

HOUSE BILL NO. 867

Introduced: 02/15/83

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

Rereferred to Committee on Taxation: 03/03/83

Hearing: 3/15/83

Died in Committee

1 House BILL NO. 867
2 INTRODUCED BY Rep. J. Miller
3 BY REQUEST OF THE HOUSE BUSINESS AND INDUSTRY COMMITTEE
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A CREDIT
6 AGAINST INCOME TAX LIABILITY FOR INVESTMENTS IN THE
7 MANUFACTURE OF ENERGY CONSERVATION PRODUCTS; PROVIDING FOR
8 LIMITATION ON AND CARRYOVER OF THE CREDIT; PROVIDING
9 RULEMAKING AUTHORITY; AND PROVIDING AN APPLICABILITY DATE."
10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
12 Section 1. Purpose and statement of policy. The
13 purpose of [this act] is to encourage the development of the
14 manufacturing of energy conservation products in Montana
15 without adversely affecting tax revenues received from
16 existing economic activity in the state. Sound fiscal
17 policy requires that encouragement be given to an energy
18 conservation product manufacturing industry without
19 subtracting from existing sources of revenue to the state.
20 Section 2. Credit -- energy conservation products
21 manufacturer. (1) Subject to [section 3], an individual,
22 corporation, partnership, or small business corporation as
23 defined in 15-31-201 that makes an investment of \$5,000 or
24 more in a business located in Montana, engaged in the
25 manufacturing of energy conservation products is entitled to

1 a credit against taxes imposed by 15-30-103 or 15-31-121 in
2 an amount equal to 35% of the investment, to be taken as a
3 credit only against taxes due as a consequence of taxable or
4 net income produced by the new manufacturing business or the
5 expanded portion of an existing manufacturing business
6 producing energy conservation products. The credit for
7 investments by a small business corporation electing to be
8 taxed under 15-31-202 or a partnership may be claimed by the
9 small business corporation shareholders or the partners.

10 (2) The amount of the credit must be reduced by the
11 amount of any grants provided by the state or federal
12 government to the manufacturer.

13 Section 3. Eligible products. A manufacturer seeking
14 eligibility for a tax credit under [section 2] must apply to
15 the department of revenue for a determination of the
16 product's eligibility. The department must allow the tax
17 incentive to manufacturers producing a product that:

18 (1) is ready for installation by the purchaser in the
19 form in which it leaves the manufacturer; and

20 (2) is a material or device whose primary function is
21 to reduce the consumption of energy by reducing waste or the
22 dissipation of energy or that reduces the amount of energy
23 required to accomplish a given quantity of work.

24 Section 4. Carryover of credit -- limitation. (1) The
25 tax credit allowed under [section 2] is to be deducted from

1 the taxpayer's tax liability for the taxable year in which
 2 the investment by the taxpayer is made. If the amount of
 3 the tax credit exceeds the taxpayer's tax liability for the
 4 taxable year, the amount that exceeds the tax liability may
 5 be carried over for credit against the taxpayer's tax
 6 liability in the next succeeding taxable year or years until
 7 the total amount of the tax credit has been deducted from
 8 tax liability. However, no credit may be carried beyond the
 9 seventh taxable year succeeding the taxable year in which
 10 the investment was made.

11 (2) The credit must be reduced by the amount of any
 12 federal credit taken so that the effective credit does not
 13 exceed 60% of the investment.

14 Section 5. Exclusion from other tax incentives. If a
 15 credit is claimed for an investment pursuant to [this act],
 16 no other state energy or investment tax credit, including
 17 but not limited to the tax credits allowed by 15-30-162 and
 18 15-31-123, may be claimed for the investment. Property tax
 19 reduction allowed by 15-6-201(3) may not be applied to a
 20 manufacturing business for which a credit is claimed
 21 pursuant to [this act].

22 Section 6. Separation of credit portion. In the case
 23 of a business a portion of which qualifies for the credit
 24 pursuant to [section 2] and a portion of which does not
 25 qualify for the credit, taxes due from each portion must be

1 separated by using the three-factor formula provided in
 2 15-31-305.

3 Section 7. Rules authorized. The department of revenue
 4 may adopt rules to implement [this act]. The purpose of
 5 such rules must be to insure or provide the following:

6 (1) proper and efficient administration of [this act];
 7 (2) proper reporting of information and payment of any
 8 amounts due by persons claiming the credit pursuant to [this
 9 act];

10 (3) the claiming of the credit only against taxes due
 11 as a consequence of income produced by new economic activity
 12 in the state; and

13 (4) a method of certifying to a manufacturer whether
 14 the product produced by him is eligible for the investment
 15 credit.

16 Section 8. Applicability date. This act is applicable
 17 for tax years beginning after December 31, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 457-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 17, 19 83, there is hereby submitted a Fiscal Note for House Bill 867 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.

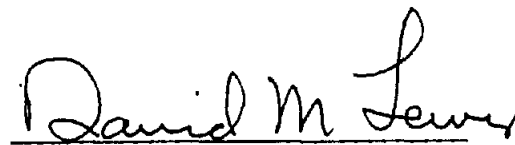
DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 867 provides a credit against income tax liability for investments in the manufacture of energy conservation products; provides for limitation on and carryover of the credit; provides rulemaking authority and provides an applicability date.

FISCAL IMPACT:

Income from existing facilities will not be eligible for the tax credit created by this bill, therefore, no erosion of the present tax base will be produced. Assuming the bill is successful in attracting industry that would not locate in the state without the credit, no real loss of revenue will be forthcoming. The bill will only forestall tax collections from income produced by these investments.

FISCAL NOTE 16: E/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-19-83