

STATE OF MONTANA

REQUEST NO. 423-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 9, 19 77, there is hereby submitted a Fiscal Note for House Bill 689 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

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

This bill allows an investment credit against corporation license taxes for coal-fired boilers installed to replace oil and gas fired boilers.

ASSUMPTIONS

There is no data on the number of companies that would switch from a boiler system fired by petroleum products to one fired by coal. Therefore, the fiscal impact is impossible to estimate. Some explanation of this bill may be useful.

This bill would allow a one-time tax credit against corporation license tax liability equal to 10% of the cost of the investment. This credit is in addition to the depreciation deduction from gross income already allowed for the investment under current law.

One company that was planning to do such an investment was contacted. This company estimated the cost of the investment to be between \$1 and \$2 million. This means that this particular company's corporation tax liability would be reduced by between \$100,000 to \$200,000. However, the actual reduction would be even greater because the company is also allowed to deduct the depreciation on this investment from gross income, thus lowering taxable income before the tax credit is applied.

TECHNICAL NOTE

There is no effective date on this bill. A suggested addition is: "This bill is effective on passage and approval for all taxable years after December 31, 1976."

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Young
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-14-77

Approved by Committee
on Taxation

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HOUSE BILL NO. 689
INTRODUCED BY FRATES, HIRSCH, METCALF

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT
CREDIT AGAINST CORPORATION LICENSE TAXES FOR COAL-FIRED
BOILERS INSTALLED TO REPLACE OIL- AND GAS-FIRED BOILERS;
PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. There is a new section in Title 84, chapter
15, R.C.M. 1947, that reads as follows:

Investment credit -- conversion to coal. There is
allowed, as a credit against the tax imposed by 84-1501, a
percentage of the investment in depreciable property equal
to the percentage of investment in such property allowed
under section 38 of the Internal Revenue Code when such
property is a coal-fired boiler installed to replace a
boiler which uses petroleum products.

SECTION 2. EFFECTIVE DATE. THIS BILL IS EFFECTIVE ON
PASSAGE AND APPROVAL FOR ALL TAXABLE YEARS AFTER DECEMBER
31, 1976.

-End-

SECOND READING

HR 689

1 HOUSE BILL NO. 689
 2 INTRODUCED BY FRATES, HIRSCH, METCALF
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT
 5 CREDIT AGAINST CORPORATION LICENSE TAXES FOR COAL-FIRED
 6 BOILERS INSTALLED TO REPLACE OIL- AND GAS-FIRED BOILERS;
 7 ~~PROVIDING AN IMMEDIATE EFFECTIVE DATE A PERIOD OF~~
 8 ~~EFFECTIVENESS."~~

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. There is a new section in Title 84, chapter
12 15, R.C.M. 1947, that reads as follows:

13 Investment credit -- conversion to coal. (1) There is
14 allowed, as a credit against the tax imposed by 84-1501, a
15 percentage of the investment in depreciable property equal
16 to the percentage of investment in such property allowed
17 under section 38 of the Internal Revenue Code when such
18 property is a coal-fired boiler installed to replace a
19 boiler which uses petroleum products.

20 ~~(2) THE INVESTMENT CREDIT PROVIDED IN SUBSECTION (1)~~
21 ~~MAY BE CLAIMED ONLY FOR THE TAXABLE YEAR IN WHICH THE~~
22 ~~INVESTMENT WAS MADE. THE AMOUNT OF THE CREDIT MAY NOT EXCEED~~
23 ~~THE TOTAL TAX LIABILITY IMPOSED BY 84-1501 FOR THAT TAXABLE~~
24 ~~YEAR.~~

25 SECTION 2. ~~EFFECTIVE DATE PERIOD OF EFFECTIVENESS.~~

1 ~~THIS ~~ACT~~ ACT IS EFFECTIVE ON PASSAGE AND APPROVAL FOR ALL~~
 2 ~~TAXABLE YEARS AFTER DECEMBER 31, 1976, AND BEFORE DECEMBER~~
 3 ~~31, 1981.~~

-End-