

Law Lib

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 28, 1983

The thirty-fifth meeting of the Taxation Committee was called to order upon adjournment of the Senate at 4:10 p.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

RECONSIDERATION AND DISPOSITION OF SENATE BILL 241: New amendments, marked Exhibit A and attached hereto, were submitted. Senator Gary Lee, the sponsor of the bill, said these amendments allow the same benefits to manufacturers as they do to corporations.

John Lopach, from the Economic Growth Council of Great Falls, said changes numbered 10, 11 and 12 are Dan Bucks's (Department of Revenue's) amendments. He reviewed also amendments numbered 5 and 59 for the committee.

Senator Norman questioned the fiscal note and asked what the estimated revenue loss would be and how many applications for tax credits there would be. Senator Lee indicated that this would not apply unless new jobs were filled.

Senator Lynch said that in the case of resumption of mining operations, companies might hire all new people to take advantage of the credit and not rehire former employees who had been laid off. Mr. Lopach said a company couldn't hire from one plant to another and claim the credit.

Senator Towe asked Mr. Lopach how he interpreted "expanding." Mr. Lopach replied that the formula for determining whether an expansion has occurred is to take the average five-year employment of the industry and count expanding jobs from that base. It is in the bill, he said.

Senator Towe said he still had problems with amending regulations (administrative rules). Senator Lee commented that the legislature couldn't change them on the day they leave for home; there must be public hearings on the rules.

Senator Towe supported the concept but was worried about the fiscal impact. Can't you say what you want to do and put it in the statutes and attach a statement of intent indicating how you want the regulations drawn, he asked. Senator Crippen saw nothing wrong with amending the regulations, especially since the Department (of Revenue) whose rules we are amending have ignored them for the past two years.

Mr. Lopach said the problem is in the restrictiveness of the law as it is written. We should give a tax credit until we start getting jobs filled.

Senator Towe moved that the amendments set forth on Exhibit A be adopted. The motion was seconded.

Senator Gage mentioned that on pages 6, 7, 8, and 9, there is a provision that a manufacturer be registered to do business in the state of Montana. Mr. Lopach replied that the manufacturer must be a valid existing business in Montana to get the credit. A vote was taken on Senator Towe's motion, and it passed unanimously.

Senator Towe then moved to strike sections 11 through 21 of the bill in their entirety. The motion was seconded. On page 3, he said, there is a provision (section 5(2)) for carryover of credits for the taxable years. That is a new provision that allows for accumulation; it is spelled out in the rules. The Department will go into the rules to strike out the language on carrybacks and carryovers and will allow for carrybacks and carryovers as set forth in the statutes.

Senator Lee felt that putting the rules in the bill would guarantee that it gets done correctly.

Senator Turnage asked Senator Towe if he would be satisfied if all the rule sections were changed to statutes. Senator Towe said he had no problem with spelling those out in the statutes. What if people opposed the rules at the hearing procedure? Then what, he asked.

Senator Turnage asked Mr. Lopach how important the rule changes were. If they are that important, let's make them code sections.

Cort Harrington noted that this expands the credit to include individuals, too, but the rules only apply to one portion of the bill.

Senator Mazurek suggested repealing these rules.

Senator Turnage moved that every reference to administrative rules be codified as a new section (strike sections 11 through 21 and re-enact them as code sections).

Senator Crippen reminded the committee that the governor can do an amendatory veto on this and all other bills.

Senator Turnage withdrew his motion.

A vote was taken on Senator Towe's motion (by raised hands), and it failed.

Senator Brown moved that SB 241 DO PASS AS AMENDED. The motion was seconded.

Senator Halligan wondered where SB 241 would put us in relation to other states. Mr. Lopach indicated that there are not an awful lot of raw material industries in Montana because we are far away from shipping points.

Senator Towe asked what type of business would take advantage of this in Montana. Mr. Lopach responded that "Measure-onics" and a corporation in Washington want to do business in Montana.

Senator Elliott spoke against the bill. The federal government did this, and it was a real loss to the treasury. Many people came under the qualifications of this law. It was not intended to be used as widely as it was. We should garner credits in other ways than this. Businesses will expand whether we have this credit or not. We have better ways to entice business into Montana than this. This law has generated \$17,000 in credits since it was passed in 1977. This gives credits to certain businesses, but it is not necessary.

Senator Goodover commented that in Nevada, corporations have sales taxes to pay but no other taxes.

Senator Elliott felt SB 241 was a give-away, and he could not support it.

Senator Crippen didn't think federal and state levels could be compared. Tax credits are not the number one reason why a company decides to move into a new location. Credits, taken together with other factors, can make a difference. Tax credits hold out that we are receptive to new business.

A roll call vote was taken on Senator Brown's motion, and it passed 11-4. The roll call vote sheet is attached to the standing committee report attached to these minutes.

CONSIDERATION AND DISPOSITION OF SENATE BILL 252: Senator Goodover noted that if the credit is dropped back to 20%, its impact is \$6 million per year; if it goes back to 30%, the impact is \$10 million per year.

Senator Eck moved that the following amendment be adopted:

Page 2, line 2.
Strike: "30%"
Insert: "20%"

The motion was seconded and passed with Senators Crippen, McCallum and Severson voting no.

Senator Elliott moved that the following amendments be adopted:

Page 1, line 12.
Following: "~~small~~"
Insert: "small"

Page 1, line 13.
Following: "~~3~~"
Strike: "(2)"
Insert: "(3)"

Page 1, line 14.
Following: "~~small~~"
Insert: "small"

Page 1, line 18.
Following: "~~made-~~"
Insert: "(2) For the purposes of this section, "small business" means a business that is eligible to elect to be taxed under the provisions of 15-31-202, whether or not such election is made."
Renumber: subsequent subsections

The motion was seconded.

This takes out Montana Power Company and others subject to Montana corporation investment credit tax.

Cort Harrington noted that individuals could not be included in corporation license tax provisions, so section 15-30-162 is being amended. See the amendments attached as Exhibit B.

Senator Elliott suggested that the amount of investment credit in the next two years will not be as great because the economy has been down.

Mr. Lopach noted that the removal of the limit of investment credit (\$5,000 plus 50% of tax liability in excess) was so that corporations could take advantage of the credit in a year. If they want to carry forward they can. He said he couldn't predict the fiscal impact but wanted it to be as flexible as possible.

Senator Severson stated that SB 252 was indeed an incentive for people to buy. It was used many times when he was selling farm equipment, he said, and it does help them decide whether or not to buy.

Cort Harrington noted that all internal references would need to be changed along with the amendments. The intent is to reinstate the old bill with the \$5,000 plus 50% of the tax liability in excess of \$5,000 on both individuals and corporations.

A vote was taken on Senator Elliott's motion to amend, and it passed unanimously.

Senator Towe moved to reinstate the stricken language on page 2 of the bill:

Page 2, line 16.

Following: "\$5,000-"

Insert: "In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000."

The motion was seconded and passed unanimously.

Senator Towe moved that the amendments on Exhibit B be adopted, except that "30%" in amendment 4(2)(a) be changed to "20%" and that the stricken language in amendment 4(3) be reinserted. The motion was seconded.

The effect is to bring in the 20% amount for individual income tax purposes.

A vote was taken on Senator Towe's motion, and it passed unanimously.

Senator Towe noted that amendment 3 on Exhibit B places the credit within the reach of corporations as well as that of individuals.

Senator Crippen moved that SB 252 DO PASS AS AMENDED. The motion was seconded and passed, with Senators Halligan, Lynch and Norman voting no.

CONSIDERATION OF SENATE BILL 343: Senator Mazurek moved that SB 343 be tabled. The motion was seconded and passed unanimously.

CONSIDERATION OF SENATE BILL 379: Senator Lynch moved that SB 379 DO PASS. The motion was seconded, and a roll call vote was taken. The motion failed 6-8 (Senator Brown being absent at the time the vote was taken). The roll call vote sheet is attached hereto as Exhibit C.

CONSIDERATION AND DISPOSITION OF SENATE BILL 283: SB 283 was sent to this committee on second reading (previously heard in Natural Resources Committee). Senator Halligan, one of the sponsors of the bill, said the maximum credit has been amended from \$3,000 down to \$1,000 per system, or 20%, whichever is less. This is the only evidence that revenues will increase if the credit is given.

Senator Elliott spoke against this credit for the same reasons he did not support SB 307. This is a back door approach. He thought DNRC should make direct credits to people instead of funneling the credits through income tax laws.

Senator Dave Fuller, the main sponsor of the bill, said this is a tried mechanism that works; it is up to the committee now.

Senator Elliott remarked that there is no audit of this process in the income tax division. It would be better to have DNRC process these.

Senator Norman asked if they were saying the Department of Revenue would approve of a plan and then he could get the tax credit.

Senator Elliott felt the applications should go to DNRC under an alternative energy program. Let's appropriate \$50,000 to DNRC and if applications are approved, DNRC can pay them, he said.

Senator Crippen said the administrative costs would be prohibitive. SB 307 allows deductions, not a credit like SB 283.

Senator Hager said he saw reports two or three years ago where people turned the grants down when they became aware of the paperwork they would have to complete for the DNRC. He wondered if it would be possible to fund this through alternative energy from coal. Senator Towe replied that the alternative energy program is research and demonstration. After two or three years, they said enough was done, and it was time for something else like hydropower, wind power, etc. At that time, they were spending money on solar power.

Senator Halligan moved that SB 283 DO PASS. The motion was seconded. A roll call vote was taken, and the motion passed 9-2 (Senators Goodover, Brown, Turnage, and Lynch being absent at the time the vote was taken).

The meeting adjourned at 5:38 p.m.

Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 2/28 /8

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓ <i>left at 5pm</i>		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

AMENDMENTS TO SB 241

1. Title, line 5.

Following: "EXPANDING"

Strike: "MANUFACTURERS"

Insert: "INDUSTRY"

2. Page 1, line 14.

Following: "~~industry~~"

Strike: "manufacturer"

Insert: "industry"

3. Page 1, line 19.

Following: line 18

Insert: "industrial"

4. Page 1, line 20.

Following: "five"

Insert: "jobs"

5. Page 1, line 21 through page 2, line 1.

Following: "(3)"

Strike through page 2, line 1.

Insert: "(a) "New industry" means a person, corporation, firm, partnership, association, or other group that is established in Montana for the operation of a new industrial endeavor, including the expansion of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(c) New industry does not include retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions."

6. Page 2, line 13.

Following: "~~manufacturing-corporation~~"

Strike: "manufacturer"

Insert: "industry"

7. Page 2, line 17.

For Study Only

Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

8. Page 2, line 18.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

9. Page 2, line 21.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

10. Page 2, line 23.
Following: "The"
Insert: "total"
Following: "jobs"
Insert: "in Montana"

11. Page 2, line 24.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"
Following: "the"
Strike: "12"
Insert: "36"
Following: "period"
Insert: "or the period of operation of the industry in Montana
whichever is less,"

12. Page 3, lines 4 and 5.
Following: "~~corporations~~"
Strike: "manufacturers that provide jobs"
Insert: "industries that increase total full-time jobs by at
least 30% or at least five jobs, whichever is less"

13. Page 3, line 8.
Following: "eligibility of"
Strike: "~~a-corporation~~ manufacturer"
Insert: "an industry"

14. Page 3, line 14.
Following: line 13
Strike: "manufacturer's"

Insert: "industry's"

15. Page 3, line 19.

Following: "the"

Strike: "manufacturer's"

Insert: "industry's"

16. Page 4, line 1.

Following: "five"

Insert: "jobs"

17. Page 4, line 2 through line 6.

Following: "(3)"

Strike: through line 6

Insert: "(a) "New industry" means a person, corporation, firm, partnership, association, or other group that is established in Montana for the operation of a new industrial endeavor, including the expansion of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(c) New industry does not include retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions."

18. Page 4, line 20.

Following: "The"

Insert: "total"

Following: "jobs"

Insert: "in Montana"

19. Page 4, line 21.

Following: line 20

Strike: "12"

Insert: "36"

Following: "period"

Insert: "or the period of operation of the industry in Montana whichever is less,"

20. Page 5, line 3.

Following: "only"
Strike: "for"
Insert: "to those"

21. Page 5, line 4.
Following: "expanding"
Strike: "manufacturers that provide jobs"
Insert: "industries that increase total full-time jobs by at least 30% or at least five jobs, whichever is less,-"

22. Page 5, line 22.
Following: line 21
Strike: "MANUFACTURERS"
Insert: "Industries"

23. Page 5, line 25.
Following: line 24
Strike: "manufacturer"
Insert: "industry"

24. Page 5, line 25.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

25. Page 6, line 4.
Following: "corporation"
Strike: "manufacturers"
Insert: "industry"

26. Page 6, line 15.
Following: "is a"
Strike: "manufacturer"
Insert: "new or expanding industry"

27. Page 6, line 24.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

28. Page 7, line 2.
Following: "the start of"
Strike: "manufacturing"
Insert: "doing business"

29. Page 7, line 5.
Following: line 4
Strike: "manufacturer"
Insert: "industry"

30. Page 7, line 8.

Following: line 7

Strike: "manufacturing"

Insert: "operations"

31. Page 7, line 17.

Following: line 16

Strike: "of a new product"

Insert: "begins"

32. Page 9, lines 6 and 7.

Following: line 5

Strike: "manufacturing and other divisions of the 1972 Standard Industrial Classification Manual system"

Insert: "eligible new and expanding industries and other businesses"

33. Page 9, line 10.

Following: line 9

Strike: through page 10, line 5.

34. Page 12, line 6.

Following: "CORPORATION"

Strike: "MANUFACTURER"

Insert: "INDUSTRY -- ELIGIBILITY"

Strike: Remainder of line 6 and line 7

35. Page 12, line 19

Following: line 18

Strike: "(2)"

Following: "corporation"

Strike: "manufacturer"

Insert: "business or industry"

36. Page 13, line 18

Following: "CORPORATION"

Strike: "MANUFACTURER"

Insert: "INDUSTRY -- ELIGIBILITY"

37. Page 13, line 19

Following: "corporation"

Strike: "manufacturer"

Insert: "industry"

38. Page 14, line 14.

Following: "five"

Insert: "jobs"

39. Page 14, line 17.
Following: line 16
Strike: "manufacturer"
Insert: "industry"

40. Page 14, line 24.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

41. Page 15, line 8.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

42. Page 15, line 14.
Following: line 13
Strike: "manufacturer"
Insert: "industry"

43. Page 15, line 16.
Following: "If"
Strike: "a ~~corporation~~ manufacturer"
Insert: "an industry"

44. Page 15, line 19.
Following: line 18
Strike: "manufacturer"
Insert: "industry"

45. Page 15, line 22.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

46. Page 16, line 18.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

47. Page 16, line 22.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

48. Page 16, line 23.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

49. Page 18, line 3.

Following: line 2
Strike: "manufacturer"
Insert: "industry"

50. Page 18, line 7.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

51. Page 18, line 8.
Following: "(2)"
Strike: "A ~~corporation~~ manufacturer"
Insert: "An industry"

52. Page 18, line 10.
Following: "more than one"
Strike: "manufacturing"

53. Page 18, line 14.
Following: "(3)"
Strike: "A corporation"
Insert: "An industry"

54. Page 19, line 6.
Following: "~~3~~"
Strike: "A ~~corporation~~ manufacturer"
Insert: "(1) An industry"

55. Page 19, line 8.
Following: "~~corporation~~"
Strike: "manufacturer"
Insert: "industry"

56. Page 19, line 9.
Following: line 8
Strike: "manufacturers products"
Insert: "commences operations"

57. Page 19, line 10.
Following: "recognized if"
Strike: "a corporation"
Insert: "an industry"

58. Page 19, line 11.
Following: "without"
Strike: "manufacturing a product"
Insert: "commencing operations"

59. Page 19, line 12.
Following: line 11

Insert: "(2) If a new or expanding manufacturer ceases to operate, either temporarily or permanently, under normal conditions the 3-year period of eligibility for the credit continues until its normal expiration date. If another treatment would be beneficial to the new industry or a successor industry, application for this treatment must be made to the department director."

Proposed Amendment to SB 252

1. Title, line 5.

Following: "AGAINST"

Insert: "THE INDIVIDUAL INCOME TAX AND"

2. Title, line 6.

Following: "AMENDING"

Strike: "SECTION"

Insert: "SECTIONS 15-30-162 AND"

3. Page 1, line 24.

Following: "amended"

Insert: ", providing the qualifying section 38 property is placed in service and used principally within Montana"

4. Page 3, line 3.

Following: line 2

Insert: "Section 2. Section 15-30-162, MCA, is amended to read:

"15-30-162. Investment credit. (1) There is allowed as a credit against the tax imposed by 15-30-103 a percentage of the credit allowed with respect to certain depreciable property under section 38 of the Internal Revenue Code of 1954, as amended, or as section 38 may be renumbered or amended, providing the qualifying section 38 property is placed in service and used principally within Montana.

(2) The amount of the credit allowed for the taxable year is the sum of:

(a) 30% of the amount of credit determined under section 46(a)(2) of the Internal Revenue Code of 1954, as amended, or as section 46(a)(2) may be renumbered or amended;

(b) the investment credit carryovers carried to the taxable year as provided in subsection (4); and

(c) the investment credit carrybacks carried to the taxable year as provided for in subsection (4).

(3) Notwithstanding the provisions of subsection (2), the investment credit allowed for the taxable year may not exceed the taxpayer's tax liability for the taxable year. ~~In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000. In the case of a husband and wife who file separate returns, the investment credit may not exceed \$2,500 plus 50% of the tax liability in excess of \$2,500 unless the spouse of the taxpayer has no qualified investment for and no unused credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year.~~

(4) If any part of the investment credit is not applied against the tax liability for the taxable year because of the limitations imposed under subsection (3), the unused portion shall be carried back and carried forward in accordance with the provisions of section 46(b) of the

Internal Revenue Code of 1954, as amended, or as section 46(b) may be renumbered or amended.

(5) The investment credit allowed by this section is subject to recapture as provided for in section 47 of the Internal Revenue Code of 1954, as amended, or as section 47 may be renumbered or amended."

Renumber: subsequent sections.

5. Page 3, line 11.

Following: "in accordance with"

Insert: "15-30-162(4) or"

Following: "15-31-123("

Strike: "6"

Insert: "5"

JCH3/Amend SB 252

ROLL CALL VOTE

SENATE TAXATION COMMITTEE EXHIBIT <u>C</u> <u>Feb 28, 1983</u> Senate BILL/RES. <u>379</u>

SENATE COMMITTEE TAXATION

Date Feb 28, 1983 Senate Bill No. 379 Time 5:25

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN		✓
SENATOR McCALLUM, VICE CHAIRMAN		✓
SENATOR BROWN	A	
SENATOR CRIPPEN		✓
SENATOR ELLIOTT		✓
SENATOR GAGE		✓
SENATOR TURNAGE		✓
SENATOR SEVERSON		✓
SENATOR HAGER		✓
SENATOR ECK	✓	
SENATOR HALLIGAN	✓	
SENATOR LYNCH	✓	
SENATOR NORMAN	✓	
SENATOR TOWE	✓	
SENATOR MAZUREK	✓	

Secretary: Barbara J. Effing Chairman: Pat M. Goodover
 Motion: _____

motion that SB 379 do pass

(include enough information on motion—put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

February 28 19 83

MR. **PRESIDENT**

We, your committee on **TAXATION**

having had under consideration **SENATE** Bill No. **241**

Respectfully report as follows: That **SENATE** Bill No. **241**

be amended as follows:

1. Title, line 5.
Following: "EXPANDING"
Strike: "MANUFACTURERS"
Insert: "INDUSTRY"

2. Page 1, line 14.
Following: "industry"
Strike: "manufacturer"
Insert: "industry"

3. Page 1, line 19.
Following: line 18
Insert: "industrial"

~~DOXPASS~~

(Continued on page 2)

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4. Page 1, line 20.

Following: "five"

Insert: "jobs"

5. Page 1, line 21 through page 2, line 1.

Following: "(3)"

Strike through page 2, line 1.

Insert: "(a) "New industry" means a person, corporation, firm, partnership, association, or other group that is established in Montana for the operation of a new industrial endeavor, including the expansion of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(c) New industry does not include retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions."

6. Page 2, line 13.

Following: "manufacturing-corporation"

Strike: "manufacturer"

Insert: "industry"

7. Page 2, line 17.

Following: "corporation"

Strike: "manufacturer"

Insert: "industry"

8. Page 2, line 18.

Following: "corporation"

Strike: "manufacturer"

Insert: "industry"

9. Page 2, line 21.

Following: "corporation"

Strike: "manufacturer"

Insert: "industry"

(Continued on page 3)

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10. Page 2, line 23.
Following: "The"
Insert: "total"
Following: "jobs"
Insert: "in Montana"

11. Page 2, line 24.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"
Following: "the"
Strike: "12"
Insert: "36"
Following: "period"
Insert: "or the period of operation of the industry in Montana
whichever is less,"

12. Page 3, lines 4 and 5.
Following: "corporations"
Strike: "manufacturers that provide jobs"
Insert: "industries that increase total full-time jobs by at least 30%
or at least five jobs, whichever is less"

13. Page 3, line 8.
Following: "eligibility of"
Strike: "a corporation manufacturer"
Insert: "an industry"

14. Page 3, line 14.
Following: line 13
Strike: "manufacturer's"
Insert: "industry's"

15. Page 3, line 19.
Following: "the"
Strike: "manufacturer's"
Insert: "industry's"

16. Page 4, line 1.
Following: "five"
Insert: "jobs"

(Continued on page 4)

JK

February 28

19 83

17. Page 4, line 2 through line 6.

Following: "(3)"

Strike: through line 6

Insert: "(a) "New industry" means a person, corporation, firm, partnership, association, or other group that is established in Montana for the operation of a new industrial endeavor, including the expansion of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(c) New industry does not include retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions."

18. Page 4, line 20.

Following: "The"

Insert: "total"

Following: "jobs"

Insert: "in Montana"

19. Page 4, line 21.

Following: line 20

Strike: "12"

Insert: "36"

Following: "period"

Insert: "or the period of operation of the industry in Montana whichever is less,"

20. Page 5, line 3.

Following: "only"

Strike: "for"

Insert: "to those"

21. Page 5, line 4.

Following: "expanding"

Strike: "manufacturers that provide jobs"

Insert: "industries that increase total full-time jobs by at least 30% or at least five jobs, whichever is less,"

(Continued on page 5)

Handwritten initials: JHC, JHC, JHC

22. Page 5, line 22.
Following: line 21
Strike: "MANUFACTURERS"
Insert: "Industries"

23. Page 5, line 25.
Following: line 24
Strike: "manufacturer"
Insert: "industry"

24. Page 5, line 25.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

25. Page 6, line 4.
Following: "corporation"
Strike: "manufacturers"
Insert: "industry"

26. Page 6, line 15.
Following: "is a"
Strike: "manufacturer"
Insert: "new or expanding industry"

27. Page 6, line 24.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

28. Page 7, line 2.
Following: "the start of"
Strike: "manufacturing"
Insert: "doing business"

29. Page 7, line 5.
Following: line 4
Strike: "manufacturer"
Insert: "industry"

30. Page 7, line 8.
Following: line 7
Strike: "manufacturing"
Insert: "operations"

31. Page 7, line 17.
Following: line 16
Strike: "of a new product"
Insert: "begins"

(Continued on page 6)

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32. Page 9, lines 6 and 7.

Following: line 5

Strike: "manufacturing and other divisions of the 1972 Standard Industrial Classification Manual system"

Insert: "eligible new and expanding industries and other businesses"

33. Page 9, line 10.

Following: line 9

Strike: through page 10, line 5.

34. Page 12, line 6.

Following: "~~CORPORATION~~"Strike: "~~MANUFACTURER~~"Insert: "INDUSTRY -- ELIGIBILITY"

Strike: Remainder of line 6 and line 7

35. Page 12, line 19

Following: line 18

Strike: "(2)"

Following: "~~corporation~~"Strike: "~~manufacturer~~"Insert: "business or industry"

36. Page 13, line 18

Following: "~~CORPORATION~~"Strike: "~~MANUFACTURER~~"Insert: "INDUSTRY -- ELIGIBILITY"

37. Page 13, line 19

Following: "~~corporation~~"Strike: "~~manufacturer~~"Insert: "industry"

38. Page 14, line 14.

Following: "five"

Insert: "jobs"

39. Page 14, line 17.

Following: line 16

Strike: "~~manufacturer~~"Insert: "industry"

40. Page 14, line 24.

Following: "~~corporation~~"Strike: "~~manufacturer~~"Insert: "industry"

(Continued on page 7)

41. Page 15, line 8.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

42. Page 15, line 14.
Following: line 13
Strike: "manufacturer"
Insert: "industry"

43. Page 15, line 16.
Following: "If"
Strike: "a corporation manufacturer"
Insert: "an industry"

44. Page 15, line 19.
Following: line 18
Strike: "manufacturer"
Insert: "industry"

45. Page 15, line 22.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

46. Page 16, line 18.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

47. Page 16, line 22.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

48. Page 16, line 23.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

49. Page 18, line 3.
Following: line 2
Strike: "manufacturer"
Insert: "industry"

50. Page 18, line 7.
Following: "corporation"
Strike: "manufacturer"
Insert: "industry"

(Continued on page 8)

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51. Page 18, line 8.

Following: "(2)"

Strike: "A corporation manufacturer"

Insert: "An industry"

52. Page 18, line 10.

Following: "more than one"

Strike: "manufacturing"

53. Page 18, line 14.

Following: "(3)"

Strike: "A corporation"

Insert: "An industry"

54. Page 19, line 6.

Following: "+3)"

Strike: "A corporation manufacturer"

Insert: "(1) An industry"

55. Page 19, line 8.

Following: "corporation"

Strike: "manufacturer"

Insert: "industry"

56. Page 19, line 9.

Following: line 8

Strike: "manufacturers products"

Insert: "commences operations"

57. Page 19, line 10.

Following: "recognized if"

Strike: "a corporation"

Insert: "an industry"

58. Page 19, line 11.

Following: "without"

Strike: "manufacturing a product"

Insert: "commencing operations"

59. Page 19, line 12.

Following: line 11

Insert: "(2) If a new or expanding manufacturer ceases to operate, either temporarily or permanently, under normal conditions the 3-year period of eligibility for the credit continues until its normal expiration date. If another treatment would be beneficial to the new industry or a successor industry, application for this treatment must be made to the department director."

AND AS AMENDEDDO PASS

Pat M. Goodover

Chairman.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 28, 1983 Senate Bill No. 241 Time 5:00 p.m.

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN	✓	
SENATOR McCALLUM, VICE CHAIRMAN	✓	
SENATOR BROWN	✓	
SENATOR CRIPPEN	✓	
SENATOR ELLIOTT		✓
SENATOR GAGE	✓	
SENATOR TURNAGE	✓	
SENATOR SEVERSON	✓	
SENATOR HAGER		✓
SENATOR ECK	✓	
SENATOR HALLIGAN	✓	
SENATOR LYNCH	✓	
SENATOR NORMAN		✓
SENATOR TOWE		✓
SENATOR MAZUREK	✓	

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

moved that SB 241 as amended do pass

(include enough information on motion—put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

February 28

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PRESIDENT

MR.

Taxation

We, your committee on

having had under consideration **Senate** Bill No. **252**

Respectfully report as follows: That **Senate** Bill No. **252**

be amended as follows:

1. Title, line 5.
Following: "AGAINST"
Insert: "THE INDIVIDUAL INCOME TAX AND"

2. Title, line 6.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS 15-30-162 AND"

3. Page 1, line 12.
Following: "small"
Insert: "small"

4. Page 1, line 13.
Following: "{3}"
Strike: "(2)"
Insert: "(3)"

~~XXXXXX~~

(Continued on page 2)

11/11

5. Page 1, line 14.

Following: "~~small~~"

Insert: "small"

6. Page 1, line 18.

Following: "~~made~~"

Insert: "(2) For the purposes of this section, "small business" means a business that is eligible to elect to be taxed under the provisions of 15-31-202, whether or not such election is made."

Renumber: subsequent subsections

7. Page 1, line 24.

Following: "~~amended~~"

Insert: ", providing the qualifying section 38 property is placed in service and used principally within Montana"

8. Page 2, line 2.

Following: "(a)"

Strike: "30%"

Insert: "20%"

9. Page 2, line 7.

Following: "~~6~~"

Strike: "(5)"

Insert: "6"

10. Page 2, line 9.

Following: "~~6~~"

Strike: "(5)"

Insert: "6"

11. Page 2, line 11.

Following: "~~4~~"

Strike: "(3)"

Insert: "4"

12. Page 2, line 16.

Following: "~~\$5,000-~~"

Insert: "In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000."

13. Page 2, line 19.

Following: "~~5~~"

Strike: "(4)"

Insert: "5"

(Continued on page 3)

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14. Page 3, line 3.

Following: line 2

Insert: "Section 2. Section 15-30-162, MCA, is amended to read:

"15-30-162. Investment credit. (1) There is allowed as a credit against the tax imposed by 15-30-103 a percentage of the credit allowed with respect to certain depreciable property under section 38 of the Internal Revenue Code of 1954, as amended, or as section 38 may be renumbered or amended, providing the qualifying section 38 property is placed in service and used principally within Montana.

(2) The amount of the credit allowed for the taxable year is the sum of:

(a) 30% 20% of the amount of credit determined under section 46(a)(2) of the Internal Revenue Code of 1954, as amended, or as section 46(a)(2) may be renumbered or amended;

(b) the investment credit carryovers carried to the taxable year as provided in subsection (4); and

(c) the investment credit carrybacks carried to the taxable year as provided for in subsection (4).

(3) Notwithstanding the provisions of subsection (2), the investment credit allowed for the taxable year may not exceed the taxpayer's tax liability for the taxable year. In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000. In the case of a husband and wife who file separate returns, the investment credit may not exceed \$2,500 plus 50% of the tax liability in excess of \$2,500 unless the spouse of the taxpayer has no qualified investment for and no unused credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year.

(4) If any part of the investment credit is not applied against the tax liability for the taxable year because of the limitations imposed under subsection (3), the unused portion shall be carried back and carried forward in accordance with the provisions of section 46(b) of the Internal Revenue Code of 1954, as amended, or as section 46(b) may be renumbered or amended.

(5) The investment credit allowed by this section is subject to recapture as provided for in section 47 of the Internal Revenue Code of 1954, as amended, or as section 47 may be renumbered or amended."

Renumber: subsequent sections.

15. Page 3, line 11.

Following: "in accordance with"

Insert: "15-30-162(4) or"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

February 28 19 33

MR. PRESIDENT

We, your committee on taxation

having had under consideration Senate Bill No. 283

Respectfully report as follows: That Senate Bill No. 283

second reading copy (yellow)

DO PASS

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ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 28, 1983 Senate Bill No. 283 Time 5:37 p.m.

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN	A	
SENATOR McCALLUM, VICE CHAIRMAN	✓	
SENATOR BROWN	A	
SENATOR CRIPPEN	✓	
SENATOR ELLIOTT		✓
SENATOR GAGE	✓	
SENATOR TURNAGE	A	
SENATOR SEVERSON		✓
SENATOR HAGER	✓	
SENATOR ECK	✓	
SENATOR HALLIGAN	✓	
SENATOR LYNCH	A	
SENATOR NORMAN	✓	
SENATOR TOWE	✓	
SENATOR MAZUREK	✓	

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

motion that SB 283, second reading copy,
do pass.

(include enough information on motion—put with yellow copy of committee report.)