

# INDIVIDUAL INCOME TAX BILLS OF INTEREST TO COMMITTEE



The committee requested information about the following bills as part of the HJ 35 study. Bills are summarized below by the year of consideration and fiscal notes are linked and attached to this document.

## 2019 LEGISLATION

### HOUSE BILL 697

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Rep. Jim Hamilton introduced [House Bill 697](#). The bill revises the individual income tax by reducing tax rates, increasing the standard deduction, and eliminating itemized deductions, certain personal exemptions, additions and subtractions, and tax credits. Specifically, the bill:

➤ Revises tax rates by subjecting lower levels of income to lower tax rates and adding a top tax rate for income over \$500,000 as follows:

Income	Tax Rate
First \$3,100	0.8%
Next \$2,400	1.6%
Next \$2,900	2.4%
Next \$2,900	3.2%
Next \$3,200	4.0%
Next \$4,200	4.8%
Next \$231,300	6.3%
Next \$250,000	6.7%

- Removes the partial pension exclusion and taxes tips and unemployment benefits;
- Removes most Montana additions and subtractions;
- Removes the extra personal exemption for age 65 and above, blindness, and a disabled child;
- Revises the standard deduction to a flat \$7,000 (increased for inflation) and removes itemized deductions;
- Repeals income tax credits except the foreign states credit, the earned income tax credit, and the elderly homeowner and renter credit.

The [fiscal note](#) estimates additional General Fund revenue collections of \$38.3 million in FY 2021, and a \$64,012 reduction in expenditures due to reductions in personnel.

The House Taxation Committee tabled the bill.

**HOUSE BILL 707**

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Rep. Kim Abbott sponsored [House Bill 707](#). The bill limits the capital gains credit to taxpayers with adjusted gross income of less than \$1 million and revises the credit amount to 2% of the lesser of net capital gains or taxable income. Currently, the credit is equal to 2% of net capital gains. The bill also annually adjusts the \$1 million for inflation.

The [fiscal note](#) for the bill estimates an increase in General Fund revenue collections of just under \$15 million in FY 2021.

The House Taxation Committee tabled the bill.

**HOUSE BILL 742**

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Rep. Tom Woods introduced [House Bill 742](#). The bill revises individual income tax laws and uses the additional revenue to increase state funding for education, thus reducing property taxes.

Individual income tax changes include an increase in the exemption for social security income for Montana tax purposes and revisions to tax brackets and rates as shown in the following table:

Income	Tax Rate
First \$3,200	1%
Next \$3,200	2%
Next \$6,500	3%
Next \$6,400	4%
Next \$6,500	5.5%
Next \$6,400	6.5%
Next \$12,900	7.5%
Next \$19,300	8.5%
Next \$48,300	9.5%
Above \$112,700	10.5%

The bill also revises property taxes that fund education by:

- Decreasing the mill levy for state equalization aid from 40 mills to 10 mills.
- Increasing guaranteed tax base (GTB) to replace \$45 million of local school property taxes with General Fund revenue.
- Increasing retirement GTB to replace \$20.1 million in countywide school property taxes with General Fund revenue.
- Increasing the state pupil transportation reimbursement by \$14.8 million, reducing district and county mill levies for school transportation.
- Appropriating \$10 million in General Fund revenue for school facilities in FYs 2020 and 2021.

The [fiscal note](#) estimates increased General Fund revenue of \$51.9 million in FY 2021.

The House Taxation Committee tabled the bill.

## 2017 LEGISLATION

### HOUSE BILL 330

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Rep. Kim Abbott introduced [House Bill 330](#). The bill revises individual income tax brackets by taxing income over \$400,000 at 8.9%.

The [fiscal note](#) estimates additional General Fund revenue of \$49.3 million in FY 2019.

The House Taxation Committee tabled the bill.

### HOUSE BILL 610

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Rep. Kim Abbott sponsored [House Bill 610](#). The bill limits the deduction for federal income taxes paid for trusts and estates to the same as the limit for an individual taxpayer: \$5,000.

The [fiscal note](#) estimates additional General Fund revenue of \$1.7 million in FY 2019.

The House Taxation Committee tabled the bill.

### SENATE BILL 252

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Sen. Mark Blasdel introduced [Senate Bill 252](#). The bill expands the waiver for filing a composite return or withholding tax for domestic second-tier pass-through entities to include domestic C. corporations and other entities whose principal place of business is Montana.

The [fiscal note](#) estimated no revenue impact to the General Fund.

The bill became law on April 11, 2017.

## 2003 LEGISLATION

### SENATE BILL 407

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Sen. Bob Depratu introduced [Senate Bill 407](#). The bill revised income tax laws, enacted a sales tax on lodging and rental cars, and increased cigarette and tobacco taxes. This overview focuses on the changes to the individual income tax, which included:

Individual Income Tax Bills of Interest to Committee

- Revising tax rates and brackets to the current rates (now adjusted for inflation) as shown in the following table.

Income	Tax Rate
First \$2,300	1%
Next \$1,800	2%
Next \$2,100	3%
Next \$2,200	4%
Next \$2,400	5%
Next \$3,100	6%
Next \$13,900	6.9%

- Capping the deduction for federal income taxes paid at \$5,000 for a single taxpayer and \$10,000 for taxpayers married filing jointly;
- Providing for a capital gains tax credit of 1% in tax years 2005 and 2006 and 2% thereafter.

The fiscal note estimated a decrease in General Fund revenue of \$45.9 million in tax year 2005.

The income tax portions of the bill were effective January 1, 2005.

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