

HOUSE BILL NO. 834

INTRODUCED BY FABREGA, GOODOVER

IN THE HOUSE

March 4, 1981	Introduced and referred to Committee on Taxation.
March 5, 1981	Fiscal note requested.
March 9, 1981	Fiscal note returned.
March 30, 1981	On motion rules suspended and bill allowed to be transmitted on the 75th legislative day.
April 3, 1981	Committee recommend bill do pass as amended. Report adopted.
April 4, 1981	Bill printed and placed on members' desks.  Transmittal date extended to the 76th legislative day.
April 6, 1981	Second reading, do pass as amended.  On motion rules suspended and bill placed on third reading this day.  Third reading, passed. Ayes, 86; Noss, 8. Transmitted to Senate.

IN THE SENATE

April 7, 1981	On motion and consent bill allowed to be received and considered this session.
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April 7, 1981

Introduced and referred  
to Committee on Taxation.

April 15, 1981

Committee recommend bill  
be concurred in. Report  
adopted.

April 17, 1981

Second reading, concurred in.

On motion rules suspended.  
Bill placed on calendar for  
third reading this day.

Third reading, concurred in.  
Ayes, 41; Noes, 9.

#### IN THE HOUSE

April 20, 1981

Returned from Senate.  
Concurred in. Sent to  
enrolling.

Reported correctly enrolled.



1 Jefferson, and Broadwater Counties;

2 (5) Great Falls, serving Glacier, Toole, Pondera,

3 Teton, and Cascade Counties;

4 (6) Bozeman, serving Meagher, Madison, Gallatin, Park,

5 and Sweet Grass Counties;

6 (7) Havre, serving Liberty, Hill, Chouteau, Blaine,

7 and Phillips Counties;

8 (8) Lewistown, serving Judith Basin, Fergus,

9 Petroleum, Wheatland, Golden Valley, and Musselshell

10 Counties;

11 (9) Billings, serving Stillwater, Carbon, Yellowstone,

12 Treasure, Big Horn, and Rosebud Counties;

13 (10) Glasgow, serving Valley, Daniels, Sheridan,

14 McCone, Garfield, Roosevelt, and Richland Counties;

15 (11) Miles City, serving Dawson, Prairie, Wibaux,

16 Custer, Fallon, Powder River, and Carter Counties.

17 Section 5. Amount of tax credit -- carryover. (1)

18 Subject to the limitations set forth in this section and

19 [section 6], there is allowed as a tax credit against the

20 tax imposed by 15-30-103, 15-30-104, and 15-30-105 or by

21 15-31-101, 15-31-121, and 15-31-122 the amount of 50% of any

22 investment by any investor in any region in Montana

23 specified in [section 4] in the capital stock of, or limited

24 partnership units issued by, regional small business

25 investment companies organized within the state of Montana

1 as described in [sections 3 and 4].

2 (2) The amount of the credit allowed for the taxable

3 year is the sum of:

4 (a) the credit carryovers carried to the taxable year

5 as provided in subsection (4); and

6 (b) 25% of the amount of credit determined under

7 subsection (1).

8 (3) Notwithstanding the provisions of subsection (2),

9 the credit allowed for the taxable year may not exceed the

10 lesser of:

11 (a) the taxpayer's tax liability for the taxable year;

12 or

13 (b) 25% of the amount of credit allowed under

14 subsection (1) for the taxable year and any prior taxable

15 years with credit carryovers.

16 (4) If any part of the credit is not applied against

17 the tax liability for the taxable year, such excess shall be

18 a credit carryover to each of the 10 taxable years following

19 the unused credit year, subject to the limitations imposed

20 under subsection (3).

21 Section 6. Limitations. (1) From [the effective date

22 of this act] through April 30, 1983, the maximum aggregate

23 amount of investment credits allowed under [section 5] for

24 any region listed in [section 4] is \$500,000.

25 (2) After April 30, 1983, subsection (1) does not

1 apply. After April 30, 1983, credits are allowable under  
2 [section 5] until the point at which the records of the  
3 department of revenue indicate that the total aggregate  
4 credit amount allowable as provided in subsection (3) has  
5 been reached or December 31, 1983, whichever occurs first.

6 (3) The total aggregate amount of credits allowable  
7 under this [act] is \$5.5 million. In no case may the  
8 department allow an investment credit that would result in a  
9 total aggregate credit amount in excess of \$5.5 million.

10 Section 7. Reporting -- recordkeeping by the  
11 department. (1) The chairman or president of each regional  
12 small business investment company shall report on a form  
13 established by the department on a monthly basis the name of  
14 each investor, the region of investment, the amount of the  
15 investment made, and the date of investment.

16 (2) The department shall keep a record of the  
17 aggregate amount of investments made in and credits allowed  
18 for each individual region and for all regions taken  
19 together in order to carry out the provisions of [section  
20 6].

21 Section 8. Rulemaking authority. The department of  
22 revenue may adopt rules necessary to carry out the  
23 provisions of this [act].

24 Section 9. Effective date. This act is effective on  
25 passage and approval.

-End-

-5-

HB 834

STATE OF MONTANA

REQUEST NO. 420-81

FISCAL NOTE

Form BD-15

In compliance with a written request received March 4, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 834 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.

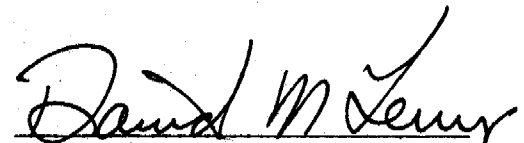
DESCRIPTION

An act to establish an investment credit against personal income tax or corporate tax for investments in small business investment companies; and providing an immediate effective date.

FISCAL IMPACT

It is impossible to anticipate the extent to which this proposal would be utilized in Montana; therefore, a precise estimate of the fiscal impact cannot be given. It is conceivable that individual income or corporation tax receipts could be reduced by as much as \$5.5 million during the 82-83 biennium, and implementation of this measure would necessitate additional expenditures for administration. It is estimated that \$25 to 30 thousand would be needed for initial data processing system development, as well as \$6 thousand annually for data processing operational expenses and about \$14 thousand annually for additional tax administration personnel.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-9-81

1 STATEMENT OF INTENT

2 HOUSE BILL 834

3 House Taxation Committee

4  
5 Section 4 of House Bill 834 provides the Department of  
6 Revenue with rulemaking authority relating to Small Business  
7 Investment Corporations in Montana. In enacting this  
8 legislation, it is the intent of the Legislature that the  
9 Department of Revenue will adopt rules that ensure the  
10 proper reporting of investments in SBIC's and rules to  
11 establish eligibility for the capital gains and dividend  
12 treatment allowed by House Bill 834.

Approved by Committee  
on Taxation

HOUSE BILL NO. 834

INTRODUCED BY FABREGA, GOODOVER

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH--AN  
~~INVESTMENT--CREDIT--AGAINST~~ EXEMPT CERTAIN CAPITAL GAINS AND  
DIVIDEND INCOME FROM PERSONAL INCOME TAX OR CORPORATE TAX  
FOR INVESTMENTS IN SMALL BUSINESS INVESTMENT COMPANIES; AND  
PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Short title. This [act] may be cited as the  
"Small Business Investment Credit INCENTIVE Act".

Section 2. Purpose. The purpose of this [act] is to  
encourage private sector investment in venture capital firms  
called small business investment companies, which are  
organized for the purpose of diversifying and strengthening  
employment opportunities of companies within Montana. This  
[act], by establishing limited tax credits EXEMPTIONS,  
demonstrates a recognition by the legislature that  
significant incentives must be offered to attract private  
risk capital to manufacturing, agricultural, and timber  
product processing companies when the alternative  
investments for private risk capital are natural resource  
ventures, which often yield extremely high rates of return.  
The legislature further recognizes the necessity of tax

incentives for investors in manufacturing, agricultural, and  
timber product processing given the hardship caused many  
Montana communities by their reliance on an economic base  
dominated by single, large industries.

Section 3. Definition. For the purposes of this [act],  
"small business investment company" or "SBIC" means a small  
business investment company as defined in section 103 of the  
federal Small Business Investment Act of 1958, as amended.

~~Section 4. Location of small business investment  
companies. Small business investment companies for which  
investors may qualify for tax credits under [section 5] are  
limited to newly organized SBICs organized after [the  
effective date of this act] and located in each of the  
following regions of the state with a distribution of one  
SBIC in each region. Such newly organized SBICs are not  
limited to doing business in the region where they are  
headquartered but are limited to doing business within the  
state of Montana. The regions and suggested city for the  
headquarters are:~~

~~{1}--Katispetty--serving--Lincoln--Flathead--Sanders--and  
Lake--Counties~~

~~{2}--Missoulay--serving--Mine--Missoulay--and--Ravalli  
Counties~~

~~{3}--Anaconda--serving--Beaver--Bogert--Beaverhead--and  
Silver--Bow--Counties~~



1 (4) Helena serving Granite, Powell, Lewis and Clark  
 2 Jefferson and Broadwater Counties†  
 3 (5) Great Falls serving Blaine, Foothill, Ponderosa  
 4 Fenton and Cascade Counties†  
 5 (6) Bozeman serving Meagher, Madison, Gallatin, Park  
 6 and Sweet Grass Counties†  
 7 (7) Havre serving Liberty, Hill, Chouteau, Blaine  
 8 and Phillips Counties†  
 9 (8) Lewistown serving Judith Basin, Fergus  
 10 Petroleum, Wheatland, Golden Valley and Musselshell  
 11 Counties†  
 12 (9) Billings serving Stillwater, Carbon, Yellowstone,  
 13 Treasure, Big Horn and Rosebud Counties†  
 14 (10) Glasgow serving Valley, Daniels, Sheridan,  
 15 McCone, Garfield, Roosevelt and Richland Counties†  
 16 (11) Miles City serving Bowson, Prairie, Wibaux,  
 17 Euster, Fallon, Powder River and Carter Counties†  
 18 Section 5. Amount of tax credit carryover. (1)  
 19 Subject to the limitations set forth in this section and  
 20 [section 6] there is allowed as a tax credit against the  
 21 tax imposed by 15-30-103, 15-30-104, and 15-30-105 or by  
 22 15-31-101, 15-31-121, and 15-31-122 the amount of 50% of any  
 23 investment by any investor in any region in Montana  
 24 specified in [section 4] in the capital stock of or limited  
 25 partnership units issued by regional small business

1 investment companies organized within the state of Montana  
 2 as described in [sections 3 and 4].  
 3 (2) The amount of the credit allowed for the taxable  
 4 year is the sum of  
 5 (a) the credit carryovers carried to the taxable year  
 6 as provided in subsection (4) and  
 7 (b) 25% of the amount of credit determined under  
 8 subsection (1).  
 9 (3) Notwithstanding the provisions of subsection (2)  
 10 the credit allowed for the taxable year may not exceed the  
 11 lesser of  
 12 (a) the taxpayer's tax liability for the taxable year†  
 13 or  
 14 (b) 25% of the amount of credit allowed under  
 15 subsection (1) for the taxable year and any prior taxable  
 16 years with credit carryovers.  
 17 (4) If any part of the credit is not applied against  
 18 the tax liability for the taxable year such excess shall be  
 19 a credit carryover to each of the 10 taxable years following  
 20 the unused credit year subject to the limitations imposed  
 21 under subsection (3).  
 22 Section 6. Limitations. (1) From the effective date  
 23 of this act through April 30, 1983, the maximum aggregate  
 24 amount of investment credits allowed under [section 5] for  
 25 any region listed in [section 4] is \$500,000.

1           ~~{2}--After-April-30,--1983,--subsection--(1)--does--not~~  
 2           ~~apply--After--April--30,--1983,--credits--are--allowable--under~~  
 3           ~~{section-5}--until--the--point--at--which--the--records--of--the~~  
 4           ~~department--of--revenue--indicate--that--the--total--aggregate~~  
 5           ~~credit--amount--allowable--as--provided--in--subsection--(3)--has~~  
 6           ~~been--reached--or--December-31,--1983,--whichever--occurs--first.~~  
 7           ~~{3}--The--total--aggregate--amount--of--credits--allowable~~  
 8           ~~under--this--[act]--is--\$5.5--million,--in--no--case--may--the~~  
 9           ~~department--allow--an--investment--credit--that--would--result--in--a~~  
 10           ~~total--aggregate--credit--amount--in--excess--of--\$5.5--million.~~

11           Section 4. Reporting -- recordkeeping by the  
 12           department. ~~{1}~~ The chairman or president of each regional  
 13           small business investment company shall report on a form  
 14           established by the department on a monthly basis the name of  
 15           each investor, ~~the region of investment,~~ the amount of the  
 16           investment made, and the date of investment.

17           ~~{2}--the--department--shall--keep--a--record--of--the~~  
 18           ~~aggregate--amount--of--investments--made--in--and--credits--allowed~~  
 19           ~~for--each--individual--region--and--for--all--regions--taken~~  
 20           ~~together--in--order--to--carry--out--the--provisions--of--[section~~  
 21           ~~6].~~

22           Section 5. Rulemaking authority. The department of  
 23           revenue may adopt rules necessary to carry out the  
 24           provisions of this [act].

25           SECTION 6. CAPITAL GAINS -- DIVIDENDS EXEMPTED. ANY

1           CAPITAL GAINS OR DIVIDEND INCOME REALIZED BY AN INDIVIDUAL  
 2           OR A CORPORATION FROM AN INVESTMENT IN AN SBIC ORGANIZED IN  
 3           ACCORDANCE WITH THIS [ACT] IS EXEMPT FROM TAXATION UNDER THE  
 4           PROVISIONS OF TITLE 15, CHAPTERS 30 AND 31.

5           Section 7. Effective date. This act is effective on  
 6           passage and approval.

-End-

1                   STATEMENT OF INTENT

2                   HOUSE BILL 834

3                   House Taxation Committee

4

5           Section 4 5 of House Bill 834 provides the Department  
6 of Revenue with rulemaking authority relating to Small  
7 Business Investment Corporations in Montana. In enacting  
8 this legislation, it is the intent of the legislature that  
9 the Department of Revenue will adopt rules that ensure the  
10 proper reporting of investments in SBIC's and rules to  
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incentives for investors in manufacturing, agricultural, and timber product processing given the hardship caused many Montana communities by their reliance on an economic base dominated by single, large industries.

Section 3. Definition. For the purposes of this [act], "small business investment company" or "SBIC" means a small business investment company as defined in section 103 of the federal Small Business Investment Act of 1958, as amended.

Section 4. Location of small business investment companies. Small business investment companies for which investors may qualify for tax credits under [section 5] are limited to newly organized SBICs organized after [the effective date of this act] and located in each of the following regions of the state with a distribution of one SBIC in each region. Such newly organized SBICs are not limited to doing business in the region where they are headquartered but are limited to doing business within the state of Montana. The regions and suggested city for the headquarters are:

(1) Kalispell, serving Lincoln, Flathead, Sanders, and Lake Counties;

(2) Missoula, serving Mineral, Missoula, and Ravalli Counties;

(3) Anaconda, serving Deer, Lodgey, Beaverhead, and Silver Bow Counties;

1       (4) Helens, serving Granite, Powell, Lewis and Clark  
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7       ~~{3}--The-total-aggregate-amount-of-credits-allowable~~  
 8       ~~under-this-act-is-\$55-million.-in-no-case-may-the~~  
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 10       ~~total-aggregate-credit-amount-in-excess-of-\$55-million.~~

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23 ~~Counties;~~

24 (3) ~~Anaconda, serving Beer, Lodgepole, Beaverhead, and~~  
25 ~~Silver Bow Counties;~~



1       (4) -- Helena, serving Granite, Powell, Lewis and Clark  
2       Jefferson and Broadwater Counties  
3       (5) -- Great Falls, serving Glacier, Tootle, Pondera,  
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11       lesser of  
12       (a) -- the taxpayer's tax liability for the taxable year  
13       or  
14       (b) -- 25% of the amount of credit allowed under  
15       subsection (1) for the taxable year and any prior taxable  
16       years with credit carryovers  
17       (4) -- If any part of the credit is not applied against  
18       the tax liability for the taxable year, such excess shall be  
19       a credit carryover to each of the 10 taxable years following  
20       the unused credit year, subject to the limitations imposed  
21       under subsection (3)  
22       Section 6. Limitations -- (1) From [the effective date  
23       of this act] through April 30, 1983, the maximum aggregate  
24       amount of investment credits allowed under [section 5] for  
25       any region listed in [section 4] is \$500,000.

1       ~~{2} After April 30, 1983, subsection (1) does not~~  
 2       ~~apply after April 30, 1983, credits are allowable under~~  
 3       ~~[section 5] until the point at which the records of the~~  
 4       ~~department of revenue indicate that the total aggregate~~  
 5       ~~credit amount allowable as provided in subsection (3) has~~  
 6       ~~been reached or December 31, 1983, whichever occurs first.~~

7       ~~{3} The total aggregate amount of credits allowable~~  
 8       ~~under this [act] is \$5.5 million. In no case may the~~  
 9       ~~department allow an investment credit that would result in a~~  
 10       ~~total aggregate credit amount in excess of \$5.5 million.~~

11       Section 4. Reporting -- recordkeeping by the  
 12       department. ~~{1}~~ The chairman or president of each regional  
 13       small business investment company shall report on a form  
 14       established by the department on a monthly basis the name of  
 15       each investor, ~~the region of investment,~~ the amount of the  
 16       investment made, and the date of investment.

17       ~~{2} The department shall keep a record of the~~  
 18       ~~aggregate amount of investments made in and credits allowed~~  
 19       ~~for each individual region and for all regions taken~~  
 20       ~~together in order to carry out the provisions of [section~~  
 21       ~~6].~~

22       Section 5. Rulemaking authority. The department of  
 23       revenue may adopt rules necessary to carry out the  
 24       provisions of this [act].

25       SECTION 6. CAPITAL GAINS -- DIVIDENDS EXEMPTED. ANY

1       CAPITAL GAINS OR DIVIDEND INCOME REALIZED BY AN INDIVIDUAL  
 2       OR A CORPORATION FROM AN INVESTMENT IN AN SBIC ORGANIZED IN  
 3       ACCORDANCE WITH THIS [ACT] IS EXEMPT FROM TAXATION UNDER THE  
 4       PROVISIONS OF TITLE 15, CHAPTERS 30 AND 31.

5       Section 7. Effective date. This act is effective on  
 6       passage and approval.

-End-