HOUSE BILL NO. 739

INTRODUCED BY KEENAN, VINCENT, HARRINGTON,
DAILY, QUILICI, MENAHAN, DARKO, REAM,
KEMMIS, SCHYE, ZABROCKI, NISBET, NILSON,
BENGTSON, SPAETH, SAUNDERS, NEUMAN, WILLIAMS

IN THE HOUSE

Pebruary 12, 1983	Introduced and referred to Committee on Taxation.
March 21, 1983	On motion taken from Committee on Taxation, as amended, and referred to second reading.
March 22, 1983	Bill printed and placed on members' desks.
March 23, 1983	Second reading, do pass.
March 24, 1983	Considered correctly engrossed.
March 25, 1983	Third reading, passed. Transmitted to Senate.
IN THE S	ENATE
March 26, 1983	Introduced and referred to Committee on Taxation.
April 12, 1983	Committee recommend bill be concurred in as amended. Report adopted.
April 14, 1983	Second reading, concurred in.
April 15, 1983	Third reading, concurred in. Ayes, 40; Noes, 7.

IN THE HOUSE

April 15, 1983	Returned to House with amendments.
April 16, 1983	Second reading, amendments not concurred in.
	On motion, Conference Committee requested and appointed.
April 20, 1983	Conference Committee reported.
	Second reading, report adopted.
	Third reading, report adopted.
April 21, 1983	Conference Committee report adopted by Senate.
	Sent to enrolling.
	Reported correctly enrolled.

1	16000 BILL NO. 239
2	INTRODUCED BY Keenan Vincent Harry
3	July Menales planto, Ream Temmis Selver
4	A DILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN
5	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
6	CORPORATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
7	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
8	15-30-162 AND 15-31-123. MCA. AND CHAPTER 520. SECTION 4.
9	LAWS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
10	
11	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
12	Section 1. Section 15-30-162, MCA, is amended to read:
13	#15-30-162. Investment credit. (1) There is allowed as
14	a credit against the tax imposed by 15-30-103 a percentage
15	of the credit allowed with respect to certain depreciable
16	property under section 38 of the Internal Revenue Code of
17	1954, as amended, or as section 38 may be renumbered or
18	amended. However: rehabilitation costs as set forth under
19	section 46(a)(2)(E) of the Internal Revenue Code of 1954; or
20	as section 46(a)(2)(E) may be renumbered or amended, are not
21	to be included in the computation of the investment credit.
22	Ins_credit_is_allowed for the purchase and installation of
23	certain qualified property defined by section 38 of the
24	Internal Revenue Code of 1954: as amended: if the property
25	meets all of the following qualifications:

(b) it was placed in service in Hontanal and
(c)_it_was_used_for_the_production_of_Montana_adjusted
gross_incomea
(2) The amount of the credit allowed for the taxable
year is the-sum-of*
taj30% 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†
fbjtheinvestmentcreditcarryevers-carried-to-the
texable-year-as-provided-in-subsection-f4);-and
{c}the-investment-credit-carrybackscarriedtothe
texable-year-as-provided-for-in-subsection-(+).
(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-yearw-In
the-revent-the-taxpayer*s-tax=liabifity-for-the-taxable-year
exceeds-\$5y600y-the-investment-credit-may-not-exceed\$5y800
płus58%ofthe-tax-ł łability-in-excess-of-\$5y868*- in-th a
case-of-a-husband-and-wife-who-fileseparatereturnsythe
investmentcredit-may-not-exceed-\$2y500-p}us-50%-of-the-tax
liability-in-excess-of\$2,500unlessthespouseofthe
taxpayerhasnoqualifiedinvestmentforand-no-unused
credit-corryback-or-corryover-to-thetaxableyearofthe

(a) it was ourchased in Montana:

spouse--that-ends-with-or-within-the-taxpayer-s-texable-year \$500.

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- (4) If any--part--of--the--investment--eredit--is--net appited--against--tha--tax--itability--for--the-taxable-year because-of-the-limitations-imposed-under-subsection-(3)y-the unused-portion-shell-be-carried-back-and-carried-forward--in accordance--with--the--provisions--of--section--46(b)-of-the Internal-Revenue-Code-of-1954y-as--amendedy--or--es--section 46(b)--may--be--renumbered--or-emended property for which an investment credit is claimed is used both inside and outside this states only a portion of the credit is allowed. The credit _wast_be_apportioned_according_to_a_fraction_the queerator of which is the number of days during the taxable year the property was located in Montaga and the denominator of which is the number of days during the taxable year the taxpayer owned the property. The investment credit may be applied only to the tax liability of the taxpayer who purchases and places in service the property for which an investment credit is claimed. The credit may not be allocated between spouses unless the property is used by a partoership_or_small_business_corporation_of_which_they_are partners or shareholders.
 - (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

1 may be renumbered or amended.**

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Section 2. Section 15-31-123, MCA, is amended to read:

#15-31-123. Investment credit. (1) The purpose of this

section is to allow small businesses to take an investment

credit as provided for in subsection (3) and to stimulate

capital investment by the small business sector.

- (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
 mades does not have:
 - (a) more than 10 shareholders:
- 12 <u>fbl.a.gerson_wbo_is_not_an_individual_iother_tban_an</u>
 13 <u>estate_or_other_tban_a_trust_described_ln_15=31=2071_as_a</u>
 14 shareholder:
- 15 (c) a nonresident alien as a shareholderi and
 - (d) more than one class of stock.
 - (3) There is allowed as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 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. However, rehabilitation costs as set forth under section 46(a)(2)(E) of the Internal Revenue Code of 1954, or as section 46(a)(2)(E) may be renumbered or amended, are not to be included in the computation of the investment credit.

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-4-

L	log_credit is allowed for the ourchase and installation of
2	certain_qualified_property_defined_by_section_38_of_the
3	Internal Revenue Code of 1954s as amendeds if the property
4	meats_all_of_the_following_qualifications:
5	fal_it_was_durchased_in_Montanal
6	[b] _it_was_placed_in_service_in_Montanat_and
7	(c) it was used for the production of Montage income.
8	(4) The amount of the credit allowed for the taxable
9	year is the sum-of .
0	to)
1	section 46(a)(2) of the Internal Revenue Code of 1954, as
2	amended, or as section 46(a)(2) may be renumbered or
3	amende d 1
4	(b)the-invoctment-credit-corryoverscorriedtothe
5	taxable-year-os-provided-in-subsection-(6);-and
6	tc7theinvestmenteraditcarrybacks-earried-to-the
7	texable-year-as-provided-for-in-subsection-(6).
8	(5) Notwithstanding the provisions of subsection (4).
9	the investment credit allowed for the taxable year may not
20	exceed the-taxpayer*s-tax-ltability-for-the-taxable-years-in
21	the-event-the-texpoyer*s-tex-7+abff*ty-for-the-texabfeyear
22	exceeds-+45y000y-the-invostment-credit-may-not-exceed-45y000
23	phus-50%-of-the-tox-liability-in-excess-of-\$5 $ au$ 000 $ au$ 5 $ au$ 00.
24	(6) If anypartoftheinvestmentcreditisnot

1	because-of-the-limitations-imposed-under-subsection-(5)y-the
2	· unused-portion-shall-be-carried-back-and-carried-forwardin
3	occordancewiththeprovisionsofsection46(b)-of-the
4	internal-Revenue-Code-of-1954y-asamendedyorassection
5	46(b)mayberenumberedor-amended property for which an
6	investment_credit_is_claimed_is_used_botb_inside_and_outside
7	this states only a portion of the credit is allowed. The
8	credit_must_be_apportioned_according_to_a_fraction_the
9	numerator of which is the number of days during the taxable
10	year_the_property_was_located_in_Montana_and_the_denominator
11	of which is the number of days during the taxable year the
12	taxpayer_nwned_the_propertys_ The investment_credit_may_be
13	applied only to the tax liability of the taxpayer who
14	purchases and places in service the property for which an
15	investment_credit_is_claimeda
16	(7) The investment credit allowed by this section is
17	subject to recapture as provided for in section 47 of the
18	Internal Revenue Code of 1954, as amended, or as section 47
19	may be renumbered or amended."
20	Section 3. Chapter 520, section 4, Laws of 1981, is
21	amended to read:
22	"Section 4. Applicability. This act is applicable only
23	to taxable years beginning after December 31, 1980, and

applied-against-the-tex-liability--for-the-texable-year

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MEM_SECTIONs Section 4. Applicability. Sections 1 and

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before-danuary-ty-1963."

- 2 are applicable to taxable years beginning after December
- 2 31, 1982.
- 3 MEM_SECTIONs Section 5. Effective date. This act is
- 4 effective on passage and approval.

-End-

STATE OF MONTANA

FISCAL NOTE

Form BD-15

								, there is hereby submi	
for	House	Bill	739	pursu	ant to Title 5, Ch	apter 4, Part	2 of the	Montana Code Annotat	ed (MCA).
Bac	ckground inf	ormatic	n used ir	n developing this	Fiscal Note is avail	able from the	Office o	f Budget and Program Pl	anning, to members
of	the Legislatu	re upo	n reques	t.					

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 739 establishes an investment credit against the individual income tax and the corporate license tax for certain corporations for taxable years beginning after December 31, 1982; and provides an immediate effective date.

ASSUMPTIONS:

- 1) Revenue estimates under current law were obtained from the Office of Budget and Program Planning.
- 2) The investment credit law expired December 31, 1982 and does not revert to prior law which allowed 20% of the federal investment credit plus any carryback or carryover.
- 3) The tax credit is limited to the taxpayer's tax liability for the taxable year or \$500, whichever is less.
- 4) An equal dollar amount of eligible assets are acquired each year; a 5% inflation rate for asset acquisition is assumed.
- 5) Outstanding carryover is assumed to be \$1.1 million for individuals and \$.7 million for corporations. Half of the total carryover was allocated to each year of the biennium.

FISCAL IMPACT:

	FY 84	FY 85	
Individual Income Tax Collections			
Under Current Law	\$ 166.427M	\$ 175.459M	
Under Proposed Law	161.428M	170.238M	
Estimated Decrease	\$ (4.999M)	\$ (5.221M)	
Corporation License Tax Collections			
Under Current Law	\$ 41.904M	\$ 48.817M	
Under Proposed Law	40.679M	47.548M	
Estimated Decrease	\$ (1.225M)	\$ (1.269M)	

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2 - 19 - 83

TOTAL REVENUE	<u>FY 84</u>	FY 85
Under Current Law	\$ 208.331M	\$ 224.276M
Under Proposed Law	202.107M	217.786M
Estimated Decrease	$\frac{262.10711}{\$}$ (6.224M)	$\frac{217.700 \text{ m}}{\$}$
Estimated Decrease	3 (0.224H)	ş (0.490 <u>11)</u>
General Fund		
Under Current Law	\$ 131.347M	\$ 141.553M
Under Proposed Law	127.364M	137.399M
Estimated Decrease	\$ (3.983M)	\$ (4.154M)
TO STHEOLOG TO CLORES	y (3.36313)	<u> </u>
School Foundation		
Under Current Law	\$ 51.308M	\$ 55.294M
Under Proposed Law	49.752M	53.672M
Estimated Decrease	\$ (1.556M)	\$ (1.622M)
Sinking Fund	×	
Under Current Law	\$ 22.575M	\$ 24.328M
Under Proposed Law	21.890M	23.614M
Estimated Decrease	\$ (.685M)	\$ (.714M)
Botmacca Beelease	<u> </u>	<u>Y (1/1-11)</u>
Local		
Under Current Law	\$ 3.101M	\$ 3.101M
Under Proposed Law	3.101M	3.101M
Estimated Decrease	\$ -0-	\$ -0-
	<u> </u>	<u> </u>

LONG-RANGE EFFECTS OR PROPOSED LEGISLATION:

The relative cost to the state of Montana of the investment tax credit is dependent on economic conditions which affects the rate of growth of total income and presumably the rate of asset acquisition.

FISCAL NOTE 14:U/2

STATE OF MONTANA

REQUEST NO. 533-83

FISCAL NOTE

Form BD-15

In compliance with a written request received April 11, 1983, there is hereby submitted a Fiscal Note for House Bill 739, Amended, 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 739, Amended, establishes an investment credit against the individual income tax and the corporate license tax for certain corporations for taxable years beginning after December 31, 1982; and provides an immediate effective date.

ASSUMPTIONS:

- 1) Revenue estimates under current law were obtained from the Office of Budget and Program Planning.
- 2) The investment credit reverts to prior law (20% of federal credit) if no action is taken. Current law estimates do not account for the reversion.
- 3) Asset acquisition is constant over the biennium; a 5% inflation rate is assumed.
- 4) Outstanding carryover is assumed to be \$1.1 million for individuals and \$.7 million for corporations. Half of the total carryover (\$1.8M) is allocated to each year of the biennium.

FISCAL IMPACT:

	FY84	FY85
Individual Tax Collections		
Under Current Law	\$ 166.427M	\$ 175.459M
Under Proposed Law	164.253M	173.204M
Estimated Decrease	(2.174M)	(2.255M)
Corporate License Tax Collections		
Under Current Law	41.904M	48.817M
Under Proposed Law	41.127M	48.019M
Estimated Decrease	(.777M)	(.798M)
TOTAL REVENUE		
Under Current Law	208.331M	224.276M
Under Proposed Law	205.380M	221.223M
Estimated Decrease	(2.951M)	(3.053M)

(Continued)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4-15-85

General Fund Under Current Law Under Proposed Law Estimated Decrease	\$ 131.347M 129.459M \$ (1.888M)	\$ 141.552M 139.598M \$ (1.954M)
School Foundation		
Under Current Law	51.308M	55.294M
Under Proposed Law	50.570M	54.531M
Estimated Decrease	(.738M)	(.763M)
Sinking Fund		
Under Current Law	22.575M	24.329M
Under Proposed Law	22.251M	23.993M
Estimated Decrease	(.324M)	(.336M)
Local		
Under Current Law	3.101M	3.101M
Under Proposed Law	3.101M	3.101M
Estimated Decrease	-	

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The following table illustrates the fiscal impact of the amendment to House Bill 739 which allows 20% of the federal credit for FY 86 and FY 87.

Individual Claims Carryover Carryback Refunds Total	FY 84 \$ 5.552 1.000 6.552	FY 85 \$ 5.830 .666 1.000 7.496	<u>Total</u> <u>14.048</u>
Corporate Claims Carryover Carryback Refunds Total	2.731 1.500 4.231	2.867 .642 1.500 5.009	9.240
TOTAL	10.783	12.505	23.288

The above estimates were derived by assuming all pre-1983 carryover is used by FY 86, a constant rate of asset acquisition (adjusted for inflation), and no change in the federal law. These estimates should be viewed cautiously given the above assumptions and pre-1982 data. The total for the biennium may represent a lower bound since no real rate of growth in asset acquisition is considered. If a national economic recovery occurs the impact in FY 86 and FY 87 could be substantially greater. In addition, the trend at the federal level has been to expand the coverage of the investment tax credit program. Continuation of this trend could also increase the impact of this bill.

48th Legislature HB 0739/02

HOUSE BILL NO. 739

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Approved by committee on Taxation

2	INTRODUCED BY KEENAN, VINCENT, HARRINGTON,
3	DAILY, QUILICI, MENAHAN, DARKO, REAM,
4	KEMMIS, SCHYE, ZABROCKI, NISBET, NILSON,
5	BENGTSON, SPAETH, SAUNDERS, NEUMAN, WILLIAMS
6	
7	A BILL FOR AN ACT ENTITLED: MAN ACT ESTABLISHING AN
8	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
9	CORPORATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
10	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
11	15-30-162 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
12	LAWS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
13	
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
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16	*15-30-162. Investment credit. (1) There is allowed as
17	a credit against the tax imposed by 15-30-103 a percentage
18	of the credit allowed with respect to certain depreciable
19	property under section 38 of the Internal Revenue Code of
20	1954, as amended, or as section 38 may be renumbered or
21	amended. Howevers:::csbabilitation:coata:sa::set=forth:under
22	aestica=161e11211E1=of=the=internal=Revenue=Eode=of=1951x=or
23	canaction-idializitEirosycke-conumbered-or-omendedx-ort-not
24	to-be-included-in-the-computation-of-the-investment-scredits
25	The gradia is allowed for the purchase and installation of

1	certain_qualified_property_defined_by_section_38_of_the
2	Internal Revenue Code of 1954: as amended: if the property
3	weets all of the following qualifications:
4	(al_it_was_purchased_in_Montana;
5	<pre>(b) it was placed in service in Montana: and</pre>
6	(c) it was used for the production of Montana adjusted
7	gross_income.
8	(2) The amount of the credit allowed for the taxable
9	year is the-sum-of•
.0	fm)30% 20% of the amount of credit determined under
.1	section 46(a)(2) of the Internal Revenue Code of 1954, as
2	amended, or as section 46(a)(2) may be renumbered or
.3	amended†
.4	fb)the-investment-credit-carryoverscarriedtothe
.5	taxable-year-as-provided-in-subsection-(4);-and
6	fcjtheinvestmentereditcarrybacks-earried-to-the
.7	taxable-year-as-provided-for-in-subsection-(4).
8	(3) Notwithstanding the provisions of subsection (2).
. 9	the investment credit allowed for the taxable year may not
20	exceed the-taxpayer*s-tax-liability-for-the-taxable-yearw-in
1	the-event-the-toxpoyer*s-tox-liability-for-the-toxobleyear
22	exceeds\$5y000y-the-investment-crodit-may-not-exceed-\$5y000
23	plus-58%-of-the-tox-liability-in-excess-of\$5+888*Inthe
24	caseofahusband-and-wife-who-file-separate-returnsy-the

2- HB 739

HR 0739/02

partners_or_sharebolders.

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thabitity-in-excess-of-92,500-unless-the-spouse-of-the texpayer-has-no-qualified-investment-for-and-no-unused credit-carryback-or-carrydver-to-the-taxable-year-of-the spouse-that-ends-with-or-within-the-taxpayer*s-taxable-year IHE_IAXPAYER*S_IAX_£IABILITY_EDR_IHE_IAXBÉE_YEAR_OR \$500.

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(4) If any--part--af--the--investment--credit--is--not applied-against--the-tax--liability--for--the-taxable-year because-of-the-limitations-imposed-under-subsection-(3)y-the unused-portion-shell-be-corried-back-and-carried-forward--in accordance--with--the--provisions--of--section--46(b)-of-the Internal-Revenue-Cade-of-1954--as--asended---or--as--section 46fb)--may--be--renumbered--or-amended property for which an investment credit is claimed is used both inside and outside this state, only a portion of the credit is allowed. The credit must be apportioned according to a fraction the numerator of which is the number of days during the taxable year the property was located in Montage and the degominator of which is the number of days during the taxable year the taxpayer owned the property. The investment credit may be applied only to the tax liability of the taxpayer who purchases and places in service the property for which an investment credit is claimed. The credit may not be allocated between shouses unless the property is used by a partnership or small business corporation of which they are

2 (5) The investment credit allowed by this section is 3 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.

Section 2. Section 15-31-123, MCA, is amended to read:

"15-31-123. Investment credit. (1) The purpose of this section is to allow small businesses to take an investment credit as provided for in subsection (3) and to stimulate capital investment by the small business sector.

- (2) For the purposes of this section, "small business" means a business that +s-eligible-to-elect-to-be-toxed-under the-provisions-of-15-31-202, whether-or-not-such-election-is modes upon not have:
- 15 (al_more_than_10_sharebolders:

 16 (hl_a_person_who_is_not_an_individual_(other_than_an

 17 estate_or_other_than_a_trust_described_in_15=31=2071_as_a

 18 sharebolder:
 - (c) a nonresident alien as a spareholder; and
 - (3) There is allowed as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 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

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1	amended. Howevers-cababilitation-coata-camata-incethunder
2	aection=161a11211E1=of=the=internal=Acreane=Gade=of=1951x=or
3	es-sertion-46fe1f2}ff1=mey-be-cenumbered:erramendedy-ere:eet
4	tobe_included_in_the_computation_of_the_investment_ereditx
5	Ibe_credit_is_allowed_for_the_purchase_and_installation_of
6	certain qualified property defined by section 38 of the
7	Internal Revenue Code of 1954: as amended: if the property
8	meets_all_of_the_following_qualifications:
9	(a) it was purchased in Mootana:
10	(b) it was placed in service in Montaga: and
11	<pre>1cl_it_was_used_for_the_production_of_Montana_income.</pre>
12	(4) The amount of the credit allowed for the taxable
13	year is the-sum-of-
14	ta)30% 20% of the amount of credit determined under
15	section 46(a)(2) of the Internal Revenue Code of 1954+ as
16	amended, or as section $46(a)(2)$ may be renumbered or
17	amended†
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22	(5) Notwithstanding the provisions of subsection (4):
23	the investment credit allowed for the taxable year may not
24	exceed the-taxpayer*s-tax-liability-for-the-taxable-yearw-in

the-event-the-texpayer-s-tax-liability-for-the-taxoble--year

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2 plus-50%-of-the-tax-liability-in-excess-of-\$5,000 \$500. 3 (5) If any--part--of--the--investment--eredit--is--not applied--against--the--tax--liability--for--the-taxable-year because-of-the-limitations-imposed-under-subsection-(5)y-the unused-portion-shall-be-carried-back-and-carried-forward--in accordance--with--the--provisions--of--section--46fbj-of-the 8 Internal-Revenue-Code-of-1954y-as--amendedy--ar--as--section 46(b)--may--be--renumbered--or-amended property for which an 10 investment_credit_is_claimed is_used_both_inside_and_outside 11 this_state.coly_a_portion_of_the_credit_is_allowed. The 12 credit_must_be_apportioned_according_to_a_fraction_the 13 oumerator of which is the number of days during the taxable 14 year_the_property_was_located_in_Montana_and_the_denominator 15 of which is the number of days during the taxable year the 16 taxpayer_owned the property. Ihe investment credit may be 17 applied_only_to_the_tax_llability_of_the_taxpayer_who 18 purchases and places in service the property for which an

exceeds--\$5,000y-the-investment-credit-may-not-exceed-\$5,000

24 Section 3. Chapter 520, section 4, Laws of 1981, is 25 amended to read:

(7) 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

investment_credit_is_claimed.

may be renumbered or amended.**

-5- HB 739

-6- HB 739

- 1 "Section 4. Applicability. This act is applicable only
 2 to taxable years beginning after December 31. 1980y-and
 3 before-danuary-ty-1980."
 4 NEW SECTION. Section 4. Applicability. Sections 1 and
 5 2 are applicable to taxable years beginning after December
- 7 <u>NEW_SECTION</u> Section 5. Effective date. This act is 8 effective on passage and approval.

31, 1982.

-End-

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Rereferred and Approved by committee on Taxation

2	INTRODUCED BY KEENAN, VINCENT, HARRINGTON,
3	DATLY, QUILICI, MENAHAN, DARKO, REAM,
4	KEMMIS, SCHYE, ZABRUCKI, NISBET, NILSON,
5	BENGTSON, SPAETH, SAUNDERS, NEUMAN, WILLIAMS
6	
7	A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN
8	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
9	CORPORATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
10	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
11	15-30-162 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
12	LAWS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
13	
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15	Section 1. Section 15-30-162, MCA, is amended to read:
16	*15-30-162. Investment credit. (1) There is allowed as
17	a credit against the tax imposed by 15-30-103 a percentage
18	of the credit allowed with respect to certain depreciable
19	property under section 38 of the Internal Revenue Code of
20	1954, as amended, or as section 38 may be renumbered or
21	amended. <u>Howeverszerebabilitation=coats=passet=forth=under</u>
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24	to:be:ineluded-io-the-computation-of-thm-ioyestmenteceditx
25	The credit is allowed for the purchase and installation of

HOUSE BILL NO. 739

1	certain qualified property defined by section 38 of the
2	Internal Revenue Code of 1954: as amended: if the property
3	meets all of the following qualifications:
4	(a) it was purchased in Montana:
5	(b) it was placed in service in Montana: and
6	(c) it was used for the production of Bootana adjusted
7	gross_income.
8	(2) The amount of the credit allowed for the taxable
9	year is the-sum-of ≠
10	fa}30% 20% of the amount of credit determined under
11	section 46(a)(2) of the Internal Revenue Code of 1954, as
12	amended, or as section 46(a)(2) may be renumbered or
13	amended f
14	<pre>fbjthe-investment-credit-carryoverscarriedtothe</pre>
15	texable-year-as-provided-in-subsection-(4);-and
16	tettheinvestmentcreditcarrybacks-carried-to-the
17	taxable-year-as-provided-for-in-subsection-(+).
18	(3) Notwithstanding the provisions of subsection (2),
19	the investment credit allowed for the taxable year may not
20	exceed the-toxpoyer*s-tox-limbility-for-the-toxable-yearw-In
21	the-event-the-taxosyer*s-tax-liability-for-the-taxobleyear
22	exceeds\$5y000y-the-investment-cradit-may-not-exceed-\$5y000
23	plus-50%-of-the-tax-liability-in-excess-of45y000*Inthe
24	caseofahusband-ond-wife-who-file-separate-returnsy-the
25	investment-credit-may-not-exceed-f2v500-plus-50%-of-thetax

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(4) If any--part--of--the--investment--credit--is--not applied--against--the--tox--liability--for--the-toxable-year because-of-the-limitations-imposed-under-subsection-(3); the unused-portion-shail-be-carried-back-and-earried-forward--in eccordance--with--the--provisions--of--section--46fb}-of-the internal-Revenue-Code-of-1954y-as--amendedy--or--as--section 46+6)--may--be--renumbered--or-amended property for which an investment credit is claimed is used both inside and outside this state, only a portion of the credit is allowed. The credit must be apportioned according to a fraction the numerator of which is the number of days during the taxable year the property was located in Montaga and the denominator of which is the number of days during the taxable year the taxpayer owned the property. The investment credit max be applied only to the tax liability of the taxpayer who purchases and places in service the property for which ap investment credit is claimed. The credit may not be allocated between spouses unless the property is used by a partnership or small business corporation of which they are

2	(5)	The	investment	CI	redit	a110	owed	Ьy	this	secti	no i	ÌS
3	subject	to i	recapture	as	provi	ded	for	in	sectio	n 47	of	the

Internal Revenue Code of 1954, as amended, or as section 47

may be renumbered or amended."

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partners_or_sharebolders.

Section 2. Section 15-31-123, MCA, is amended to read:

15-31-123. Investment credit. (1) The purpose of this
section is to allow small businesses to take an investment
credit as provided for in subsection (3) and to stimulate
capital investment by the small business sector.

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

 means a business that is-eligible-to-elect-to-be-taxed-under

 the-provisions-of-15-31-282v-whether-or-not-such-election-is

 modew does_not_baxe;
 - (a) more than 10 shareholders:
- 16 (h) a person who is not an individual (other than an 17 estate or other than a trust described in 15=31=2071 as a 18 shareholder:
 - (c) a nonresident alien as a sbareholderi and
 - (d) more than one class of stock=
 - (3) There is allowed as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 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

-3- HB 739

-4- HB 739

HB 0739/02

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	Quidities - Underentation of the state of th
2	section=16tal1211E1=af=the=Internal=Revenue=Gods=uf=1951x=or
3	es_sertion_46fe1f21ff1=max=be_renumbered=or=amendedx_are=not
4	to-berinchuded-in-thercomputation-of-the-investment-credity
5	The credit is allowed for the purchase and installation of
6	certain qualified property defined by section 38 of the
7	Internal Revenue Code of 1954: as amended, if the property
8	meets_all_of_the_following_qualifications:
9	(a)_it_was_purchased_in_Montana:
10	(b) it was placed in service in Montana: and
11	<pre>(c) it was used for the production of Montana income.</pre>
12	(4) The amount of the credit allowed for the taxable
13	year is the-sum-of+
14	te>30% 20% of the amount of credit determined under
15	section 46(a)(2) of the Internal Revenue Code of 1954, as
16	amended, or as section $46(a)(2)$ may be renumbered or
17	amended ;
18	tbjthe-investment-credit-carryoverscarriedtothe
19	taxable-year-as-provided-in-subsection-(6);-and
20	{e}theinvestmentcreditcarrybacks-carried-to-the
21	texable-year-as-provided-for-in-subsection-(6).
22	(5) Notwithstanding the provisions of subsection (4):
23	the investment credit allowed for the taxable year may not
24	exceed the-texpayer=s-tex-liability-for-the-texable-years-in
25	the-event-the-toxpoyer's-tox-ligbility-for-the-toxobleyear

2	płus-50%-of-the-tax-liability-in-excess-of-\$5y800 \$500.
3	(5) If anypartoftheinvestmentcreditisnot
4	applied-againstthetaxliabilityforthe-taxable-year
5	because-af-the-limitations-imposed-under-subsection-(5)y-the
6	unused-portion-shall-be-corried-back-and-corried-forwardin
7	accordancewiththaprovisionsofsection46(b)-af-the
8	Internal-Revenue-Code-of-1954y-asamendedyorassection
9	46(b)mayberenumberedor-amended property for which an
10	investment_credit_is_claimed_is_used_botb_inside_and_outside
11	this states only a portion of the credit is allowed. The
12	credit _must_be_apportioned_according_to_a_fraction_the
13	numerator of which is the number of days during the taxable
14	year_the_property_was_located_in_Montana_and_the_denominator
15	of_which_is_the_number_of_days_during_the_taxable_year_the
16	taxpayer_owned_the_property. Ibe investment_credit_may_be
17	applied_only_to_the_tax_liability_of_the_taxnayer_who
18	purchases and places in service the property for which an
19	investment_credit_is_claimed.
20	(7) The investment credit allowed by this section is
21	subject to recapture as provided for in section 47 of the

Internal Revenue Code of 1954, as amended, or as section 47

Section 3. Chapter 520, section 4, Laws of 1981, is

may be renumbered or amended."

amended to read:

exceeds--\$5,000,-the-investment-credit-may-not-exceed-\$5,000

**Section 4. Applicability. This act is applicable only
to taxable years beginning after December 31. 1980y-and
before-January-1y-1983.**

NEW_SECTION*
Section 4. Applicability. Sections 1 and
2 are applicable to taxable years beginning after December
31. 1982.

NEW_SECTION*
Section 5. Effective date. This act is
effective on passage and approval.

-End-

2	INTRODUCED BY KEENAH, VINCENT, HARRINGTON,
3	DAILY, QUILICI, MENAHAN, DARKO, REAM.
4	KEMMIS. SCHYE, ZABROCKI, NISBET, NILSON,
5	SENGTSON, SPAETH, SAUNDERS, NEUMAN, WILLIAMS
6	
7	A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN
8	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
9	CORPORATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
0	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
1	15-30-162 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
Z	LAWS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
3	
4	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
5	Section 1. Section 15-30-162, MCA, is amended to read:
6	*15-30-162. Investment credit. (1) There is allowed as
7	a credit against the tax imposed by 15-30-103 a percentage
9	of the credit allowed with respect to certain depreciable
9	property under section 38 of the Internal Revenue Code of
0	1954, as amended, or as section 38 may be renumbered or
1	amended. Howeverx-rehabilitation:costs-ns-sat:forth-under
2	qestion=16fetf21ff1=of=tbe=Internat=Rexenue=Code=of=1954x=or
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4	torberinchudedrio-thercomputation-of-theriovestmentereditx
5	The credit is allowed for the purchase and installation of

HOUSE BILL NO. 739

1	certain qualified property defined by section 38 of the
2	Internal_Revenue_Code_of_1954*_as_amended*_if_the_proper:
3	meets all of the following qualifications:
+	(a) it was purchased in Hontana;
5	(b)_it_was_placed_io_service_to_Hontanal_and
5	/(c) it was used for the production of Montana adjusts
7	gross_income.
3	(?) The amount of the credit allowed for the taxabl
•	year is the-sum-ofe
)	ta}30% 20% of the amount of credit determined under
ı	section 46(a)(2) of the Internal Revenue Code of 1954, a
2	amended, or as section 46(a)(2) may be renumbered of
3	amended†
•	tb)the-investment-credit-carryoverscarriedtoth
5	taxable-year-as-provided-in-subsection-(4);-and
5	fc;thainvestmentcreditcorrybacks-carried-to-th
7	taxable-year-os-provided-for-in-subsection-(4).
3	(3) Notwithstanding the provisions of subsection (2)
9	the investment credit allowed for the taxable year may no
)	exceed the-tempayer*s-tem-liability-for-the-temable-years-
ı	the-event-the-taxoayer4s-tax-liability-for-the-taxableyea
2	exceeds\$5y000y-the-investment-credit-may-not-exceed-\$5y00
3	płus-50%-of-the-tax-łłabiłity-in-excess-of\$5+888uinth
4	caseofahusband-and-wife-who-file-separate-returnsy-th

investment-credit-may-not-exceed-\$2,500-plus-50%-of-the--tax

liabilityin-exectsof\$27580unlessthe-spouse-of-the
taxpayer-has-noqualifiedinvestmentforandnounused
creditcarrybackorcarryoverto-the-taxable-year-of-the
spouse-that-ends-with-or-within-the-taxpayer*s-taxableyear
THE TAXPAYER'S TAX LIABILITY FOR THE TAXABLE YEAR OR \$500.
WHICHEVER_IS_LESS.

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(4) If any--port--of--the--investment--credit--is--not applied--against--the--tax--liability--for--the-taxable-year because-of-the-fimitations-imposed-under-subsection-(3)v-the unused-portion-shott-be-carried-back-and-carried-forward--in accordance--with--the--provisions--of--section--461b)-of-the internal-Revanue-Code-of-1954y-as--amendedy--or--as--section 46(b)--way--be-renumbered--or-amended <u>property for which an</u> investment credit is claimed is used both inside and outside this states only a portion of the credit is alloweds. The credit must be apportioned according to a fraction the numerator of which is the number of days during the taxable year the property was located in Montana and the denominator of which is the number of days during the taxable year the taxpayer owned the property. The investment credit may be applied only to the tax limbility of the taxpayer who purchases and places in service the property for which an investment credit is claimed. The credit may not be allocated between spouses unless the property is used by a partnership or small business corporation of which they are

1	partners_or_sharebolders.
2	(5) The investment credit allowed by this section is
3	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	Section 2. Section 15-31-123, MCA, is amended to read:
7	#15-31-123. Investment credit. (1) The purpose of this
8	section is to allow small businesses to take an investment
9	credit as provided for in subsection (3) and to stimulate
10,	capital investment by the small business sector.
11	(2) For the purposes of this section. "small business"
12	means a business that is-eligible-to-elect-to-be-taxed-under
13	the-provisions-of-15-31-202v-whether-or-not-such-election-is
14	#ede_ 2001_290H
15	Lal_more_than_10_shareholders:
16	(b) a person who is not an individual (other than an
17	estate or other than a trust described in 15-31-2011 as a
18	shareholder:
19	<pre>1cl_a_ocoresident_alieo_as_a_shareholderi_and</pre>
20	(d)_more_than_one_class_of_stocka
21	(3) There is allowed as a credit against the taxes
22	imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
23	of the credit allowed with respect to certain depreciable
24	property under section 38 of the Internal Revenue Code of

HB 739

1954, as amended, or as section 38 may be renumbered or

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1	amended. Mowavere=rehebilitation=costs=sst==forth==under
2	section=16talt2ltEt=of=the=Internal=Revenue=Goda=of=1951x=ac
3	as:sertion:56falf214Ft:mox=be-renumbered:or=smendadx=sce:not
4	to-te-included-in-the-computation-of-the-investment-ereditm
5	The credit is allowed for the purchase and installation of
. 6	certain qualified property defined by section 38 of the
.7	Internal Revenue Code of 1954, as amended, if the property
8	meets all of the following qualifications:
9	(al_it_was_ourchased_io_Bootana:
10	(b) it was placed in service in Montana: and
11	(c) it was used for the production of Montana income.
12	(4) The amount of the credit allowed for the taxable
13	year is th e-sum-of+
14	te)30% 20% of the amount of credit determined under
15	section 46(a)(2) of the Internal Revenue Code of 1954, as
16	amended, or as section 46(a)(2) may be renumbered or
17	amended†
18	tbthe-investment-credit-corryoverscorriedtothe
19	taxable-year-as-provided-in-subsection-(6);-and
20	tettheinvestmenteraditearrybacks-carried-to-the
21	taxable-year-as-provided-for-in-subsection-(6).
22	(5) Notwithstanding the provisions of subsection (4)+
23	the investment credit allowed for the taxable year may not
24	exceed the-taxpayer*s-tax-liability-for-the-taxable-yearw-in

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exceeds--45+000y-the-investment-credit-may-not-exceed-\$5+000 plus-50%-of-the-tax-liability-in-excess-of-\$5y080 \$500.

- (5) If may--part--of--the--investment--credit--is--not applied--against--the--tax--liability--for--the-taxoble-year because-of-the-limitations-imposed-under-subsection-(5)y-the unused-portion-sholl-be-corried-back-and-corried-forward--in accordance--with--the--provisions--of--section--46(b)-of-the Internat-Revenue-Code-of-1954y-as--amendady--or--as--section 46+b}-may--be--renumbered--or-amended property for which an 10 investment_credit_is_claimed is used both inside and outside 11 this states only a portion of the credit is allowed. The 12 credit __must__be__apportioned__according_to__a fraction_the 13 numerator of which is the number of days during the taxable 14 year toe property was located in Montana and the denominator 15 of which is the number of days during the taxable year the 16 taxpayer_owned the property. The investment credit may be 17 applied only to the tax liability of the taxpayer who 18 purchases and places in service the property for which an 19 investment credit is claimed.
- (7) The investment credit allowed by this section is 20 subject to recapture as provided for in section 47 of the 21 22 Internal Revenue Code of 1954, as amended, or as section 47 23 may be renumbered or amended.*
- 24 Section 3. Chapter 520, section 4. Laws of 1981. is amended to read:

the-event-the-taxpayer*s-tax-fiabifity-for-the-taxable--year

Section 4. Applicability. This act is applicable only to taxable years beginning after December 31. 1980y-and before-danuary-ty-1983.

<u>MEM SECTION.</u> Section 4. Applicability. Sections 1 and 2 are applicable to taxable years beginning after December 31, 1982.

7 MEM_SECTIONs Section 5. Effective date. This act is 8 effective on passage and approval.

-End-

April 12, 1983

SENATE STANDING COMMITTEE REPORT (Taxation)

That House Bill No. 739 be amended as follows:

Page 1, line 25.
 Following: line 24
 Insert: "However, rehabilitation costs as set forth under section 46(a)(2)(F) of the Internal Revenue Code of 1954, or as section 46(a)(2)(F) may be renumbered or amended, are not to be included in the computation of the investment credit."

2. Page 2, line 4. Following: line 3 Strike: line 4

Renumber: subsequent subsection

3. Page 2, line 10. Following: "{a} 30%" Strike: "20%" Insert: "5%"

4. Page 5, line 5. Following: line 4 Insert: "However, rehabilitation costs as set forth under section 46(a)(2)(F) of the Internal Revenue Code of 1954, or as section 46(a)(2)(F) may be renumbered or amended, are not to be included in the computation of the investment credit."

5. Page 5, line 9.
Following: line 8
Strike: line 9
Renumber: subsequent subsection

6. Page 5, line 14. Following: "{a} 30%" Strike: "20%"

Insert: "5%"

7. Page 6, line 24.

Following: line 23
Insert: "Section 3. 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.

(2) The amount of the credit allowed for the taxable year is the sum of:
(a) 30% 20% of the amount of credit determined

(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;

Senate Standing Committee Report Taxation - H.B. 739 April 12, 1983 Page -2-

(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. However, rehabilitation costs as set forth under section 46(a)(2)(F) of the Internal Revenue Code of 1954, or as section 46(a)(2)(F) may be renumbered or amended, are not to be included in the computation of the investment credit. The credit is allowed for the purchase and installation of certain qualified property defined by section 38 of the Internal Revenue Code of 1954, as amended, if the property meets all of the following qualifications:

(a) it was placed in service in Montana; and

(b) it was used for the production of Montana income.

Section 4. Section 15-31-123, MCA, is amended to read: "15-31-123. Investment credit. (1) The purpose of this section is to allow small businesses to take an investment credit as provided for in subsection (3) and to stimulate capital investment by the small business sector.

Senate Standing Committee Report Taxation - H.B. 739 April 12, 1983 Page -3-

(2) For the purposes of this section, "small business" means a business that is-eligible to elect to be taxed under the provisions of 15-31-262, whether or not such election is made: does not have:

(a) more than 10 shareholders;

(b) a person who is not an individual (other than an estate or other than a trust described in 15-31-207) as a shareholder;

(c) a nonresident alien as a shareholder; and

(d) more than one class of stock.

(3) There is allowed as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 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. However, rehabilitation costs as set forth under section 46(a)(2)(F) of the Internal Revenue Code of 1954, or as section 46(a)(2)(F) may be renumbered or amended, are not to be included in the computation of the investment credit. The credit is allowed for the purchase and installation of certain qualified property defined by section 38 of the Internal Revenue Code of 1954, as amended, if the property meets all of the following qualifications:

(a) it was placed in service in Montana; and

(b) it was used for the production of Montana income."

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

year is the sum of:

of the amount of credit determined (a) 30% 20% 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 (6); and

(c) the investment credit carrybacks carried to the

taxable year as provided for in subsection (6).

(5) Notwithstanding the provisions of subsection (4), 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.

(6) 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 (5), 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.

(7) 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

Senate Standing Committee Report Taxation - H.B. 739 April 12, 1983 Page -4-

- 8. Page 7, line 4. Following: "Applicability." Insert: "(1)"
- 9. Page 7, line 6. Following: "1982" Insert: "and before January 1, 1985. Sections 3 and 4 are applicable to taxable years beginning after December 31, 1984. (2) The carryover of credits earned under 15-30-162 or 15-31-123 prior to January 1, 1983 are not affected by this act."

48th Legislature HB 0739/03

HB 0739/03

1	HOUSE BILL NG. 739
2	INTRODUCED BY KEENAN, VINCENT, HARRINGTON,
3	DATLY, QUILICI, MENAHAN, DARKO, REAM,
4	KEMMIS, SCHYE, ZABROCKI, NISBET, NILSON,
5	BENGTSON, SPAETH, SAUNDERS, NEUMAN, WILLIAMS
6	
7	A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN
8	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
9	CORPORATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
10	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
11	15-30-162 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
15	LANS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
13	
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15	Section 1. Section 15-30-162, MCA, is amended to read:
16	*15-30-162. Investment credit. (1) There is allowed as
17	a credit against the tax imposed by 15-30-103 a percentage
18	of the credit allowed with respect to certain depreciable
19	property under section 38 of the Internal Revenue Code of
20	1954, as amended, or as section 38 may be renumbered or
21	amended. <u>Ugasystyttebabilitation_costatas_set_fortb_under</u>
5.5	acction=46talf2lfEl=of=the=Toternal=Revenue=Eode=of=1954x=or
23	os-section-46fatf21fE1-max-be-renumbared-ec-amendedx-ace-not
24	to-be-focluded-fo-the-computation-of-the-investment-screditm
25	HOMEYER. REHABILITATION COSTS AS SET FORTH UNDER SECTION

46(A)(2)(E)_GE_THE_INTERNAL_BEYENUE_CODE_OE_1954+_OR_AS
SECTION 46(A)(2)(E) MAY BE RENUMBERED OR AMENDED. ARE NOT TO
BE_INCLUDED_IN_INE_COMPUTATION_OF_INE_INVESTMENT_CREDIT. Ine
credit_is_allowed_for_the_purchase_and_installation_of
certain_qualified_property_defined_by_section_38_of_the
Internal_Revenue_Code_of_1954s_as_amendeds_if_the_property
weets_all_of_the_following_qualifications:
fet=:it=wgs=pwrchased=in=dentenet
fbt(A) it_was_placed in_service in_Montana: and
tct(B) it was used for the production of Montaga
adjusted_gross_income.
(2) The amount of the credit allowed for the taxable
year is the-sum-of+
ta)30% 20% 5% 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∳
<pre>fb}the-investment-credit-carryoverscarriedtothe</pre>
taxable-year-as-provided-in-subsection-(4);-and
tcttheinvestmentcreditcarrybacks-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-texpayer*s-tax-fiebifity-for-the-taxable-yearw-in
the-event-the-taxpayer*s-tax-frabiffity-for-the-taxableyear

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exceeds--\$570000-the-investment-credit-may-not-exceed-\$57000
plus-50%-of-the-tax-liability-in-excess-of--\$57000x--In--the
case--of--a--husband-and-wife-who-file-separate-returnsy-the
investment-credit-may-not-exceed-\$27500-plus-50%-of-the--tax
liability--in--excess--of--\$27500-unless--the-spouse-of-the
taxpayer-has-no--qualified--investment--for--and--no--unused
credit--carryback--or--carryover--to-the-taxable-year-of-the
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opplied-against-the-tox-liability-for-the-toxable-year because-of-the-limitations-imposed-under-subsection-(3)y-the unused-portion-shall-be-carried-back-and-carried-forward-in accordance-with-the-provisions-of-section-46(b)-of-the internal-Revenue-Gode-of-1954y-as-amendedy-or-as-section 46(b)-may-be-renumbered-or-amended property for which an investment credit is claimed is used both inside and outside this states only a portion of the credit is allowed. The credit must be apportioned according to a fraction the number of which is the number of days during the taxable year the property was located in Montana and the denominator of which is the number of days during the taxable year the taxable year the property. The investment credit may be applied only to the tax liability of the taxabler who

purchases and places in service the property for which an
investment credit is claimed. The credit may not be
allocated between spouses unless the property is used by a
partnership or small business corporation of which they are
pactners or shareholders.

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

10 Section 2. Section 15-31-123, MCA, is amended to read:
11 m15-31-123. Investment credit. (1) The purpose of this
12 section is to allow small businesses to take an investment
13 credit as provided for in subsection (3) and to stimulate
14 capital investment by the small business sector.

15 (2) For the purposes of this section, "small business"
16 means a business that is-eligible-to-elect-to-be-taxed-under
17 the-provisions-of-15-31-202y-whether-or-not-such-election-is
18 madew does_not_have:

19 (al_more_than_10_shareholders:
20 (bl_a_person_who_is_not_an_individual_(other_than_an
21 estate_or_other_than_a_trust_described_in_15=31=2011_as_a

23 (cl_a_noncesident_alien_as_a_sharebolder:_and

24 Idl wore than one class of stock.

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(3) There is allowed as a credit against the taxes

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1	imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
?	of the credit allowed with respect to certain depreciable
3	property under section 38 of the Internal Revenue Code of
4	1954, as amended, or as section 38 may be renumbered or
5	amended. Howevers-rebabilitation:costs:cos
4	aestino-46folf2lfEl:of-the-internal-Revenue-Gods-of-1954x-os
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9	HOWEYER - REMABILITATION COSIS AS SET FORTH UNDER SECTION
10	46(4)(2)(E) OF THE INTERNAL REVENUE CODE OF 1954, OR AS
11	SECTION 46(A)(2)(E) MAY BE BENUMBERED OR AMENDED. ARE NOT TO
12	BE INCLUDED IN THE COMPUTATION OF THE INVESTMENT CREDIT. The
13	credit is allowed for the purchase and installation of
14	certain_qualified_property_defined_by_section_38_of_the
15	Internal Revenue Code of 1954: as amended: if the property
16	meets_all_of_the_following_qualifications:

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thical it was placed in service in Montaga: and

19 fc1(B) it was used for the production of Montana 20 LOCORRA

(4) The amount of the credit allowed for the taxable vear is the-sum-off

23 for--30% 20% 52 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

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tb)--the--investment--credit--carryovers-carried-to-the taxable-year-as-provided-in-subsection-tolt-and

tc}--the-investment-credit-carrybacks--carried--to--the taxable-year-as-provided-for-in-subsection-(6).

- (5) Notwithstanding the provisions of subsection (4), the investment credit allowed for the taxable year may not exceed the-taxpsyer*s-tax-liability-for-the-taxable-yeary-in the---vent-the-toxpayer*s-tax-liability-for-the-taxable-year exceeds-\$5y800y-the-investment-credit-may-not-exceed--\$5y800 plus-50%-of-the-tox-liability-in-excess-of-55v000 \$500.
- (6) If onv--part--of--the--investment--credit--is-not applied-against-the--tax--liobility--for--the--taxable---year because-of-the-limitations-imposed-under-subsection-(5)y-the unused--portion-shall-be-corried-back-and-carried-forward-in accordance-with-the--provisions--of--section--46(b)--of--the internal--Revenue--Code--of--1954y-as-amendedy-or-as-section 46fb)-may-be-renumbered-or-amended property for which an investment_credit_is_claimed_is_used_both_inside_and_outside this states only a portion of the credit is allowed. The credit_must_be_apportioned_according_to_a_fraction_the numerator of which is the number of days during the taxable year the property was located in Montaga and the denominator of which is the number of days during the taxable year the taxpayer owned the property. The investment credit may be

applied_only_to__tbs__tax__liability_of_tbs__taxpayer__who
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investment_credit_is_claimed.

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- (7) 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."
- SECTION 3. 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
 13 1954, as amended, or as section 38 may be renumbered or
 14 amended.
- 15 (2) The amount of the credit allowed for the taxable
 16 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:
- 21 (b) the investment credit carryovers carried to the 22 taxable year as provided in subsection (4); and
 - (c) the investment credit carrybacks carried to the taxable year as provided for in subsection (4).
- 25 (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 2 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 9 taxpayer has no qualified investment for and no unused 10 credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year. 11 12 (4) If any part of the investment credit is not 13

- 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. However, rehabilitation costs as set forth under section 46(a)(2)(E) of the Internal revenue Code of 1954, or as section 46(a)(2)(E) may be renumbered or amended, are not to be included in the

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1	computation of the investment cradit. The cradit is allowed
2	for the _nurchase_ and _installation_of_certain_qualified
3	property_defined_by_section_38_of_tbe_Internal_Revenue_Code
4	of 1954: as agended: if the property meets all of the
<	following qualifications:

- (a) it was placed in service in Montanal and
- 7 (b) it was used for the production of Montana income.**
- 8 SECTION 4. SECTION 15-31-123. MCA. IS. AMENDED IQ. READ:
- 9 "15-31-123. Investment credit. (1) The purpose of this
- 10 section is to allow small businesses to take an investment
- 11 credit as provided for in subsection (3) and to stimulate
- 12 capital investment by the small business sector.
- 13 (2) For the purposes of this section, "small business"
 14 means a business that is-eligible-to-elect-to-be-toxed-under
 15 the-provisions-of-15-31-202, whether-or-not-such-election-is
 16 modes does not have:
- 17 (al_more_tban_10_shareholders:
- 18 ibl a person who is not an individual tother than an
- 19 estate or other than a trust described in 15-31-2011 as a
- 20 shareholder:
- 21 (c) a nonresident alien as a shareholder; and
- 22 (d) more than one class of stock.
- 23 (3) There is allowed as a credit against the taxes
 24 imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
- 5 of the credit allowed with respect to certain depreciable

-9-

- 1 property under section 38 of the Internal Revenue Code of
- 2 1954, as amended, or as section 38 may be renumbered or
- 3 amended. However, rehabilitation costs as set forth under
- 4 Section 46(a)(2)(f) of the Internal Revenue Code of 1954, or
- s section 46(a)(2)(E) may be required or amended, are not
- 6 to be included in the computation of the investment credit.
- 7 Ibe_credit_is_allowed_for_tbe_ourcbase_and_installation_of
- 8 certain_qualified_property_defined_by_section_38_of_the
- 9 Internal Revenue code of 1954s as amendeds if the property
- 10 meets all of the following qualifications:
- 11 (a) It was placed in service in Montana: and
- 12 (b) it was used for the production of Montana income.
- 13 (4) The amount of the credit allowed for the taxable
- 14 year is the sum of:
- 15 (a) 30% 20% of the amount of credit determined under
- 16 section 46(a)(2) of the Internal Revenue Code of 1954. as
- 17 amended, or as section 46(a)(2) may be renumbered or
- 18 amended:
- 19 (b) the investment credit carryovers carried to the
- 20 taxable year as provided in subsection (6); and
- 21 (c) the investment credit carrybacks carried to the
- 22 taxable year as provided for in subsection (6).
- 23 (5) Notwithstanding the provisions of subsection (4).
- 24 the investment credit allowed for the taxable year may not
- 25 exceed the taxpayer's tax liability for the taxable year. In

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- 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.
 - (6) 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 (5), 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.

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- 11 (7) The investment credit allowed by this section is 12 subject to recapture as provided for in section 47 of the 13 Internal Revenue Code of 1954, as amended, or as section 47 14 may be renumbered or amended.**
 - Section 5. Chapter 520, section 4, Laws of 1981, is amended to read:
- 17 "Section 4. Applicability. This act is applicable only
 18 to taxable years beginning after December 31. 1980y-and
 19 before-dangery-ty-1983."
- 20 NEW_SECTIONs Section 6. Applicability. (11 Sections 1
 21 and 2 are applicable to taxable years beginning after
 22 December 31. 1982 AND BEFORE JANUARY 1. 1985. SECTIONS 3 AND
 23 4_ARE_APPLICABLE_TO_TAXABLE_YEARS_BEGINING_AFTER_DECEMBER
 24 31. 1984.
- 25 (21 THE CARRY OVER OF CREDITS FARNED UNDER 15-30-162

- 1 OR_15=31=123_PRIOR_TO_JANUARY_14_1983_ARE_NOT_AFFECTED_BY
- 2 IHIS_ACI..
- 3 <u>NEW SECTION.</u> Section 7. Effective date. This act is
- 4 effective on passage and approval.

-End-

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2	INTRODUCED BY KEENAN, VINCENT, HARRINGTON,
3	DAILY, QUILICI, MENAHAN, DARKO, REAM,
4	KEMMIS, SCHYE, ZABROCKI, NISBET, NILSON.
5	SENGTSON, SPAETH, SAUNDERS, NEUMAN, MILLIAMS
6	
7	A BILL FOR AN ACT ENTITLED: MAN ACT ESTABLISHING AN
ġ	INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE
9	CORPURATE LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE
0	YEARS BEGINNING AFTER DECEMBER 31, 1982; AMENDING SECTIONS
.1	15-30-162 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
2	LAWS OF 1981; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
.3	
.4	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
.5	Section 1. Section 15-30-162, MCA, is amended to read:
.6	"15-30-162. Investment credit. (1) There is allowed as
.7	a credit against the tax imposed by 15-30-103 a percentage
.8	of the credit allowed with respect to certain depreciable
9	property under section 38 of the Internal Revenue Code of
20	1954, as amended, or as section 38 may be renumbered or
21	amended. Howeverxcreehabilitationcosts-ascsetrforthounder
22	acction=46ta1f21fE1=of=the=Enternal=Baxenue=Gode=of=1954x=or
23	as_section_46falf2ifEi_may_be_renumbersd_or_amendedx_are_not
24	to_be_included_in_the_computation_of_the_investmentcceditx
25	HOWEVER. KEHABILITATION COSTS AS SET FORTH UNDER SECTION

HOUSE BILL NO. 739

1,	461A1(2)(E) OF THE INTERNAL REVENUE CODE OF 1954. OR AS
7	SECTION 46(A)(2)(F) MAY BE RENUMBERED OR AMENDED. ARE NOT TO
3	BE INCLUDED IN THE COMPUTATION OF THE INVESTMENT CREDIT. Inc
4	ccedit is allowed for the purchase and installation of
5	certain qualified property defined by section 38 of the
6	Internal Revenue Code of 1954, as amended, if the property
7.	neets_all_of_the_following_qualifications:
8	for it was purchased in Montana:
9	tht(A) it was placed in service in Montana; and
10	tel(B) it was used for the production of Montana
11	adjusted_gross_income.
12	(2) The amount of the credit allowed for the taxable
13	year is the-sum-of:
14	ta)30% 20% 5% of the amount of credit determined
15	under section 46(a)(2) of the Internal Revenue Code of 1954;
16	as amended, or as section 46(a)(2) may be renumbered or
17	amended.
18	(b)the-investment-credit-carryoverscarriedtothe
19	taxable-year-as-provided-in-subsection-(4);-and
20	{c}theinvestmentcreditcarrybacks-carried-to-the
21	taxable-year-as-provided-for-in-subsection-(4).
22	(3) Motwithstanding the provisions of subsection (2).
23	the investment credit allowed for the taxable year may not
24	exceed the-taxpayer*s-tax-liability-for-the-taxable-year*-In

the-event-the-taxpayer+s-tax-liability-for-the-taxable--year

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4	investment-credit-may-not-extend-f2y500-plus-50%-of-thetox
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6	taxaayar-hos-noqualifiedinvestmentforandnounused
7	eraditearrybackarcarryaverto-the-taxable-year-of-the
8	spouse-that-ands-with-or-within-the-taxpayeris-taxableyear
9	THE TAXPAYER'S TAX: LIABILITY FOR THE TAXABLE YEAR OF \$500.
10	WHICHEVER IS LESS.

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purchases and places in service the property for which un investment credit is claimed. The credit may not be allocated between spouses unless the property is used by a partnership or small business corporation of which they are partners or shareholders.

(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.

Section 2. Section 15-31-123, MCA, is amended to read:

#15-31-123. Investment credit. (1) The purpose of this section is to allow small businesses to take an investment credit as provided for in subsection (3) and to stimulate capital investment by the small business sector.

- (2) for the purposes of this section, "small business" means a business that is eligible to elect to be taxed under the provisions of 15-31-202y whether or not such election is mode, does not have:
- 19 (a) sore than 10 shareholders:

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- 20 fbl a person who is not an individual (other than an 21 estate or other than a trust described in 15-31-207) as a 22 shareholder:
- 23 <u>Lal a morresident alien as a shareholder: and</u>
- 24 (d) more than one class of stock.
 - (3) There is allowed as a credit against the taxes

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1	imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage
2	of the credit allowed with respect to certain depreciable
3	property under section 38 of the Internal Revenue Code of
4	1954, as amended, or as section 38 may be renumbered or
5	amended. <u>doweverw-rehabilitation-costs_as_setforthunder</u>
6	restion-46(a)(2)(f):of-the-internal-Revenue-Gode-of-1754x-pr
7	as-section-46(a)(2)(f):-may-be-renumbered-or-omendedy-pre-not
8	to-be-included-in-the-computation-of-the-investment-credits
9	HOWEVER . REMABILITATION COSTS AS SET FORTH UNDER SECTION
10	46(A)(2)(F) OF THE INTERNAL REVENUE CODE OF 1954. OR AS
11	SECTION 46(A)(2)(F) MAY BE RENUMBERED OR AMENDED. ARE NOT TO
12	BE INCLUDED IN THE COMPUTATION OF THE INVESTMENT CREDIT. The
13	credit is allowed for the purchase and installation of
14	certain qualified property defined by section 38 of the
15	Internal Revenue Code of 1954, as amended, if the property
16	neets all of the following qualifications:
17	teneineH_oi_becedelug=cew_fitul
18	fol(A) it was placed in service in Montana; and
19	tal(8) it was used for the production of Montana
20	income.
۷١	(4) The amount of the credit allowed for the taxable
2?	year is the-sum-of ≠
23	to)30% 全0% 5% of the amount of credit determined
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25	as amended, or as section 46(a)(2) may be renumbered or

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3	taxable-year-as-provided-in-subsection-(6);-and
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5	taxable-year-as-provided-for-in-subsection-(6).
6	(5) Notwithstanding the provisions of subsection (4),
7	the investment credit allowed for the taxable year may not
9	exceed the-toxpoyer^s-tox-liability-for-the-toxable-years-in
. 9	theevent-the-taxpayer*s-tax-liability-for-the-taxable-year
10	exceeds-\$5y888y-the-investment-credit-may-not-exceed\$5y888
11	płus-50%-of-the-tox-trability-in-excess-of-\$5y000 \$500.
12	(6) If anypartoftheinvestmentcreditis-not
13	applied-against-thetaxliabilityforthetaxableyear
14	because-of-the-limitations-imposed-under-subsection-(5)y-the
15	unusedportion-shall-be-corried-back-ond-corried-forward-in
16	accordance-with-theprovisionsofsection46(b)ofthe
17	internalkevenue6odeof1954y-os-amendedy-or-as-section
18	4645)-may-be-renumbered-or-omended property for which an
19	investment credit is claimed is used both inside and outside
29	this state: only a portion of the credit is allowed. Inc
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(7) The investment credit allowed by this section is
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depreciablepropertyundersection3doftheinternal
RevenueCodeof1954y-maramendedy-or-ma-section-38-may-be
renumbered-or-amendeds
t?}The-amount-of-the-credit-allowed-forthetaxable
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ta)30% <u>29%</u> of-the-amount-of-credit-determined-under
section-46(a)(2)-of-the-Internal-Revenue-Codeof1954os
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{b}the-investment-credit-corryoverscorriedtothe
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theinvestmentcredit-allowed-for-the-taxable-year-may-not
exceed-the-toxpoyer*s-tax-liability-for-the-taxoble-years-in
the-event-the-toxpayer-s-tox-linbility-for-the-toxableyear
exceeds55+888y-the-investment-credit-may-not-exceed-55+888
plus-58%-of-the-tax-liability-in-excess-of55+880*Intnm
easeofohusbond-ond-wife-who-file-separate-returnsy-ths
investment-credit-may-not-execed-\$2y500-plus-50%-of-thetox
liabilityinexcessef#2y500unlessthe-spouse-of-the
taxpayer-has-noqualifiedinvestmentforandnounused
ereditcarrybackorcarryoverto-the-taxable-year-of-the
spouse-that-ends-with-or-within-the-taxpayer#s-taxable-yesrv
{4}if-onyportoftheinvestmentereditisnot
applied-against-the-tax-liability-for-the-taxable-yesr
because-of-the-limitations-imposed-under-subsection-(3) v-the
unused-portion-shall-be-carried-back-and-carried-forwardin
accordancewiththeprovisionsofsection46(b)-of-tne
Internal-Revenue-Code-of-1954y-asamendedyorassection
46(b)-may-be-renumbered-or-omendeds
(5)Theinvestmenteredit-allowed-by-this-section-is
- subject-to-recapture-as-provi de d-för-in-section47ofth
internatRevenue-Code-of-1954y-as-amendedy-or-as-section-47
may-be-renumbered-or-amended. <u>Howevery-rehabititation-costs</u>
assetforthundersetion%étaltfitElof-the-internal
<u>cerenus-fode-of-1954xocespretion46toliclifimorbs</u>
renambered=:or==amandedx==are==not==to==bo==included==incths

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t3)--motwithstanding-the-provisions-of-subsection--(2)+

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1	computation_of_the_investment_credit=_The=credit=is=_atlawed
2	for-the-coremose-cand-installation-of-cortain-qualified
3	property-defined-by-section-18-of-the-Internal-Revenuefode
4.	of=:1954x==max==mendcdx==if==thm==property==mecta=oll-of=the
5	following_qualifications:
6	inliming_placed_in_service_in_Montenat_and
7	tpl=:ft=waa=waed_for=the-production=of=Montona=incomex*
8	SEGIIBH-4xSEGIIBH-15-31-123x-MGAx-IS-AMENDER-TO-READ±
9	#15-31-123sinvestment-credits(1)Thepurposeof
10	thissectionistoallowsmallbusinessestotake-an
11	investment-credit-as-provided-for-in-subsection-(3)andto
12	strmulatecapitalinvestment-by-the-small-pusiness-sector:
13	t2)For-the-purposes-of-this-section,ampli-business-
14	means-s-business-that-is-eligible-to-elect-to-be-taxed-under
15	the-provisions-of-15-31-292v-whether-or-not-such-election-is
15	######################################
1,	tat==mace=than=10=shacehalders:
1ª	fbiccacparsoncehociscosconcindividual:tothercathoncon
13	astatel-of-lothefilthon-ortrotideacribed_in-19-31-2071-osin
20	shoreholderi
21	tst==a=nenreqident_alien=as=a=shareholdert=and=
2,	tdl-more-than-one-closs-of-stocky
23	totThere-is-allowed-as-acreditagainstthetaxes
24	imposedby-15-31-181v-15-31-121v-and-15-31-122-a-percentage
25	of-the-credit-allowed-with-respecttocortaindepreciable

r	propertyundersection38-of-the-Internal-Revenue-Code-o
2	1954y-as-amendedy-or-as-section30mayberenumbereda
3	omended# Howeversrcbnbititationcoata_aa_set_forth_unde
4	section-totaliliti-of-the-Internal-Asygnue-Gode-of-1971x-o
5	as-acction-46fatf2tfft-max-be-renumbered-or-amendedv-are-no
6	to-be-instuded-in-the-computation-of-the-investmentcredit
7	The == ccedit == i2= gllowed for the purchase and installation o
Ą	certain_qualified_property_definedbysection30of-=th
9	internal==Revenue==code_of=1954x-na=amendedx=if=the-propert
10	meetx_ull_of_the_following_quglificationat
11	foliation as a placed in Service in Honton et and
12	fol==+t=x22=used=for=the=production=of=Hontana==income
13	(4)Theamountof-the-credit-allowed-for-the-taxabl
14	year-is-the-sum-of-
15	to)30% <u>20%</u> of-the-amount-of-creditdeterminedunde
16	seetion46fd){2}ofthe-Internal-Revenue-Gode-of-1954y-a
17	amendedyofassection46(a)(2)mayberenumberedo
18	amended†
19	(b)theinvestmentereditcarryovers-carried-to-th
20	taxable-year-as-provided-in-subsection-f6j;-and
21	tejthe-investment-credit-corrybackscarriedtoth
22	taxable-year-as-provided-for-in-subsection-(6)*
23	(5)Notwithstandingthe-provisions-of-subsection-(4)
24	the-investment-credit-allawed-for-the-taxable-yearmayno

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exceed-the-taxpayer-s-tax-liability-for-the-taxable-year*-in

1	the-revent-the-taxpayer*s-tax-liability-for-the-taxoule-year
2	**************************************
3	plus-59%-of-the-tax-liability-in-excess-of-\$5v000*
4	tojIfanypartaftheinvestmentcreditis-not
5	applied-against-thetextimbilityforthetaxableyear
6	because-of-the-limitations-imposed-under-subsection-(5)y-the
7	unusedportion-shall-be-carried-back-and-carried-forward-in
8	occordance-with-theprovisionsofsection46(b)ofthe
9	InternalRevenueCodeof1954y-as-amendedy-or-as-section
10	46(b)-may-be-renumbered-or-amendeds
11	(7)The-investment-credit-allowed-by-thissectionis
12	subjecttorecaptureas-provided-for-in-section-47-of-the
13	internal-Revenue-Gode-of-1954v-os-omendedy-or-ms-section47
14	may-be-renumbered-or-omendedy*
15	Section 3. Chapter 520, section 4, Laws of 1981, is
16	amended to read:
17	"Section 4. Applicability. This act is applicable only

NEW SECTION. Section 4. Applicability. <u>fit</u> Sections 1 and 2 are applicable to taxable years beginning after December 31, 1982 <u>AND-BEFORE-JANUARY-IX-1985=-SECTIONS-3-AND 4-ABE-APPLICABLE IN-TAXABLE-YEARS--BEGINING--AETER--DECEMBER 21x-1994x</u>

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tat--THE--CARRY--OVER-BE-EREDITS-CARNED-UNDER-15-39-162

1 BR:15:31:123:PRIBE:TU:::JANUARY:1::1983-ARE::NBT::-AFFEETED:::9Y

2 EHES-AbEs

<u>NEW SECTION.</u> Section 5. Effective date. This act is

4 effective on passage and approval.

-End-