

House Bill 156

In The House

January 10, 1981	Introduced and referred to Committee on Taxation.
January 12, 1981	Fiscal note requested.
January 16, 1981	Fiscal note returned.
February 5, 1981	Committee recommend bill do pass as amended.
February 6, 1981	Bill printed and placed on members' desks.
February 7, 1981	Second reading do pass.
February 9, 1981	Correctly engrossed.
February 11, 1981	Third reading passed.

In The Senate

February 12, 1981	Introduced and referred to Committee on Taxation.
April 23, 1981	Died in Committee.

1 HOUSE BILL NO. 156
 2 INTRODUCED BY *Handwritten Signature*
 3 *Cozzens*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENLARGE TAX CREDITS
 5 FOR BUSINESS INVESTMENT AND TO ENCOURAGE CREATION OF JOBS;
 6 PROVIDING AN EFFECTIVE DATE AND PERIOD OF APPLICABILITY;
 7 AMENDING SECTIONS 15-30-162, 15-31-123, AND 15-31-125, MCA."

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

10 Section 1. Section 15-30-162, MCA, is amended to read:
 11 "15-30-162. Investment credit. (1) There is allowed as
 12 a credit against the taxes imposed by 15-30-103 and
 13 15-30-104 a percentage of the credit allowed with respect to
 14 certain depreciable property under section 38 of the
 15 Internal Revenue Code of 1954, as amended, or as section 38
 16 may be renumbered or amended.

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

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

23 (b) the investment credit carryovers carried to the
 24 taxable year as provided in subsection ~~(4)~~ (5); and

25 (c) the investment credit carrybacks carried to the

1 taxable year as provided for in subsection ~~(4)~~ (5).

2 ~~(3) An additional credit of 20% of the federal~~
 3 ~~investment credit as specified in subsection (2)(a) is~~
 4 ~~allowed if the total amount of investments made by an~~
 5 ~~individual, trust, estate, or small business exceeds total~~
 6 ~~depreciation taken under 15-30-121.~~

7 ~~(3)(4)~~ Notwithstanding the provisions of subsection
 8 (2), the investment credit allowed for the taxable year may
 9 not exceed the taxpayer's tax liability for the taxable
 10 year. In the event the taxpayer's tax liability for the
 11 taxable year exceeds \$5,000, the investment credit may not
 12 exceed \$5,000 plus 50% of the tax liability in excess of
 13 \$5,000. In the case of a husband and wife who file separate
 14 returns, the investment credit may not exceed \$2,500 plus
 15 50% of the tax liability in excess of \$2,500 unless the
 16 spouse of the taxpayer has no qualified investment for and
 17 no unused credit carryback or carryover to the taxable year
 18 of the spouse that ends with or within the taxpayer's
 19 taxable year.

20 ~~(4)(5)~~ If any part of the investment credit is not
 21 applied against the tax liability for the taxable year
 22 because of the limitations imposed under subsection ~~(3)~~ (4),
 23 the unused portion shall be carried back and carried forward
 24 in accordance with the provisions of section 46(b) of the
 25 Internal Revenue Code of 1954, as amended, or as section

1 46(b) may be renumbered or amended.

2 ~~(5)(6)~~ The investment credit allowed by this section
3 is subject to recapture as provided for in section 47 of the
4 Internal Revenue Code of 1954, as amended, or as section 47
5 may be renumbered or amended."

6 NEW SECTION. Section 2. Tax credit for a new or
7 expanding business. (1) A new or expanding business that is
8 increasing the number of total full-time jobs by 30% or more
9 annually is entitled to receive a tax credit against
10 15-30-103 and 15-30-104 based on a percentage of wages paid
11 its new employees within this state for a period of 3 years
12 as follows: the first 3 years of operation of a new business
13 or the first 3 years of expansion of an expanding business,
14 a credit of 2% of the total new wages paid in this state, as
15 wages are defined in 39-51-201, is allowed. In determining
16 total wages for an expanding business, only those wages paid
17 in support of the expansion are considered in determining
18 the credit. The payroll and number of jobs of the business
19 in the 12-month period immediately preceding the expansion
20 are averaged to determine eligibility for the credit.

21 (2) This credit is only available to new and expanding
22 businesses that provide jobs within the state of Montana.

23 (3) The department shall determine the eligibility of
24 a business for this credit, promulgate rules, prepare forms,
25 maintain records, and perform other duties necessary to

1 carry out this section.

2 Section 3. Section 15-31-125, MCA, is amended to read:
3 "15-31-125. Determination of tax credit. A new or
4 expanding manufacturing corporation may receive a license
5 tax credit based on a percentage of wages paid its new
6 employees within this state for a period of 3 years as
7 follows: the first 3 years of operation of a new corporation
8 or the first 3 years of expansion of an expanding
9 corporation, a credit of ~~1%~~ 2% of the total new wages paid
10 in this state, as wages are defined in 39-51-201 may be
11 allowed. In determining total wages for an expanding
12 corporation, only those wages paid in support of the
13 expansion are considered in ascertaining the credit. The
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15 12-month period immediately preceding the expansion are
16 averaged to determine eligibility for the credit."

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18 "15-31-123. Investment credit. (1) The purpose of this
19 section is to allow individuals, estates, trusts, and small
20 businesses that meet the definition established in this
21 section to take an investment credit as provided for in
22 subsection (3) and thus to stimulate capital investment by
23 the small business sector.

24 (2) For the purposes of this section, "small business"
25 means a business that is eligible to elect to be taxed under

1 the provisions of 15-31-202, whether or not such election is
2 made.

3 (3) There is allowed as a credit against the taxes
4 imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
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16 taxable year as provided in subsection ~~(6)~~ (7); and

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18 taxable year as provided for in subsection ~~(6)~~ (7).

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13 ~~(7)(8)~~ The investment credit allowed by this section
14 is subject to recapture as provided for in section 47 of the
15 Internal Revenue Code of 1954, as amended, or as section 47
16 may be renumbered or amended."

17 Section 5. Effective date and applicability. This act
18 is effective on passage and approval and is applicable to
19 taxable years beginning after December 31, 1980.

-End-

STATE OF MONTANA

REQUEST NO. 82-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 14, 19 81, there is hereby submitted a Fiscal Note for House Bill 156 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

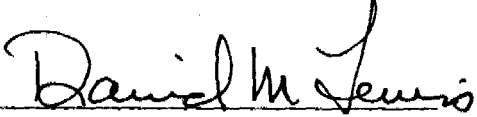
Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

An act to enlarge tax credits for business investment and to encourage creation of jobs, providing an effective date and period of applicability.

FISCAL IMPACT

There are no data available to estimate the fiscal impact of this proposal.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-14-81

STATE OF MONTANA

REQUEST NO. 82-81 Revised

FISCAL NOTE

Form BD-15

In compliance with a written request received March 26, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 156, as amended pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).
3/25/81 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 enlarge tax credits for business investment; providing an effective date and period of applicability.

ASSUMPTIONS

1. The fiscal impact of currently allowing an investment credit amounting to 20% of the Federal investment credit is at least \$5.4 million lost annually for Individual Income Tax, and about \$2.6 million lost annually from the Corporation License Tax.
2. A sample of returns for corporations claiming the investment credit was analyzed and it was determined that the impact of the proposal would be to increase the total amount of investment credits by 50% for each taxable year.

FISCAL IMPACT

	FY 82	FY 83
Individual Income Tax		
Under current law	\$161.556 M	\$167.993 M
Under proposed law	<u>158.856 M</u>	<u>165.293 M</u>
Estimated Decrease	(\$ 2.700 M)	(\$ 2.700 M)
Corporation License Tax		
Under current law	\$ 45.700 M	\$ 46.400 M
Under proposed law	<u>44.400 M</u>	<u>45.100 M</u>
Estimated Decrease	(\$ 1.300 M)	(\$ 1.300 M)
Total Revenue		
Under current law	\$207.256 M	\$214.393 M
Under proposed law	<u>203.256 M</u>	<u>210.393 M</u>
Estimated Decrease	(\$ 4.000 M)	(\$ 4.000 M)

FUND INFORMATION

General Fund		
Under current law	\$130.655 M	\$135.193 M
Under proposed law	<u>128.151 M</u>	<u>132.689 M</u>
Estimated Decrease	(\$ 2.504 M)	(\$ 2.504 M)
Earmarked Revenue Fund-School Foundation		
Under current law	\$ 51.037 M	\$ 52.809 M
Under proposed law	<u>50.059 M</u>	<u>51.831 M</u>
Estimated Decrease	(\$ 0.978 M)	(\$ 0.978 M)

Continued on Page 2.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

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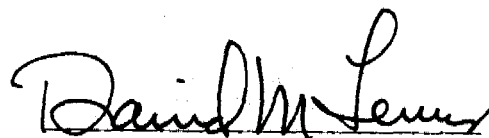
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<u>FISCAL IMPACT</u>	FY 82	FY 83
<u>Sinking Fund</u>		
Under current law	\$ 22.456 M	\$ 23.236 M
Under proposed law	<u>22.026 M</u>	<u>22.806 M</u>
Estimated Decrease	(\$ 0.430 M)	(\$ 0.430 M)
<u>FPGCA-Local Governments</u>		
Under current law	\$ 3.108 M	\$ 3.155 M
Under proposed law	<u>3.020 M</u>	<u>3.067 M</u>
Estimated Decrease	(\$ 0.088 M)	(\$ 0.088 M)

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-30-81

Approved by Committee
on Taxation

HOUSE BILL NO. 156

INTRODUCED BY NORDTVEDT, DOVER, HARP, COZZENS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENLARGE TAX CREDITS FOR BUSINESS INVESTMENT AND TO ENCOURAGE CREATION OF JOBS; PROVIDING AN EFFECTIVE DATE AND PERIOD OF APPLICABILITY; AMENDING SECTIONS 15-30-162, 15-31-123, AND 15-31-125, MCA."

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

Section 1. Section 15-30-162, MCA, is amended to read:

"15-30-162. Investment credit. (1) There is allowed as a credit against the taxes imposed by 15-30-103 and 15-30-104 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.

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

(a) 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)~~ (5); and

(c) the investment credit carrybacks carried to the

taxable year as provided for in subsection ~~(4)~~ (5).

~~(3) An additional credit of 20% of the federal investment credit as specified in subsection (2)(a) is allowed if the total ON THE amount, IF ANY, of QUALIFYING investments made by an individual, trust, estate, or small business THAT exceeds total depreciation taken under 15-30-121.~~

~~(3)(4)~~ 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)(5)~~ 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)~~ (4), the unused portion shall be carried back and carried forward in accordance with the provisions of section 46(b) of the

1 Internal Revenue Code of 1954, as amended, or as section
2 46(b) may be renumbered or amended.

3 (5)(6) The investment credit allowed by this section
4 is subject to recapture as provided for in section 47 of the
5 Internal Revenue Code of 1954, as amended, or as section 47
6 may be renumbered or amended."

7 NEW SECTION. Section 2. Tax credit for a new or
8 expanding business. (1) A new or expanding business that is
9 increasing the number of total full-time jobs by 30% or more
10 annually is entitled to receive a tax credit against
11 15-30-103 and 15-30-104 based on a percentage of wages paid
12 its new employees within this state for a period of 3 years
13 as follows: the first 3 years of operation of a new business
14 or the first 3 years of expansion of an expanding business,
15 a credit of 2% of the total new wages paid in this state, as
16 wages are defined in 39-51-201, is allowed. In determining
17 total wages for an expanding business, only those wages paid
18 in support of the expansion are considered in determining
19 the credit. The payroll and number of jobs of the business
20 in the 12-month period immediately preceding the expansion
21 are averaged to determine eligibility for the credit.

22 (2) This credit is only available to new and expanding
23 businesses that provide jobs within the state of Montana.

24 (3) The department shall determine the eligibility of
25 a business for this credit, promulgate rules, prepare forms,

1 maintain records, and perform other duties necessary to
2 carry out this section.

3 Section 3. Section 15-31-125, MCA, is amended to read:
4 "15-31-125. Determination of tax credit. A new or
5 expanding manufacturing corporation may receive a license
6 tax credit based on a percentage of wages paid its new
7 employees within this state for a period of 3 years as
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20 section is to allow individuals, estates, trusts, and small
21 businesses that meet the definition established in this
22 section to take an investment credit as provided for in
23 subsection (3) and thus to stimulate capital investment by
24 the small business sector.

25 (2) For the purposes of this section, "small business"

1 means a business that is eligible to elect to be taxed under
2 the provisions of 15-31-202, whether or not such election is
3 made.

4 (3) There is allowed as a credit against the taxes
5 imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
6 of the credit allowed with respect to certain depreciable
7 property under section 38 of the Internal Revenue Code of
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11 year is the sum of:

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17 taxable year as provided in subsection ~~(6)~~ (7); and

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22 allowed if the total ON THE amount, IF ANY, of QUALIFYING
23 investments made by an individual, estate, trust, or small
24 business THAT exceeds total depreciation taken under
25 15-31-114.

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4 year. In the event the taxpayer's tax liability for the
5 taxable year exceeds \$5,000, the investment credit may not
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19 Section 5. Effective date and applicability. This act
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21 taxable years beginning after December 31, 1980.

-End-

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STATEMENT OF INTENT
HOUSE BILL 156
House Taxation Committee

The Department of Revenue will adopt eligibility criteria, and necessary implementing rules and forms, so that non-incorporated businesses will qualify on the same terms that corporations qualify for the job creation tax credit.

1 HOUSE BILL NO. 156

2 INTRODUCED BY NORDTVEDT, DOVER, HARP, COZZENS

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4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENLARGE TAX CREDITS
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