

SENATE BILL NO. 3

2nd Special Session

Introduced and Referred to Committee on Finance & Claims:
6/22/82

Report: 6/24/82, Do Not Pass

Referred to Committee on Taxation: 6/24/82

Report: 6/24/82, Do Not Pass

Report Adopted: 6/24/82

Special Session # 11

BILL NO. *3*

INTRODUCED BY

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A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE INCOME TAX CREDITS TO EMPLOYERS WHO EMPLOY ECONOMICALLY DISADVANTAGED EX-CONVICTS; AMENDING SECTION 39-51-307, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Definitions. For purposes of [sections 1 through 4], the following definitions apply:

(1) "Economically disadvantaged ex-convict" means any individual who is certified by the department of labor and industry as:

- (a) having been convicted of a felony in Montana;
- (b) being a member of an economically disadvantaged family; and
- (c) having a hiring date that is not more than 5 years after the last date on which the ex-convict was convicted or released from a correctional facility.

(2) "Economically disadvantaged family" means a family which has an income, during the 6 months immediately preceding the month in which such certification occurs, that, on an annual basis, would be 70% or less of the bureau of labor statistics lower living standard.

(3) "Qualified wages" means the wages paid or incurred by the employer during the taxable year to individuals who are economically disadvantaged ex-convicts.

(4) "Qualified first-year wages" means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

(5) "Qualified second-year wages" means, with respect to any individual, the qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subsection (4).

NEW SECTION. Section 2. Economically disadvantaged ex-convicts -- employment tax credit. There is allowed, at the election of a taxpayer who employs an economically disadvantaged ex-convict, a credit against the tax imposed by Title 15, chapter 30.

NEW SECTION. Section 3. Amount of credit. (1) The credit allowed by [section 2] is an amount equal to the sum of:

- (a) 50% of the qualified first-year wages; and
- (b) 25% of the qualified second-year wages.

(2) The amount of the qualified first-year wages and the amount of the qualified second-year wages that may be taken into account with respect to any individual may not

1 exceed \$6,000 per year.

2 NEW SECTION. Section 4. Department to adopt rules.
3 The department shall adopt rules as may be necessary to
4 carry out the provisions of [sections 1 through 4].

5 NEW SECTION. Section 5. Definitions. For purposes of
6 [sections 5 through 8] the following definitions apply:

7 (1) "Economically disadvantaged ex-convict" means any
8 individual who is certified by the department of labor and
9 industry as:

10 (a) having been convicted of a felony in Montana;

11 (b) being a member of an economically disadvantaged
12 family; and

13 (c) having a hiring date that is not more than 5 years
14 after the last date on which the ex-convict was convicted or
15 released from a correctional facility.

16 (2) "Economically disadvantaged family" means a family
17 which has an income, during the 6 months immediately
18 preceding the month in which such certification occurs,
19 which, on an annual basis, would be 70% or less of the
20 bureau of labor statistics lower living standard.

21 (3) "Qualified wages" means the wages paid or incurred
22 by the employer during the taxable year to individuals who
23 are economically disadvantaged ex-convicts.

24 (4) "Qualified first-year wages" means, with respect
25 to any individual, qualified wages attributable to service

1 rendered during the 1-year period beginning with the day the
2 individual begins work for the employer.

3 (5) "Qualified second-year wages" means, with respect
4 to any individual, the qualified wages attributable to
5 service rendered during the 1-year period beginning on the
6 day after the last day of the 1-year period with respect to
7 such individual determined under subsection (4).

8 NEW SECTION. Section 6. Economically disadvantaged
9 ex-convicts -- employment tax credit. There is allowed, at
10 the election of a taxpayer who employs an economically
11 disadvantaged ex-convict, a credit against the tax imposed
12 by Title 15, chapter 31.

13 NEW SECTION. Section 7. Amount of credit. (1) The
14 credit allowed by [section 6] is an amount equal to the sum
15 of:

16 (a) 50% of the qualified first-year wages; and

17 (b) 25% of the qualified second-year wages.

18 (2) The amount of the qualified first-year wages and
19 the amount of the qualified second-year wages that may be
20 taken into account with respect to any individual may not
21 exceed \$6,000 per year.

22 NEW SECTION. Section 8. Department to adopt rules.
23 The department shall adopt rules as may be necessary to
24 carry out the provisions of [sections 5 through 8].

25 Section 9. Section 39-51-307, MCA, is amended to read:

"39-51-307. Department to create employment service.

(1) The department shall establish and maintain free public employment offices in such number and in such places as may be necessary for the proper administration of this chapter and for the purpose of performing such duties as are within the purview of the act of congress entitled, "An act to provide for the establishment of a national employment system and for cooperation with the states in the promotion of such system, and for other purposes", approved June 6, 1933 (48 Stat. 113; U.S.C. Title 29, Sec. 49 (c)), as amended.

(2) The department shall be charged with the duty to cooperate with any official or agency of the United States having power or duties under the provisions of the act of congress, as amended, and to do and perform all things necessary to secure to this state the benefits of the act of congress, as amended, in the promotion and maintenance of a system of public employment offices.

(3) The provisions of the act of congress, as amended, are hereby accepted by this state in conformity with section 4 of said act, and this state will observe and comply with the requirements thereof. The department is hereby designated and constituted the agency of this state for the purpose of said act.

(4) For the purpose of establishing and maintaining

free public employment offices, the department is authorized to enter into agreements with any political subdivisions of this state or with any private, nonprofit organization and as a part of any such agreement the department may accept money, services, or quarters as a contribution to the employment service account.

~~(5) The department shall designate individuals as economically disadvantaged ex-convicts consistent with the provisions of [sections 1 through 8] and may adopt rules to implement this subsection."~~

NEW SECTION. Section 10. Codification instruction.

(1) Sections 1 through 4 are intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to sections 1 through 4.

(2) Sections 5 through 8 are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to sections 5 through 8.

NEW SECTION. Section 11. Effective date and applicability date. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1982.

-End-

STATE OF MONTANA

REQUEST NO. 3-SP2-82

FISCAL NOTE

Form BD-15

In compliance with a written request received June 22, 19 82, there is hereby submitted a Fiscal Note for SB3 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

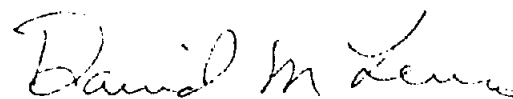
Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

Description:

An act to provide income tax credits to employers who employ economically disadvantaged ex-convicts; amending section 39-51-307, MCA; and providing an effective date and an applicability date.

Assumptions:

1. There were 78 economically disadvantaged ex-convicts as certified by the Department of Labor and Industry in federal fiscal year 1981. (Source: Department of Labor and Industry).
2. Through March 31, 1982 (federal fiscal year 1982), there were 34 economically disadvantaged ex-convicts as certified by the Department of Labor and Industry. (Source: Department of Labor and Industry).
3. For purposes of this fiscal impact statement, it is assumed that 78 economically disadvantaged ex-convicts represent an average number of ex-convicts involved in the program in any given calendar year.
4. Montana's preliminary per capita personal income for calendar year 1981 was \$9,676. The maximum qualified wages for the first and second years, which may be taken into account with respect to any individual, is \$6,000 per year. It is assumed that all participants will earn at least \$6,000 per year.
5. The tax credit allowed to the employer will be 50% of the qualified first year wages and 25% of the qualified second year wages.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: June 22, 1982

Fiscal Impact:

(78 ex-convicts) x (\$6,000 per year per ex-convict) x (50%) = \$234,000

(78 ex-convicts) x (\$6,000 per year per ex-convict) x (25%) = \$117,000

Total estimated revenue loss per year = \$351,000

Since the proposed effective date is January 1, 1983, estimated calendar year 1983 revenue loss would be \$234,000. Subsequent calendar year revenue losses would be \$351,000 per year. Estimated revenue loss by fund is as follows:

	<u>CY 83</u>	<u>CY 84</u>
• General Fund (75%)	\$175,500	\$263,250
• School Foundation Program (25%)	<u>58,500</u>	<u>87,750</u>
Total revenue loss	\$234,000	\$351,000