

1 HOUSE BILL NO. 206

2 INTRODUCED BY C. HARRIS

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A ONE-TIME BONUS PAYMENT OF \$10,000 TO
5 A MONTANA PUBLIC SCHOOL TEACHER WHO RECEIVES A DOCTORATE DEGREE; EXEMPTING THE
6 BONUS FROM MONTANA TAXES OR CALCULATION OF SAME SALARY; PROVIDING THAT THE BONUS
7 IS A STATE OBLIGATION; PROVIDING AN APPROPRIATION; AMENDING SECTION 15-30-111, MCA;
8 AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

9

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

11

12 NEW SECTION. **Section 1. Bonus payment for teachers obtaining doctorate degree.** (1) Subject
13 to subsection (7), a one-time bonus payment of \$10,000 must be provided to a teacher who obtains a
14 doctorate degree from an accredited postsecondary institution during the teacher's employment if the
15 teacher is:

16 (a) a full-time classroom teacher who is certified to teach in Montana under the provisions of
17 20-4-103; and

18 (b) is a full-time employee of:

19 (i) a Montana public school district, as defined in 20-6-101; or

20 (ii) the Montana school for the deaf and blind, as described in 20-8-101.

21 (2) A district that employs a teacher who obtains a doctorate degree and is eligible for the bonus
22 payment under subsection (1) shall submit a request to the superintendent of public instruction for the
23 bonus payment. The request must be made on a form prescribed by the superintendent of public
24 instruction and must provide documentation that the teacher has received a doctorate degree as prescribed
25 in subsection (1).

26 (3) Upon receipt of documentation from the district, the superintendent of public instruction shall
27 distribute the bonus payment to the district for payment to the qualifying teacher.

28 (4) The bonus payment is exempt from taxation pursuant to 15-30-111(2)(q). The employer shall
29 deduct the employer and the employee share of any federal taxes and retirement contributions from the
30 bonus prior to payment to the employee.

1 (5) The bonus payment may not be included in the calculation of same salary, as defined in
2 20-4-203, but must be included in the calculation of average final compensation for purposes of
3 determining a retirement allowance under 19-20-802 or 19-20-804. The district is not liable for any
4 additional contributions to the teachers' retirement system as a result of the inclusion of the bonus
5 payment in the calculation of average final compensation.

6 (6) Any bonus payment money remaining at the end of the biennium reverts to the fund from
7 which the funding for payments is made.

8 (7) The obligation for funding the bonus payment is an obligation of the state. This section may
9 not be construed to require a district to provide a bonus payment to a qualifying teacher without a
10 payment from the state to the district. If the appropriation for funding teacher bonus payments is less
11 than the total amount for which Montana teachers qualify, the superintendent of public instruction shall
12 prorate the appropriation to the districts in a manner that provides the same amount to each qualifying
13 teacher.

14

15 **Section 2.** Section 15-30-111, MCA, is amended to read:

16 **"15-30-111. Adjusted gross income.** (1) Adjusted gross income is the taxpayer's federal income
17 tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954, 26 U.S.C. 62,
18 as that section may be labeled or amended, and in addition includes the following:

19 (a) (i) interest received on obligations of another state or territory or county, municipality, district,
20 or other political subdivision of another state, except to the extent that the interest is exempt from
21 taxation by Montana under federal law;

22 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code of 1986,
23 26 U.S.C. 852(b)(5), as that section may be amended or renumbered, that are attributable to the interest
24 referred to in subsection (1)(a)(i);

25 (b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in
26 a reduction of Montana income tax liability;

27 (c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
28 Revenue Code of 1954 that has been reduced by any federal taxes paid by the subchapter S. corporation
29 on the income;

30 (d) depreciation or amortization taken on a title plant as defined in 33-25-105(15);

1 (e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
2 the amount recovered reduced the taxpayer's Montana income tax in the year deducted; and

3 (f) if the state taxable distribution of an estate or trust is greater than the federal taxable
4 distribution of the same estate or trust, the difference between the state taxable distribution and the
5 federal taxable distribution of the same estate or trust for the same tax period.

6 (2) Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or
7 amended, adjusted gross income does not include the following, which are exempt from taxation under
8 this chapter:

9 (a) (i) all interest income from obligations of the United States government, the state of Montana,
10 a county, municipality, or district, or other political subdivision of the state and any other interest income
11 that is exempt from taxation by Montana under federal law;

12 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code of 1986,
13 26 U.S.C. 852(b)(5), as that section may be amended or renumbered, that are attributable to the interest
14 referred to in subsection (2)(a)(i);

15 (b) interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and
16 including \$800 for a taxpayer filing a separate return and \$1,600 for each joint return;

17 (c) (i) except as provided in subsection (2)(c)(ii), the first \$3,600 of all pension and annuity income
18 received as defined in 15-30-101;

19 (ii) for pension and annuity income described under subsection (2)(c)(i), as follows:

20 (A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total
21 amount of the exclusion provided in subsection (2)(c)(i) by \$2 for every \$1 of federal adjusted gross
22 income in excess of \$30,000 as shown on the taxpayer's return;

23 (B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity
24 income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided
25 in subsection (2)(c)(i) must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of
26 \$30,000 as shown on their joint return;

27 (d) all Montana income tax refunds or tax refund credits;

28 (e) gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii);

29 (f) all tips or gratuities that are covered by section 3402(k) or service charges that are covered
30 by section 3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and

1 applicable on January 1, 1983, received by persons for services rendered by them to patrons of premises
2 licensed to provide food, beverage, or lodging;

3 (g) all benefits received under the workers' compensation laws;

4 (h) all health insurance premiums paid by an employer for an employee if attributed as income to
5 the employee under federal law;

6 (i) all money received because of a settlement agreement or judgment in a lawsuit brought against
7 a manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange";

8 (j) principal and income in a medical care savings account established in accordance with
9 15-61-201 or withdrawn from an account for eligible medical expenses, as defined in 15-61-102, of the
10 taxpayer or a dependent of the taxpayer or for the long-term care of the taxpayer or a dependent of the
11 taxpayer;

12 (k) principal and income in a first-time home buyer savings account established in accordance with
13 15-63-201 or withdrawn from an account for eligible costs, as provided in 15-63-202(7), for the first-time
14 purchase of a single-family residence;

15 (l) money, not exceeding \$3,000 for each taxpayer, contributed to a family education savings
16 program account established in accordance with 15-62-201;

17 (m) principal withdrawn from an account for qualified higher education expenses, as defined in
18 15-62-103, for a designated beneficiary of the taxpayer;

19 (n) the recovery during the tax year of any amount deducted in any prior tax year to the extent
20 that the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

21 (o) if the federal taxable distribution of an estate or trust is greater than the state taxable
22 distribution of the same estate or trust, the difference between the federal taxable distribution and the
23 state taxable distribution of the same estate or trust for the same tax period; ~~and~~

24 (p) income of a dependent child that is included in the taxpayer's federal adjusted gross income
25 pursuant to the Internal Revenue Code. The child is required to file a Montana personal income tax return
26 if the child and taxpayer meet the filing requirements in 15-30-142.

27 (q) money, not exceeding \$10,000, paid to a qualifying teacher pursuant to [section 1].

28 (3) A shareholder of a DISC that is exempt from the corporation license tax under 15-31-102(1)(l)
29 shall include in the shareholder's adjusted gross income the earnings and profits of the DISC in the same
30 manner as provided by section 995 of the Internal Revenue Code, 26 U.S.C. 995, for all periods for which

1 the DISC election is effective.

2 (4) A taxpayer who, in determining federal adjusted gross income, has reduced the taxpayer's
3 business deductions by an amount for wages and salaries for which a federal tax credit was elected under
4 sections 38 and 51(a) of the Internal Revenue Code of 1954, as those sections may be labeled or
5 amended, is allowed to deduct the amount of the wages and salaries paid regardless of the credit taken.
6 The deduction must be made in the year that the wages and salaries were used to compute the credit. In
7 the case of a partnership or small business corporation, the deduction must be made to determine the
8 amount of income or loss of the partnership or small business corporation.

9 (5) Married taxpayers filing a joint federal return who are required to include part of their social
10 security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may
11 split the federal base used in calculation of federal taxable social security benefits or federal taxable tier
12 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must
13 be split equally on the Montana return.

14 (6) A taxpayer receiving retirement disability benefits who has not attained age 65 by the end of
15 the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross
16 income up to \$100 a week received as wages or payments in lieu of wages for a period during which the
17 employee is absent from work due to the disability. If the adjusted gross income before this exclusion and
18 before application of the two-earner married couple deduction exceeds \$15,000, the excess reduces the
19 exclusion by an equal amount. This limitation affects the amount of exclusion, but not the taxpayer's
20 eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the
21 limitation for income exceeding \$15,000 is determined with respect to the spouses on their combined
22 adjusted gross income. For the purpose of this subsection, "permanently and totally disabled" means
23 unable to engage in any substantial gainful activity by reason of any medically determined physical or
24 mental impairment lasting or expected to last at least 12 months.

25 (7) Married taxpayers who file a joint federal return and who make an election on the federal
26 return to defer income ratably for 4 tax years because of a conversion from an IRA other than a Roth IRA
27 to a Roth IRA, pursuant to section 408A(d)(3) of the Internal Revenue Code, 26 U.S.C. 408A(d)(3), may
28 file separate Montana income tax returns to defer the full taxable conversion amount from Montana
29 adjusted gross income for the same time period. The deferred amount must be attributed to the taxpayer
30 making the conversion. (Subsection (2)(f) terminates on occurrence of contingency--sec. 3, Ch. 634, L.

1 1983.)"

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3 NEW SECTION. **Section 3. Appropriation.** (1) Except as provided in subsection (2), there is
4 appropriated \$60,000 from the dollars for education fund created in [section 1] of ___Bill No. ___ [LC 672]
5 to the office of public instruction for the biennium beginning July 1, 2001, and ending June 30, 2003, to
6 provide for bonus payments to teachers obtaining doctorate degrees.

7 (2) If ___Bill No. ___ [LC 672] is not passed and approved or if ___Bill No. ___ [LC 672] is passed
8 and approved but funds are not allocated to the dollars for education fund, then there is appropriated
9 \$60,000 from the general fund to the office of public instruction for the biennium beginning July 1, 2001,
10 and ending June 30, 2003, to provide for bonus payments to teachers obtaining doctorate degrees.

11

12 NEW SECTION. **Section 4. Codification instruction.** [Section 1] is intended to be codified as an
13 integral part of Title 20, chapter 4, part 1, and the provisions of Title 20, chapter 4, part 1, apply to
14 [section 1].

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16 NEW SECTION. **Section 5. Effective date -- applicability.** [This act] is effective July 1, 2001, and
17 applies to bonus payments for teachers receiving a doctorate degree on or after July 1, 2001.

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