or indirectly by or for a corporation, partnership, estate, or trust is
17 considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. For the
18 purposes of this subsection, a person is a beneficiary of a trust only if ~~he~~ the person has a present interest
19 in the trust.

20 (5) All stock and all partnership interests held by the decedent or by any member of ~~his~~ the
21 decedent's family within the meaning of section 267(c)(4) of the Internal Revenue Code is treated as being
22 owned by the decedent."

23

24 **Section 4.** Section 72-16-455, MCA, is amended to read:

25 **"72-16-455. Partnership interests and stock not readily tradable.** (1) If the personal representative
26 elects the benefits of this section, at ~~such~~ the time and in ~~such~~ the manner as the department may
27 prescribe:

28 (a) for the purposes of 72-16-453~~(1)(b)(i)~~ (1)(b)(ii)(A) or ~~(1)(c)(i)~~ (1)(b)(iii)(A), whichever is
29 appropriate, and for the purposes of 72-16-456, any capital interest in a partnership and any nonreadily
30 tradable stock, which after the application of 72-16-453(2) through (5) is treated as owned by the

1 decedent, ~~shall~~ must be treated as taxable under Title 72, chapter 16, part 3, in determining the value of
2 a transfer from the decedent;

3 (b) the personal representative ~~shall~~ must be treated as having selected under 72-16-452(3) the
4 date prescribed by 72-16-441 for the payment of the tax without interest; and

5 (c) section 72-16-461 does not apply.

6 (2) For the purposes of this section, "nonreadily tradable stock" means stock for which at the time
7 of the decedent's death there was no market on the stock exchange or in an over-the-counter market."
8

9 **NEW SECTION. Section 5. Codification instruction.** [Section 1] is intended to be codified as an
10 integral part of Title 72, chapter 16, part 3, and the provisions of Title 72, chapter 16, part 3, apply to
11 [section 1].
12

13 **NEW SECTION. Section 6. Effective date -- retroactive applicability.** [This act] is effective on
14 passage and approval and applies retroactively, within the meaning of 1-2-109, to estates of persons who
15 die after December 31, 1996.
16

-END-

OFFICE OF THE GOVERNOR

STATE OF MONTANA



MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

March 31, 1997

The Honorable John Mercer
Speaker of the House
State Capitol
Helena MT 59620

The Honorable Gary Aklestad
President of the Senate
State Capitol
Helena MT 59620

Dear Speaker Mercer and President Aklestad:

In accordance with the power vested in me as Governor by the Constitution and laws of the State of Montana, I hereby return House Bill 384, **"AN ACT EXCLUDING FROM INHERITANCE TAXES ANY INTEREST IN AND THE REAL PROPERTY AND TANGIBLE PERSONAL PROPERTY OF CLOSELY HELD BUSINESSES THAT ARE TRANSFERRED TO THE LINEAL DESCENDANTS OF THE DECEDENT'S GRANDPARENTS; AMENDING SECTIONS 72-16-101, 72-16-453, AND 72-16-455, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."**

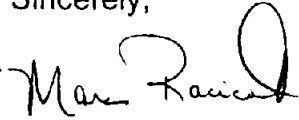
House Bill 384, which provides an exemption from inheritance taxes for certain property, is effective immediately upon passage and approval and is retroactive to estates of persons who die after December 31, 1996. Based upon a Department of Revenue sampling of recently-filed inheritance tax returns, it is estimated that House Bill 384 would reduce inheritance taxes by at least \$1.1 million per year.

Due to the projected increase in expenditures for juvenile and adult corrections that are essential to the preservation of public safety and the prevention of crime, education costs in the next biennium that have not been provided for, the decrease in estimated revenues reflected in House Joint Resolution 2, and a higher ending fund balance than was maintained in previous bienniums, it is not possible at this time to conclude that there are sufficient revenues to both provide for a tax reduction proposed by House Bill

384 and fund necessary state services at a proper level. Therefore, I am returning House Bill 384 with a proposed amendment that it not become effective until January 1, 2000, so that there will be no diminution of revenues during the coming biennium.

Representative Ellis, the bill's sponsor, has been informed of the need for this amendment.

Sincerely,

A handwritten signature in black ink that reads "Marc Racicot". The signature is written in a cursive style with a large, prominent loop at the end of the word "Racicot".

MARC RACICOT
Governor

GOVERNOR'S AMENDMENTS TO
House Bill No. 384
(Reference Copy)
March 31, 1997

1. Title, line 14.

Strike: "IMMEDIATE"

2. Title, line 15.

Strike: "AND" through "DATE"

3. Page 4, lines 14 and 15.

Strike: "passage" on line 14 through "1996" on line 15

Insert: "January 1, 2000"