Introduced: 01/21/83

Referred to Committee on Taxation: 01/21/83 Hearing: 2/8/83 Report: 03/01/83, Do Pass, As Amended

2nd Reading: 03/03/83 3rd Reading: 03/04/83

Transmitted to House: 3/4/83

Referred to Committee on Taxation: 03/07/83 Hearing: 3/14/83 Died in Committee LC 0826/01

INTRODUCED BY Sondon But Mon 1 2 3

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN
INVESTMENT CREDIT AGAINST THE CORPORATE LICENSE TAX;
AMENDING SECTION 15-31-123, MCA, AND CHAPTER 520, SECTION 4,
LAWS OF 1981; AND PROVIDING AN APPLICABILITY DATE."

8

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 9 Section 1. Section 15-31-123, MCA, is amended to read: 10 11 \*15-31-123. 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) (2) and to stimulate capital investment by the small business sector. 14 15 +2+--for-the-purposes-of-this-sectiony-"small-business" 16 means-a-business-that-is-eligible-to-elect-to-be-taxed-under 17 the-provisions-pf-15-31-202v-whether-or-not-such-election-is 18 madex

19 (3)(2) There is allowed as a credit against the taxes 20 imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage 21 of the credit allowed with respect to certain depreciable 22 property under section 38 of the Internal Revenue Code of 23 1954, as amended, or as section 38 may be renumbered or 24 amended.

25 (4)(3) The amount of the credit allowed for the

1 taxable year is the sum of:

2 (a) 30% of the amount of credit determined under
3 section 46(a)(2) of the Internal Revenue Code of 1954, as
4 amended, or as section 46(a)(2) may be renumbered or
5 amended;

6 (b) the investment credit carryovers carried to the
7 taxable year as provided in subsection (6) (5); and

8 (c) the investment credit carrybacks carried to the
9 taxable year as provided for in subsection (6) (5).

10 (57(4) Notwithstanding the provisions of subsection 11 (4) (3), the investment credit allowed for the taxable year 12 may not exceed the taxpayer's tax liability for the taxable 13 year. In-the-event-the-taxpayer's-tax-liability-for-the 14 taxable-year-exceeds-\$5,000, the investment-credit-may-not 15 exceed-\$5,000-plus-50%-of-the-tax-liability-in-excess-of 16 \$5,000,

17 (6)(5) If any part of the investment credit is not 18 applied against the tax liability for the taxable year 19 because of the limitations imposed under subsection (5) (4), 20 the unused portion shall be carried back and carried forward 21 in accordance with the provisions of section 46(b) of the 22 Internal Kevenue Code of 1954, as amended, or as section 23 46(b) may be renumbered or amended.

24 (7)(6) The investment credit allowed by this section
25 is subject to recapture as provided for in section 47 of the

-2- INTRODUCED BILL

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

2 may be renumbered or amended."

3 Section 2. Chapter 520, section 4, Laws of 1981, is
4 amended to read:

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

8 <u>NEW\_SECIION</u> Section 3. Applicability. This act is 9 applicable to taxable years beginning after December 31, 10 1982, and unused portions of the investment credit may be 11 carried back to prior years in accordance with 15-31-123(6).

#### -End-

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# STATE OF MONTANA

208-83 REQUEST NO.

## FISCAL NOTE

Form BD-15

In	compliance with a written request received	Note	
for	Senate Bill 252 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:

Senate Bill 252 provides for an investment credit against the corporate license tax and provides an applicability date.

#### FISCAL IMPACT:

It is not possible to estimate the fiscal impact of this proposal with any precision. However, this bill would substantially expand the number of corporations eligible for the credit, including multinationals with large investments outside Montana and the nation. For example, a review of a number of these returns produced available credits that far exceeded last year's total corporate license receipts. Even if the proposal were to limit the credit to property purchased in Montana, it is felt the receipts would decline by \$15 million to \$20 million.

FISCAL NOTE 8:H/1

BUDGET DIRECTOR Office of Budget and Program Planning . 7 7-Date:

#### 48th Legislature

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SB 0252/02

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MONTANA.

Approved by committee on Taxation

1	SENATE BILL NO. 252
2	INTRODUCED BY GOODDVER, FABREGA
3	
4	A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN
5	INVESTMENT CREDIT AGAINST INE INDIVIDUAL INCOME TAX AND THE
6	CORPORATE LICENSE TAX; AHENDING SECTION SECTIONS 15-39-162
7	AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4, LAWS OF
6	1981; AND PROVIDING AN APPLICABILITY DATE."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	Section 1. Section 15-31-123, MCA, is amended to read:
12	<pre>"15-31-123. Investment credit. (1) The purpose of this</pre>
13	section is to allow <del>small <u>SHALL</u> businesses to take an</del>
14	investment credit as provided for in subsection (3) (2) (3)
15	and to stimulate capital investment by the small SMALL
16	business sector.
17	t2tFor-the-purposes-of-this-sectiony-"small-business"
19	means-a-business-that-is-eligible-to-elect-to-be-taxed-under
19	the-provisions-of-15-31-202y-whether-or-not-such-steetion-is
20	mader
21	(2)EOB_THE_PURPOSES.OE_THIS_SECTION, "SMALL_BUSINESS"
22	MEANS A BUSINESS THAT IS ELIGIBLE TO ELECT TO BE TAXED UNDER
23	IHE_PPOVISIONS_QE_15-31-202. WHETHER_OR_NOT_SUCH_ELECTION_IS
24	MADE.
25	<del>(3)[2][3]</del> 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, PROVIDING THE QUALIEVING SECTION 38 PROPERTY\_IS\_PLACED\_IN\_SERVICE\_AND\_USED\_PRINCIPALLY\_WITHIN t++t3t14) The amount of the credit allowed for the taxable 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

12 amended, or as section 46(a)(2) may be renumbered or 13 amended; 14 (b) the investment credit carryovers carried to the 15 taxable year as provided in subsection (6) 151 (61; and 16 (c) the investment credit carrybacks carried to the 17 taxable year as provided for in subsection for 151 161. 18 15711111 Notwithstanding the provisions of subsection (4) flt [4], the investment credit allowed for the taxable 19 20 year may not exceed the taxpayer's tax liability for the 21 taxable year. In-the-event-the-taxpayer\*s-tax-lisbility-for 22 the-tsxable-year-exceeds-\$5y808y-the-investment--credit--may not-exceed-\$5+000-plus-50%+of-the-tox-lisbility-in-excess-of 23 \$5,000- IN THE EVENT THE TAXPAYER'S TAX LIABILITY FOR THE 24 25 IAXABLE\_YEAR\_EXCEEDS\_\$5.000. THE\_INVESTMENT\_CREDIT\_MAY\_\_NOT

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-2-SB 252 SECOND READING

SB 252

## 1 EXCEED 15.000 PLUS 50% OF THE TAX LIABILITY IN EXCESS OF

2 \$5.000.

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3 (6)(5)(6) If any part of the investment credit is not 4 applied against the tax liability for the taxable year 5 because of the limitations imposed under subsection (5) (11) 6 (12), the unused portion shall be carried back and carried 7 forward in accordance with the provisions of section 46(b) 8 of the Internal Revenue Code of 1954, as amended, or as 9 section 46(b) may be renumbered or amended.

10 (ff)(f)(f) The investment credit allowed by this 11 section is subject to recapture as provided for in section 12 47 of the Internal Revenue Code of 1954, as amended, or as 13 section 47 may be renumbered or amended."

14 SECTION\_2. SECTION\_15=30=162. MCA. IS\_AMENDED\_ID\_READ:

15 "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 19 1954, as amended, or as section 38 may be renumbered or amended, providing\_the\_qualifying\_section\_38 property\_is placed\_in\_service\_and\_used\_priocipally\_within\_Montana.

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

24 (a) 30% 20% of the amount of credit determined under
25 section 46(a)(2) of the Internal Revenue Code of 1954, as

-3-

1 amended, or as section 46(a)(2) may be renumbered or 2 amended;

3 (b) the investment credit carryovers carried to the
4 taxable year as provided in subsection (4); and

5 (c) the investment credit carrybacks carried to the
5 taxable year as provided for in subsection (4).

7 (3) Notwithstanding the provisions of subsection (2), 8 the investment credit allowed for the taxable year may not exceed the taxpayer's tax liability for the taxable year. In 9 the event the taxpayer's tax liability for the taxable year 10 11 exceeds \$5,000, the investment credit may not exceed \$5,000 12 plus 50% of the tax liability in excess of \$5,000. In the 13 case of a husband and wife who file separate returns, the 14 investment credit may not exceed \$2,500 plus 50% of the tak 15 liability in excess of \$2,500 unless the spouse of the 16 taxpayer has no gualified investment for and no unused 17 credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year. 18 19 (4) If any part of the investment credit is not applied against the tax liability for the taxable year 20 21 because of the limitations imposed under subsection (3), the 22 unused portion shall be carried back and carried forward in 23 accordance with the provisions of section 46(b) of the 24 Internal Revenue Code of 1954, as amended, or as section 46(b) may be renumbered or amended. 25

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(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.\*

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

7 "Section 4. Applicability. This act is applicable only
5 to taxaple years beginning after December 31, 1980y-and
9 before-Jenuary-1y-1903."

NEH\_SECTIONA Section 4. Applicability. This act is
applicable to taxable years beginning after December 31,
1982. and unused portions of the investment credit may be
carried back to prior years in accordance with <u>15-30-162(4)</u>
DE 15-31-123(6).

-End-

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SB 0252/02

INTRODUCED BY GOODOVER, FABREGA 2 3 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN 4 INVESTMENT CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE 5 CORPORATE LICENSE TAX; AMENDING SECTIONS 15-30-162 6 AND 15-31-123, MCA, AND CHAPTER 520, SECTION 4, LAWS OF 7 1981; AND PROVIDING AN APPLICABILITY DATE." 8 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 10 Section 1. Section 15-31-123, MCA, is amended to read: 11 #15-31+123. Investment credit. (1) The purpose of this 12

SENATE BILL NO. 252

13 section is to allow small SMALL businesses to take an 14 investment credit as provided for in subsection (3) (2) (2) 15 and to stimulate capital investment by the small SMALL 16 business sector.

17 (2)--For-the-purposes-of-this-section,-\*small-business\*
 18 means-a-business-that-is-eligible-to-elect-to-be-taxed-under
 19 the-provisions-of-15-31-202y-whether-or-not-such-election-is
 20 meder

 21
 121\_EOR\_THE\_PURPOSES\_OF\_THIS\_SECTION\_\_"SHALL\_BUSINESS"

 22
 MEANS\_A\_BUSINESS\_THAT\_IS\_ELIGIBLE\_TO\_ELECT\_TO\_BE\_TAXED\_UNDER

 23
 IHE\_PROVISIONS\_OF\_15=31=202\* WHETHER\_OR\_NOT\_SUCH\_ELECTION\_IS

 24
 MADE\*

25 (3)(2)(3) There is allowed as a credit against the

taxes imposed by 15-31-101, 15-31-121, and 15-31-122 a 1 2 percentage of the credit allowed with respect to certain 3 depreciable property under section 38 of the Internal Revenue Code of 1954, as amended, or as section 38 may be 4 renumbered or amended. PROVIDING THE QUALIFYING SECTION 38 5 6 PROPERTY\_IS\_PLACED\_IN\_SERVICE\_AND\_USED\_PRINCIPALLY\_MITHIN 7 HONIANA. 8 ttiller the amount of the credit allowed for the 9 taxable year is the sum of: (a) 30% 20% of the amount of credit determined under 10 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 anended; (b) the investment credit carryovers carried to the 14 15 taxable year as provided in subsection for 151 (6); and 16 (c) the investment credit carrybacks carried to the 17 taxable year as provided for in subsection <del>(6) <u>±53</u> (6)</del>. 18 f5+ff1(5) Notwithstanding the provisions of subsection (4) filt (4), the investment credit allowed for the taxable 19 year may not exceed the taxpayer's tax liability for the 20 21 taxable year. In-the-event-the-taxpayer#s-tax-liability-for the-taxable-year-exceeds-\$5,000y-the-investment--credit--may 22 23 not-exceed-45+000-plus-50%-of-the-tax-liability-in-excess-of

- 24 \$5,000 IN\_IHE\_EVENT\_IHE\_TAXPAYER'S\_TAX\_LIABILITY\_EOR\_THE
- 25 TAXABLE\_YEAR\_EXCEEDS\_\$5.000. THE\_INVESTMENT\_CREDIT\_MAY\_NOT

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#### 1 EXCEED \$5.000 PLUS 50% OF THE TAX LIABILITY IN EXCESS OF

2 \$5:000+

25

3 (6)151(6) If any part of the investment credit is not 4 applied against the tax liability for the taxable year 5 because of the limitations imposed under subsection (5) <u>ffs</u> 6 (5), the unused portion shall be carried back and carried 7 forward in accordance with the provisions of section 46(b) 8 of the Internal Revenue Code of 1954, as amended, or as 9 section 46(b) may be renumbered or amended.

10 (FF)(6)(1) The investment credit allowed by this 11 section is subject to recapture as provided for in section 12 47 of the Internal Revenue Code of 1954, as amended, or as 13 section 47 may be renumbered or amended."

SECIION 2. SECIION 15-30-162. MCA. IS AMENDED IO BEAD: "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 19 1954. as amended, or as section 38 may be renumbered or amended. providing the qualifying section 38 property is

21 placed in service and used principally within Montana.
22 (2) The amount of the credit allowed for the taxable

23 year is the sum of:
24 (a) 38% 202 of the amount of credit determined under

-3-

section 46(a)(2) of the Internal Revenue Code of 1954, as

SB 252

1 amended, or as section 46(a)(2) may be renumbered or 2 amended;

3 (b) the investment credit carryovers carried to the
4 taxable year as provided in subsection (4); and

5 (c) the investment credit carrybacks carried to the 6 taxable year as provided for in subsection (4).

7 (3) Notwithstanding the provisions of subsection (2). the investment credit allowed for the taxable year may not 8 exceed the taxpayer's tax liability for the taxable year. In 9 the event the taxpayer's tax liability for the taxable year 10 exceeds \$5,000, the investment credit may not exceed \$5,000 11 plus 50% of the tax liability in excess of \$5,000. In the 12 13 case of a husband and wife who file separate returns, the investment credit may not exceed \$2,500 plus 50% of the tax 14 15 liability in excess of \$2,500 unless the spouse of the taxpayer has no qualified investment for and no unused 16 17 credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year. 18 (4) If any part of the investment credit is not 19 applied against the tax liability for the taxable year 20 because of the limitations imposed under subsection (3), the 21 unused portion shall be carried back and carried forward in 22 **Z**3 accordance with the provisions of section 46(b) of the Internal Revenue Code of 1954, as amended, or as section 24 25 46(b) may be renumbered or amended.

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SB 252

[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."

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

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

NEW\_SECIIONA Section 4. Applicability. This act is
applicable to taxable years beginning after December 31.
1982, and unused portions of the investment credit may be
carried back to prior years in accordance with <u>15-30-162(4)</u>
OR 15-31-123(6).

-End-

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