

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BILL NO. 599

INTRODUCED BY

*Sen. Foy* *Sen. L. Hines*  
*Conroy*

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT CREDIT AGAINST INDIVIDUAL INCOME TAX; PROVIDING AN EFFECTIVE DATE."

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

Section 1. Purpose. The purpose of this act is to allow small corporations, unincorporated businesses, and partnerships whose proprietors or partners report business income under the individual income tax to take the same investment credit allowed against federal taxes and thus to stimulate capital investment by the small business sector.

Section 2. There is a new section in Title 84, chapter 49, R.C.M. 1947, that reads as follows:

Investment credit. There is allowed, as a credit against the tax imposed by 84-4902 and 84-4902.1, a percentage of the investment in certain depreciable property equal to the percentage of investment in such property allowed under section 38 of the Internal Revenue Code of 1954, as amended, or as section 38 may be renumbered or amended.

Section 3. Application date. This act applies to all taxable years beginning after December 31, 1977.

-End-

INTRODUCED BILL

*HB 599*

STATE OF MONTANA

REQUEST NO. 320-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 19 77, there is hereby submitted a Fiscal Note for House Bill 599 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 individual income tax; provides an effective date.

ASSUMPTIONS

The Department of Revenue has no data which is useful in predicting the effect on income tax revenue that enactment of this bill might produce. The latest Federal income tax data, obtained from the Office of Tax Research, U. S. Department of the Treasury, indicates that about 3% of the Federal individual income tax returns for 1974 (approximately 2.5 million in number) utilize the credit. The decrease in Federal tax collections was approximately \$2 billion or about 1.3%.

If the proposed legislation were enacted and if Montana proprietors, partnerships, and small business corporations were to avail themselves of the credit in numbers similar to those who currently utilize the Federal credit, it would mean that there would be about 10,000 state returns involved. The prospective decrease in income tax collections is much more difficult to estimate. However, since a tax credit is involved and since state income tax liability is ordinarily considerably smaller than Federal liability, it follows that the state tax liability of those using the credit would be reduced by a greater percentage than their Federal liability. It can then be inferred that state tax collections might be decreased by considerably more than the 1.3% experienced by the Federal Treasury.

In any event impact from this proposed legislation would not be felt until FY 79 because of the effective date.

PREPARED BY DEPARTMENT OF REVENUE

*Richard J. Ziemer for*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-77

Approved by Committee  
on Taxation

1 HOUSE BILL NO. 599

2 INTRODUCED BY LIEN, FAGG;

3 HIRSCH, UNDERDAL, CONROY, SIVERTSEN

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT  
6 CREDIT AGAINST INDIVIDUAL INCOME TAX AND CORPORATION LICENSE  
7 TAX; PROVIDING AN EFFECTIVE DATE."

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

10 Section 1. Purpose AND DEFINITION. (1) The purpose of  
11 this act is to allow ~~small corporations, unincorporated~~  
12 ~~businesses, and partnerships whose proprietors or partners~~  
13 ~~report business income under the individual income tax~~  
14 BUSINESSES THAT MEET THE DEFINITION ESTABLISHED IN THIS  
15 SECTION to take the same investment credit allowed against  
16 federal taxes and thus to stimulate capital investment by  
17 the small business sector.

18 (2) FOR THE PURPOSES OF THIS ACT, "SMALL BUSINESS"  
19 MEANS A BUSINESS THAT IS INDEPENDENTLY OWNED AND OPERATED  
20 AND THAT IS NOT DOMINANT IN ITS FIELD OF OPERATION. THE  
21 DEPARTMENT OF REVENUE SHALL ESTABLISH A DETAILED DEFINITION  
22 BY RULE, USING IN ADDITION TO THE FOREGOING CRITERIA, OTHER  
23 CRITERIA THAT DO NOT EXCEED THOSE ESTABLISHED IN TITLE 13,  
24 CHAPTER 121 OF THE CODE OF FEDERAL REGULATIONS, AS AMENDED.  
25 "SMALL BUSINESS" SHALL FURTHER MEAN A BUSINESS DOMICILED IN

1 MONTANA OR THAT EMPLOYS MORE THAN 50% OF ITS TOTAL EMPLOYED  
2 PERSONNEL WITHIN THE STATE AND, IF INCORPORATED, IS  
3 INCORPORATED IN MONTANA.

4 Section 2. There is a new section in Title 84, chapter  
5 49, R.C.M. 1947, that reads as follows:

6 Investment credit. There is allowed, as a credit  
7 against the tax TAXES imposed by 84-4902 and, 84-4902.1, AND  
8 84-1501 a percentage of the investment in certain  
9 depreciable property equal to the percentage of investment  
10 in such property allowed under section 38 of the Internal  
11 Revenue Code of 1954, as amended, or as section 38 may be  
12 renumbered or amended.

13 Section 3. Application date. This act applies to all  
14 taxable years beginning after December 31, 1977.

-End-

1 HOUSE BILL NO. 599

2 INTRODUCED BY LIEN, FAGG,

3 HIRSCH, UNDERDAL, CONROY, SIVERTSEN

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT  
6 CREDIT AGAINST INDIVIDUAL INCOME TAX AND CORPORATION LICENSE  
7 TAX; PROVIDING AN EFFECTIVE DATE."

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

10 Section 1. Purpose AND DEFINITION. (1) The purpose of  
11 this act is to allow small corporations, ~~unincorporated~~  
12 ~~businesses, and partnerships whose proprietors or partners~~  
13 ~~report business income under the individual income tax~~  
14 BUSINESSES THAT MEET THE DEFINITION ESTABLISHED IN THIS  
15 SECTION to take the same investment credit allowed against  
16 federal taxes and thus to stimulate capital investment by  
17 the small business sector.

18 (2) FOR THE PURPOSES OF THIS ACT, "SMALL BUSINESS"  
19 MEANS A BUSINESS THAT IS INDEPENDENTLY OWNED AND OPERATED  
20 AND THAT IS NOT DOMINANT IN ITS FIELD OF OPERATION. THE  
21 DEPARTMENT OF REVENUE SHALL ESTABLISH A DETAILED DEFINITION  
22 BY RULE, USING IN ADDITION TO THE FOREGOING CRITERIA, OTHER  
23 CRITERIA THAT DO NOT EXCEED THOSE ESTABLISHED IN TITLE 13,  
24 CHAPTER 121 OF THE CODE OF FEDERAL REGULATIONS, AS AMENDED,  
25 "SMALL BUSINESS" SHALL FURTHER MEAN A BUSINESS DOMICILED IN

1 MONTANA OR THAT EMPLOYS MORE THAN 50% OF ITS TOTAL EMPLOYED  
2 PERSONNEL WITHIN THE STATE AND, IF INCORPORATED, IS  
3 INCORPORATED IN MONTANA.

4 Section 2. There is a new section in Title 84, chapter  
5 49, R.C.M. 1947, that reads as follows:

6 Investment credit. There is allowed, as a credit  
7 against the tax TAXES imposed by 84-4902 and 84-4902.1, AND  
8 84-1501 a percentage of the investment in certain  
9 depreciable property equal to the percentage of investment  
10 in such property allowed under section 38 of the Internal  
11 Revenue Code of 1954, as amended, or as section 38 may be  
12 renumbered or amended.

13 Section 3. Application date. This act applies to all  
14 taxable years beginning after December 31, 1977.

-End-

April 5, 1977

STANDING COMMITTEE REPORT  
Senate Committee on Taxation

That House Bill No. 599 be amended as follows:

1. Amend page 1, section 1, line 15.

Following: "take"

Strike: "the same"

Insert: "one-fifth"

2. Amend page 1, section 1, line 19 through line 3 on page 2.

Following: "IS"

Strike: "INDEPENDENTLY OWNED AND OPERATED AND THAT IS NOT DOMINANT IN ITS FIELD OF OPERATION. THE DEPARTMENT OF REVENUE SHALL ESTABLISH A DETAILED DEFINITION BY RULE, USING IN ADDITION TO THE FOREGOING CRITERIA, OTHER CRITERIA THAT DO NOT EXCEED THOSE ESTABLISHED IN TITLE 13, CHAPTER 121 OF THE CODE OF FEDERAL REGULATIONS, AS AMENDED, "SMALL BUSINESS" SHALL FURTHER MEAN A BUSINESS DOMICILED IN MONTANA OR THAT EMPLOYS MORE THAN 50% OF ITS TOTAL EMPLOYED PERSONNEL WITHIN THE STATE AND, IF INCORPORATED, IS INCORPORATED IN MONTANA"

Insert: "eligible to elect to be taxed under the provisions of 84-1501.2, whether or not such election is made"

3. Amend page 2, section 2, line 9.

Following: "equal to"

Insert: "one-fifth"

4. Amend page 2, section 3, line 14.

Following: "December 31,"

Strike: "1977"

Insert: "1976"

Following: "."

Insert: "A credit may not be carried back to any taxable year commencing in 1976 or earlier."

April 7, 1977

SENATE  
COMMITTEE OF THE WHOLE

That House Bill No. 599 be amended as follows:

1. Amend page 1, section 1, line 11.  
Following: "to allow"  
Insert: "individuals and"

1 HOUSE BILL NO. 599

2 INTRODUCED BY LIEN, FAGG,

3 HIRSCH, UNDERDAL, CONROY, SIVERTSEN

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW AN INVESTMENT  
6 CREDIT AGAINST INDIVIDUAL INCOME TAX ~~AND CORPORATION LICENSE~~  
7 ~~TAX~~; PROVIDING AN EFFECTIVE DATE."

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

10 Section 1. Purpose ~~AND DEFINITION.~~ (1) The purpose of  
11 this act is to allow ~~INDIVIDUALS AND small corporations~~  
12 ~~unincorporated businesses and partnerships whose~~  
13 ~~proprietors or partners report business income under the~~  
14 ~~individual income tax~~ BUSINESSES THAT MEET THE DEFINITION  
15 ESTABLISHED IN THIS SECTION to take the ~~same~~ ONE-FIFTH  
16 investment credit allowed against federal taxes and thus to  
17 stimulate capital investment by the small business sector.

18 (2) ~~FOR THE PURPOSES OF THIS ACT, "SMALL BUSINESS"~~  
19 ~~MEANS A BUSINESS THAT IS INDEPENDENTLY OWNED AND OPERATED~~  
20 ~~AND THAT IS NOT DOMINANT IN ITS FIELD OF OPERATION. THE~~  
21 ~~DEPARTMENT OF REVENUE SHALL ESTABLISH A DETAILED DEFINITION~~  
22 ~~BY RULE, USING IN ADDITION TO THE FOREGOING CRITERIA, OTHER~~  
23 ~~CRITERIA THAT DO NOT EXCEED THOSE ESTABLISHED IN TITLE 13,~~  
24 ~~CHAPTER 121 OF THE CODE OF FEDERAL REGULATIONS, AS AMENDED.~~  
25 "SMALL BUSINESS" SHALL FURTHER MEAN A BUSINESS DOMICILED IN

1 ~~MONTANA OR THAT EMPLOYS MORE THAN 50% OF ITS TOTAL EMPLOYED~~  
2 ~~PERSONNEL WITHIN THE STATE AND, IF INCORPORATED, IS~~  
3 ~~INCORPORATED IN MONTANA~~ ELIGIBLE TO ELECT TO BE TAXED UNDER  
4 THE PROVISIONS OF 84-1501.2, WHETHER OR NOT SUCH ELECTION IS  
5 MADE.

6 Section 2. There is a new section in Title 84, chapter  
7 49, R.C.M. 1947, that reads as follows:

8 Investment credit. There is allowed, as a credit  
9 against the tax ~~TAXES~~ imposed by 84-4902 and, 84-4902.1, AND  
10 84-1501 a percentage of the investment in certain  
11 depreciable property equal to ONE-FIFTH the percentage of  
12 investment in such property allowed under section 38 of the  
13 Internal Revenue Code of 1954, as amended, or as section 38  
14 may be renumbered or amended.

15 Section 3. Application date. This act applies to all  
16 taxable years beginning after December 31, 1977 ~~1976~~. A  
17 CREDIT MAY NOT BE CARRIED BACK TO ANY TAXABLE YEAR  
18 COMMENCING IN 1976 OR EARLIER.

-End-