

1 *(House)* BILL NO. *593*
 2 INTRODUCED BY *George Joseph Thayer Jurlin*
 3 *Manuel Casey*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN INCENTIVE
 5 FOR DEVELOPMENT OF NEW INDUSTRY IN MONTANA BY THE ALLOWANCE
 6 OF A STATE LICENSE TAX CREDIT FOR NEW AND EXPANDING
 7 CORPORATIONS."

8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Short title. This act may be cited as "The
 11 Montana Corporate License Tax Credit Act of 1975".

12 Section 2. Definitions. As used in this act:

13 (a) "Manufacturing" means the process of mechanical or
 14 chemical transformation of materials or substances into new
 15 products, as described in the standard industrial
 16 classification manual of 1972, by the office of management
 17 and budget of the United States.

18 (b) "New corporation" means a corporation engaging in
 19 manufacturing for the first time in this state; it does not
 20 include reorganizing an existing corporation in this state.

21 (c) "Expanding" means to expand or diversify a present
 22 operation to increase total wages and salaries by thirty
 23 percent (30%) or more, or create at least fifteen (15) new
 24 permanent jobs, whichever is less.

25 (d) "Department" means the state department of

1 revenue.

2 Section 3. Tax credit -- determination -- limitation.

3 (1) A new or expanding manufacturing corporation may receive
 4 a license tax credit based on a percentage of wages and
 5 salaries paid its employees for a period of five (5) years
 6 as follows:

7 (a) the first three (3) years of operation of a new
 8 corporation or the first three (3) years of expansion of an
 9 expanding corporation a credit of one percent (1%) of the
 10 total wages and salaries may be allowed.

11 (b) the fourth and fifth years of operation or
 12 expansion a corporation may receive a credit of one-half of
 13 one percent (.5%) of total wages and salaries.

14 (2) In determining total wages and salaries for an
 15 expanding corporation only those wages and salaries paid in
 16 support of the expansion are considered in ascertaining the
 17 credit; the payroll and number of jobs of the corporation in
 18 the twelve (12) month period immediately preceding the
 19 expansion are averaged to determine eligibility for the
 20 credit.

21 Section 4. Department duties. The department shall
 22 determine the eligibility of a corporation for this credit,
 23 promulgate rules, prepare forms, maintain records and
 24 perform other duties necessary to carry out this act.

25 Section 5. Exclusion. This credit is available only to

1 those new and expanding corporations that provide jobs
2 within the state of Montana.

3 Section 6. Effective date. This act is effective July
4 1, 1975.

-End-

STATE OF MONTANA

REQUEST NO. 198-75

FISCAL NOTE

Form BD-15

In compliance with a written request received February 11, 19 75, there is hereby submitted a Fiscal Note for House Bill 593 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 OF PROPOSED LEGISLATION:

House Bill 593 allows a state corporation license tax credit for new and expanding corporations to provide an incentive for development of new industry in Montana. The credit is based on a percentage of wages and salaries paid.

ASSUMPTIONS:

1. Employment Security Division wage information relating to new manufacturing corporations does not distinguish between corporations new to the state and reorganizations of existing corporations.
2. Employment data do not differentiate between "new hires" that are filling new jobs and those that are replacing terminating employees.
3. "New hires" attributable to new corporations or corporations expanding employment by fifteen or payrolls by 30% cannot be separated from the data on all "new hires".
4. Corporate earnings data do not portray the portion of increased earnings which is attributable to new or expanding corporations.

CONCLUSION:

Due to lack of historical information, as outlined in the above assumptions, it is not possible to estimate the magnitude of the expected corporation license tax revenue loss.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 14, 1975

Approved by Committee
on Taxation

HOUSE BILL NO. 593

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A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN INCENTIVE FOR DEVELOPMENT OF NEW INDUSTRY IN MONTANA BY THE ALLOWANCE OF A STATE LICENSE TAX CREDIT FOR NEW AND EXPANDING CORPORATIONS."

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Section 1. Short title. This act may be cited as "The Montana Corporate License Tax Credit Act of 1975".

Section 2. Definitions. As used in this act:

(a) "Manufacturing" means the process of mechanical or chemical transformation of materials or substances into new products, as described in the standard industrial classification manual of 1972, by the office of management and budget of the United States.

(b) "New corporation" means a corporation engaging in manufacturing for the first time in this state AND MANUFACTURING A PRODUCT NOT CURRENTLY MANUFACTURED IN THIS STATE; it does not include reorganizing an existing corporation in this state.

(c) "Expanding" means to expand or diversify a present operation to increase total ~~wages--and--salaries~~ JOBS by thirty percent (30%) or more ~~or create at least fifteen~~

~~{15} new permanent jobs, whichever is less.~~

(d) "Department" means the state department of revenue.

Section 3. Tax credit -- determination -- limitation.

(1) A new or expanding manufacturing corporation may receive a license tax credit based on a percentage of wages and salaries paid its NEW employees for a period of ~~five-{5}~~ THREE (3) years as follows:

(a) the first three (3) years of operation of a new corporation or the first three (3) years of expansion of an expanding corporation a credit of one percent (1%) of the total NEW wages and salaries may be allowed.

~~{b}--the--fourth--and--fifth--years--of--operation--or expansion--a corporation may receive a credit of one-half of one percent--{.5%}--of total wages and salaries.~~

(2) In determining total wages and salaries for an expanding corporation only those wages and salaries paid in support of the expansion are considered in ascertaining the credit; the payroll and number of jobs of the corporation in the twelve (12) month period immediately preceding the expansion are averaged to determine eligibility for the credit.

Section 4. Department duties. The department shall determine the eligibility of a corporation for this credit, promulgate rules, prepare forms, maintain records and

1 perform other duties necessary to carry out this act.

2 Section 5. Exclusion. This credit is available only to
3 those new and expanding corporations that provide jobs
4 within the state of Montana.

5 ~~Section 6. --Effective date-- This act is effective July~~
6 ~~17-1975.~~

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-End-

March 25, 1975

SENATE COMMITTEE ON TAXATION

AMENDMENTS TO HOUSE BILL NO. 593

That House Bill No. 593, third reading, be amended as follows:

1. Amend page 1, section 2, line 20.
Following: "MANUFACTURED"
Insert: "or substantially similar to a¹product currently manufactured by that corporation or any affiliate corporation"
2. Amend page 1, section 2, line 22.
Following: "state"
Insert: "or the creation of a parent, subsidiary or affiliate of which fifty percent (50%) or more is owned or controlled by the same person, corporation or association"
3. Amend page 1, section 2, line 24.
Following: "~~salaries~~"
Insert: "full time"
4. Amend page 2, section 3, lines 6 and 7.
Following: "wages"
Strike: "and salaries"
5. Amend page 2, section 3, line 7.
Following: "employees"
Insert: "within this state"
6. Amend page 2, section 3, line 12.
Following: "wages"
Strike: "and salaries"
Insert: "paid in this state as wages are defined in section 87-149"
7. Amend page 2, section 3, line 16.
Following: "wages"
Strike: "and salaries"
8. Amend page 2, section 3, line 17.
Following: "wages"
Strike: "and salaries"

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(b) "New corporation" means a corporation engaging in manufacturing for the first time in this state AND MANUFACTURING A PRODUCT NOT CURRENTLY MANUFACTURED OR SUBSTANTIALLY SIMILAR TO A PRODUCT CURRENTLY MANUFACTURED BY THAT CORPORATION OR ANY AFFILIATE CORPORATION IN THIS STATE; it does not include reorganizing an existing corporation in this state OR THE CREATION OF A PARENT, SUBSIDIARY OR AFFILIATE OF WHICH FIFTY PERCENT (50%) OR MORE IS OWNED OR

CONTROLLED BY THE SAME PERSON, CORPORATION OR ASSOCIATION.

(c) "Expanding" means to expand or diversify a present operation to increase total wages--and--salaries FULL TIME JOBS by thirty percent (30%) or more, ~~or create at least fifteen-(15)-new-permanent-jobs, whichever is less.~~

(d) "Department" means the state department of revenue.

Section 3. Tax credit -- determination -- limitation.

(1) A new or expanding manufacturing corporation may receive a license tax credit based on a percentage of wages and salaries paid its NEW employees WITHIN THIS STATE for a period of ~~five-(5)~~ THREE (3) years as follows:

(a) the first three (3) years of operation of a new corporation or the first three (3) years of expansion of an expanding corporation a credit of one percent (1%) of the total NEW wages and salaries PAID IN THIS STATE AS WAGES ARE DEFINED IN SECTION 87-149 may be allowed.

~~(b) --the--fourth--and--fifth--years--of--operation--or expansion--a corporation may receive a credit of one-half of one-percent-(.5%) of total wages and salaries.~~

(2) In determining total wages and salaries for an expanding corporation only those wages and salaries paid in support of the expansion are considered in ascertaining the credit; the payroll and number of jobs of the corporation in the twelve (12) month period immediately preceding the

1 expansion are averaged to determine eligibility for the
2 credit.

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