



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0378
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<b>Title:</b>	Revise military pay exemption from state income taxes
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<b>Primary Sponsor:</b>	Arntzen, Elsie
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<b>Status:</b>	As Amended in Senate Committee
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- Significant Local Gov Impact   
 Needs to be included in HB 2   
 Technical Concerns  
 Included in the Executive Budget   
 Significant Long-Term Impacts   
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	Unknown	Unknown	Unknown
<b>Revenue:</b>				
General Fund	\$0	Unknown	Unknown	Unknown
<b>Net Impact-General Fund Balance:</b>	<u><u>\$0</u></u>	Unknown	Unknown	Unknown

**Description of fiscal impact:** SB 378, as amended, clarifies the income from Montana National Guard service from Title 32 and Title 10 of the federal code that is exempt from income tax under certain circumstances; these instances are limited, infrequent and unpredictable, therefore, the reduction in state general fund revenue is unknown.

### FISCAL ANALYSIS

#### Assumptions:

- As amended, SB 378 clarifies existing law regarding exemption from state income tax the salary received by a resident of Montana under provisions of Title 10, and Title 32 of federal code for military service in the Montana National Guard if involved in a homeland defense activity as defined under Title 32, U.S.C. 901. As defined in the federal code, "the term 'homeland defense activity' means an activity undertaken for the military protection of the territory or domestic population of the United States, or of infrastructure or other assets of the United States determined by the Secretary of Defense as being critical to national security, from a threat or aggression against the United States".

2. The bill also exempts Title 32 National Guard income when there is a contingency operation as defined under 10 U.S.C. As defined in the federal code, “the term ‘contingency operation’ means a military operation that (A) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or (B) results in the call or order to, or retention on, active duty of members of the uniformed services under section 688, 12301(a), 12302, 12304, 12304a, 12305, or 12406 of this title, chapter 15 of this title, section 712 of title 14, or any other provision of law during a war or during a national emergency declared by the President or Congress”.
3. The Department of Revenue’s (DOR) understanding is that the instances where the exemptions apply are limited, infrequent and unpredictable. For example, these exemptions may apply in cases where the Montana National Guard is called upon to help to help patrol the nation’s borders.
4. The fiscal note assumes that the exemptions do not apply to income earned from regular training or preparation and maintenance duties performed by the Montana National Guard.
5. Based on the above assumptions, the fiscal impact of the bill is unknown.
6. DOR will make revisions to instructions in the normal updating process and does not anticipate any additional costs due to the bill.
7. Provisions of the bill apply to tax years beginning after December 31, 2015.

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*Sponsor’s Initials*

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*Date*

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*Budget Director’s Initials*

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