

HOUSE BILL NO. 865

Introduced: 02/15/83

Referred to Select Committee on Economic Development: 02/15/83

Hearing: 3/15/83

Died in Committee

1 House BILL NO. 865
2 INTRODUCED BY FAGG
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO STIMULATE ECONOMIC
5 DEVELOPMENT IN MONTANA BY PROVIDING ECONOMIC INCENTIVES FOR
6 NEW OR EXPANDING BUSINESSES CREATING NEW JOBS IN MONTANA;
7 AMENDING SECTION 15-35-108, MCA; AND PROVIDING AN
8 APPLICABILITY DATE."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 **NEW_SECTION.** Section 1. Purpose -- new job defined.
12 (1) The purpose of [sections 1 through 7] is to encourage
13 the creation of new jobs in Montana without adversely
14 affecting the state's revenues.
15 (2) For purposes of [sections 1 through 7], "new job"
16 means a permanent full-time position in Montana that was not
17 in existence on [the effective date of this act] and that is
18 created because of a new or expanded business.
19 **NEW_SECTION.** Section 2. Financial incentives for job
20 creation. An individual, corporation, partnership, or small
21 business corporation, as defined in 15-31-201, that starts a
22 new business or expands an existing business may choose from
23 the following financial incentives for creating new jobs:
24 (1) a tax credit as provided in [section 3];
25 (2) a grant as provided in [section 6]; or

1 (3) an interest payment offset as provided in [section
2 7].
3 **NEW_SECTION.** Section 3. New job credit. (1) Subject
4 to [section 2], an individual, corporation, partnership, or
5 small business corporation, as defined in 15-31-201, that
6 starts a new business or expands an existing business,
7 thereby creating new jobs, as defined in [section 1], is
8 entitled to a tax credit against the tax imposed by
9 15-30-103 or 15-31-121, in an amount equal to 25% of the
10 total salaries of the new jobs for the first year, to be
11 taken as a credit only against taxes due as a consequence of
12 taxable or net income directly attributable to the new
13 business or business expansion.
14 **NEW_SECTION.** Section 4. Carryover of credit. The tax
15 credit allowed under [section 3] is to be deducted from the
16 taxpayer's tax liability for the taxable year in which the
17 new business or the existing business as expanded begins
18 operation. If the amount of the tax credit exceeds the
19 taxpayer's tax liability for the taxable year, the amount
20 that exceeds the tax liability may be carried over for
21 credit against the taxpayer's tax liability in the next
22 succeeding taxable year or years until the total amount of
23 the tax credit has been deducted from the tax liability.
24 However, no credit may be carried beyond the seventh taxable
25 year succeeding the taxable year in which the jobs were

1 created.

2 **NEW_SECTION.** Section 5. Exclusion of other tax
3 incentives. If a tax credit is claimed under [section 3], no
4 other tax credit may be claimed in relation to the same
5 job-creating business.

6 **NEW_SECTION.** Section 6. Grants for job creation. (1)
7 Subject to [section 2], an individual, corporation,
8 partnership, or small business corporation, as defined in
9 15-31-201, that starts a new business or expands an existing
10 business is entitled to a \$1,000 grant for each new job
11 created.

12 (2) The grant may not be claimed for more than 100 new
13 jobs, and the total grant may not exceed the amount of
14 taxable income directly attributable to the new business or
15 business expansion.

16 (3) The grants must be administered by the department
17 of commerce and are payable from coal severance tax funds
18 allocated to the department for that purpose.

19 **NEW_SECTION.** Section 7. Interest offset. Subject to
20 [section 2], an individual, corporation, partnership, or
21 small business corporation that starts a new business or
22 expands an existing business is entitled to an offset of
23 one-fourth interest point for every 10 new jobs created, up
24 to a maximum of 4 interest points, against any financing
25 obtained from the state for projects qualifying and financed

1 under [LC 1148].

2 Section 8. Section 15-35-108, MCA, is amended to read:
3 15-35-108. (Effective July 1, 1983) Disposal of
4 severance taxes. Severance taxes collected under the
5 provisions of this chapter are allocated as follows:

6 (1) To the trust fund created by Article IX, section
7 5, of the Montana constitution, 25% of total collections a
8 year. After December 31, 1979, 50% of coal severance tax
9 collections are allocated to this trust fund. The trust fund
10 moneys shall be deposited in the fund established under
11 17-6-203(5) and invested by the board of investments as
12 provided by law.

13 (2) Coal severance tax collections remaining after
14 allocation to the trust fund under subsection (1) are
15 allocated in the following percentages of the remaining
16 balance:

17 (a) to the county in which coal is mined, 2% of the
18 severance tax paid on the coal mined in that county until
19 January 1, 1980, for such purposes as the governing body of
20 the county may determine;

21 (b) 2 1/2% until December 31, 1979, and thereafter
22 ~~4-1/2%~~ 2 1/4% to the earmarked revenue fund to the credit of
23 the alternative energy research development and
24 demonstration account;

25 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%

1 to the earmarked revenue fund to the credit of the local
2 impact and education trust fund account;

3 (d) for each of the 2 fiscal years following June 30,
4 1977, 13% to the earmarked revenue fund to the credit of the
5 coal area highway improvement account;

6 (e) 10% to the earmarked revenue fund for state
7 equalization aid to public schools of the state;

8 (f) 1% to the earmarked revenue fund to the credit of
9 the county land planning account;

10 (g) 1 1/4% to the sinking fund to the credit of the
11 renewable resource development bond account;

12 (h) 5% to the earmarked revenue fund to the credit of
13 a trust fund for the purpose of parks acquisition or
14 management, protection of works of art in the state capitol,
15 and other cultural and aesthetic projects. Income from this
16 trust fund shall be appropriated as follows:

17 (i) 1/3 for protection of works of art in the state
18 capitol and other cultural and aesthetic projects; and

19 (ii) 2/3 for the acquisition of sites and areas
20 described in 23-1-102 and the operation and maintenance of
21 sites so acquired;

22 (j) 1% to the earmarked revenue fund to the credit of
23 the state library commission for the purposes of providing
24 basic library services for the residents of all counties
25 through library federations and for payment of the costs of

1 participating in regional and national networking;

2 (j) 1/2 of 1% to the earmarked revenue fund for
3 conservation districts;

4 (k) 1 1/4% to the sinking fund to the credit of the
5 water development sinking account;

6 ~~{11} 2 1/4% to the earmarked revenue fund to the credit~~
7 ~~of the department of commerce for purposes of making new~~
8 ~~jobs grants as provided in [section 6];~~

9 ~~†††(m) all other revenues from severance taxes~~
10 ~~collected under the provisions of this chapter to the credit~~
11 ~~of the general fund of the state."~~

12 NEW SECTION. Section 9. Coordination instruction. If
13 --- Bill No. --- [LC 1148] is not passed by the 48th
14 legislature and approved by the governor, section 7 and
15 subsection 3 of section 2 are void.

16 NEW SECTION. Section 10. Applicability. This act is
17 applicable for tax years beginning after December 31, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 486-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 20, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 865 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:

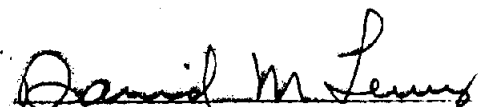
House Bill 865 stimulates economic development in Montana by providing economic incentives for new or expanding businesses creating new jobs in Montana; and provides an applicability date.

FISCAL IMPACT:

The fiscal impact of the new job tax credit cannot be estimated for the biennium, although it could significantly decrease corporation license and individual income tax revenues. The tax credit of 25% of the total salaries would take several years of tax payments by the new job holder before the tax credit would be offset.

The grant program would receive 1.125% of coal severance tax revenues. This would amount to \$1.110 million in FY 84 and \$1.384 million in FY 85. The alternative energy research development and demonstration account would be decreased by the same amounts.

FISCAL NOTE 15:EE/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-22-83