

HOUSE JOINT RESOLUTION NO. 13

INTRODUCED BY K. HANSEN

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING A STUDY OF MONTANA'S INDIVIDUAL INCOME TAX SYSTEM AND OPTIONS TO REVISE THE INDIVIDUAL INCOME TAX OR REPLACE THE INDIVIDUAL INCOME TAX WITH ANOTHER REVENUE SOURCE OR SOURCES.

WHEREAS, the Montana individual income tax is the largest source of state general fund revenue; and

WHEREAS, Montana's individual income tax laws generally conform with the Internal Revenue Code of 1986, as amended; and

WHEREAS, the State of Montana has enacted a variety of state-specific deductions, exclusions, exemptions, credits, and other special tax provisions; and

WHEREAS, the enactment of deductions, exclusions, exemptions, credits, and other special tax provisions may not achieve their intended purpose and may increase the complexity of complying with the state's individual income tax laws and increase the costs of administering and enforcing the state's individual income tax laws; and

WHEREAS, simplifying Montana's individual income tax laws would further enhance taxpayer compliance with state income tax laws, reduce administrative and enforcement costs, improve predictability for Montana's taxpayers, and provide stability of revenue for the state general fund, and promote economic development; and

WHEREAS, replacing the individual income tax with a sales and use tax or other revenue source or sources may be in the best interest of the state; and

WHEREAS, the Revenue and Transportation Interim Committee has recently conducted limited studies of the state's individual income tax structure.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee or statutory committee, pursuant to section 5-5-217, MCA, to:

- (1) review the provisions of Montana's individual income tax laws, including but not limited to:



- 1 (a) general provisions;
- 2 (b) conformity with federal income tax law;
- 3 (c) provisions related to married filing jointly and married filing separately; and
- 4 (d) Montana-specific deductions, exclusions, exemptions, credits, and other special tax provisions;
- 5 (2) conduct an analysis that evaluates the individual income tax in terms of adequacy, efficiency, burden
- 6 or incidence, costs, benefits, fairness, ability to be exported, stability, predictability, and effect on economic
- 7 behavior; and
- 8 (3) conduct an analysis of Montana-specific deductions, exclusions, exemptions, credits, and other
- 9 special tax provisions to determine:
- 10 (a) whether the deductions, exclusions, exemptions, credits, and other special income tax provisions are
- 11 meeting their intended purpose;
- 12 (b) the costs of the deductions, exclusions, exemptions, credits, and special income tax provisions;
- 13 (4) analyze compliance and administrative costs associated with the state individual income tax,
- 14 including but not limited to:
- 15 (a) taxpayer compliance costs; and
- 16 (b) auditing and enforcement costs;
- 17 (5) assess the complexity of the state's individual income tax structure;
- 18 (6) consider options to simplify the state's individual income tax structure, including but not limited to
- 19 options related to:
- 20 (a) conformity with federal income tax laws;
- 21 (b) the individual income tax base;
- 22 (c) the reduction or elimination of deductions, exclusions, exemptions, credits, and other special tax
- 23 provisions;
- 24 (d) revising Montana's individual income tax rate structure;
- 25 (e) the filing provisions for married taxpayers;
- 26 (7) evaluate the advantages and disadvantages of revising the state's individual income tax structure
- 27 according to the criteria described in subsection (2);
- 28 (8) evaluate the advantages and disadvantages, using the criteria described in subsection (2), of
- 29 replacing the state's individual income tax with a sales and use tax or, at the committee's discretion, another
- 30 revenue source or combination of revenue sources.

1 BE IT FURTHER RESOLVED, that the study rely on, to the extent feasible, information presented to the
2 Revenue and Transportation Interim Committee related to the House Joint Resolution No. 61 study of the
3 conformity of Montana's income tax laws with federal income tax laws, passed by the 60th Legislature, and the
4 Senate Joint Resolution No. 37 study of filing options for married taxpayers under Montana's individual income
5 tax law, passed by the 61st Legislature.

6 BE IT FURTHER RESOLVED, that the study consider the knowledge and advice of:

7 (1) certified public accountants;

8 (2) tax attorneys;

9 (3) taxpayer groups;

10 (4) individual income taxpayers;

11 (5) the department of revenue;

12 (6) other persons with knowledge of state and federal income tax laws; and

13 (7) tax policy experts, business, industry, and agriculture groups, and economic development
14 organizations for replacing the individual income tax with another revenue source or sources.

15 BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review
16 requirements, be concluded before September 15, 2012.

17 BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions,
18 comments, or recommendations of the committee, be reported to the 63rd Legislature.

19 - END -