

**Unofficial Draft Copy**

As of: September 8, 2000 (2:07PM)

LC0034

\*\*\*\* Bill No. \*\*\*\*

Introduced By \*\*\*\*\*

By Request of the \*\*\*\*\*

A Bill for an Act entitled: "An Act allowing a resident taxpayer a credit for taxes paid in another state or country for the taxpayer's pro rata share of income taxes paid by an S. corporation in another state or country; amending section 15-30-124, 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 15-30-124, MCA, is amended to read:

**"15-30-124. Credit allowed resident taxpayers for income taxes imposed by foreign states.** (1) Subject to the following conditions of subsections (2) through (5), residents a resident of this state ~~shall be~~ is allowed a credit against the taxes imposed by this chapter for:

(a) income taxes imposed by and paid to another state or country on income taxable under this chapter; and

(b) the resident's pro rata share of any income tax imposed by and paid to another state or country by an S. corporation of which the resident is a shareholder.

~~(1)(2)~~ (2) The credit ~~shall be~~ is allowed only for taxes paid to ~~such other~~ another state or country on income derived from sources within ~~such the other~~ the other state or country ~~which that~~

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is taxable under the laws of ~~such~~ the other state or country ~~irrespective~~ regardless of the residence or domicile of the ~~recipient~~ taxpayer.

~~(2)(3)~~ The credit ~~shall~~ is not ~~be~~ allowed if ~~such~~ the other state or country allows residents of this state a credit against the taxes imposed by ~~such~~ the state for taxes paid or payable under this chapter.

~~(3)(4)~~ The allowable credit ~~shall~~ must be computed by a formula ~~to be~~ prescribed by the department.

(5) For the purposes of the credit under subsection (1)(b):

(a) "income tax" has the same meaning as provided by Article II of 15-1-601;

(b) the S. corporation must have made and have in effect on the last day of its taxable year a valid election under Chapter 1, subchapter S. of the Internal Revenue Code; and

(c) the credit only applies to taxes paid by the S. corporation on income taxable under this chapter."

{Internal References to 15-30-124: None.}

NEW SECTION. Section 2. {standard} Effective date.

[This act] is effective on passage and approval.

NEW SECTION. Section 3. {standard} Retroactive applicability. [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

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{Name : Jeff Martin  
Title : Legislative Research Analyst  
Agency: LSD  
Phone : (406)444-3595  
E-Mail: jmartin@mt.gov}

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