

HOUSE FINAL STATUS

HB 9 INTRODUCED BY VINCENT

JOBBS INVESTMENT ACT; APPROPRIATING FUNDS; SPEED UP
CERTAIN TAX COLLECTIONS

3/18 INTRODUCED

3/18 REFERRED TO TAXATION

3/19 FISCAL NOTE REQUESTED

3/24 FISCAL NOTE RECEIVED

3/27 HEARING

3/30 TABLED IN COMMITTEE

1 withholdings equalled or exceeded ~~\$300,000~~ \$12,000 for the
 2 preceding calendar year shall remit a weekly payment to the
 3 department for the amount required by 15-30-202 to be
 4 deducted and withheld by the employer from wages paid during
 5 the preceding week. The weekly payment must be submitted on
 6 or before the date on which federal income tax weekly
 7 withholding payments are due.

8 (3) If the total amount of the tax withheld by an
 9 employer under the provisions of 15-30-202 upon the wages of
 10 all employees of any employer is less than \$10 in each
 11 quarterly period of any year, such employer shall not be
 12 required to file the quarterly returns or to make the
 13 quarterly payments as provided in subsection (1), but in
 14 lieu thereof such employer shall, on or before February 15
 15 of the year succeeding that in which such wages were paid,
 16 file an annual return in such form as may be required by the
 17 department and shall pay therewith the amount required to be
 18 deducted and withheld by the employer from all wages paid
 19 during the preceding calendar year.

20 (4) If the department has reason to believe that
 21 collection of the amount of any tax withheld is in jeopardy,
 22 it may proceed as provided for under 15-30-312 with respect
 23 to jeopardy assessments of income tax."

24 Section 2. Section 15-30-242, MCA, is amended to read:

25 "15-30-242. Installment payments of estimated tax --

1 penalty and interest. (1) Estimated For a taxpayer having a
 2 tax liability of \$200 or more, estimated tax provided for in
 3 15-30-241 shall must be paid as follows:

4 (a) If the declaration is filed on or before April 15
 5 of the taxable year, the estimated tax shall be paid in two
 6 equal installments. The first installment shall be paid at
 7 the time of filing of the declaration and the second or last
 8 installment shall be paid on October 15 of the taxable year.

9 (b) If the declaration is filed after April 15 and not
 10 after October 15 of the taxable year and is not required by
 11 15-30-241(3) to be filed on or before April 15 of the
 12 taxable year, the estimated tax shall be paid at the time of
 13 filing of the declaration.

14 (c) If the declaration is filed after October 15 of
 15 the taxable year and is not required by 15-30-241(3) to be
 16 filed on or before October 15 of the taxable year, the
 17 estimated tax shall be paid in full at the time of filing of
 18 the declaration.

19 (d) If the declaration is filed after the time
 20 prescribed in 15-30-241, including cases where extensions of
 21 time have been granted, subsections (1)(b) and (1)(c) of
 22 this section shall not apply and there shall be paid at the
 23 time of such filing all installments of estimated tax which
 24 would have been payable on or before such time if the
 25 declaration had been filed within the time prescribed in

1 15-30-241(3) and the remaining installments shall be paid at
2 the times at which and in the amounts in which they would
3 have been payable if the declaration had been so filed.

4 (2) If any amendment of a declaration is filed after
5 April 15 and before October 15 of the taxable year, the
6 remaining installment, if any, shall be ratably increased or
7 decreased, as the case may be, to reflect the respective
8 increase or decrease in the estimated tax by reason of such
9 amendment. If any amendment is made after October 15 of the
10 taxable year, any increase in the estimated tax by reason
11 thereof shall be paid at the time of making such amendment.

12 (3) At the election of the individual, any installment
13 of the estimated tax may be paid prior to the date
14 prescribed for its payment.

15 (4) Payment of the estimated tax or any installment
16 thereof shall be considered payment on account of the tax
17 for the taxable year.

18 (5) The application of this section to taxable years
19 of less than 12 months shall be as prescribed in the rules
20 promulgated by the department.

21 (6) In the application of this section to taxpayers
22 reporting income on a fiscal-year basis, there shall be
23 substituted for the dates specified therein the months
24 corresponding thereto.

25 (7) (a) An individual who fails to pay an estimated

1 tax as required by this section is not subject to the
2 penalties set forth in 15-30-321.

3 (b) (i) If an estimated tax required by this section
4 is not paid when due or the amount paid is 90% or less of
5 the tax due, a penalty of 10% of the remaining tax liability
6 may be assessed.

7 (ii) In addition, interest may be assessed at the rate
8 of 12% a year from the due date of the tax until the amount
9 is paid.

10 (c) The department may waive the penalty and interest
11 provided in subsection (7)(b) if the taxpayer shows that the
12 failure to pay was due to reasonable cause and not due to
13 neglect."

14 Section 3. Section 15-31-502, MCA, is amended to read:

15 "15-31-502. Assessment and payment of tax, penalty,
16 and interest. ~~All taxpayers shall compute the amount of tax~~
17 ~~payable--under this chapter and~~ (1) If a taxpayer's computed
18 tax liability is \$1,000 or less for the year, the taxpayer
19 shall remit such amount to the department of revenue on or
20 before the 15th day of the 5th month following the close of
21 the taxable period. If the tax is not paid on or before the
22 due date, there shall be assessed a penalty of 10% of the
23 amount of the tax unless it is shown that the failure was
24 due to reasonable cause and not due to neglect. If any tax
25 due under this chapter is not paid when due, by reason of

1 extension granted or otherwise, interest shall be added
2 thereto at the rate of 12% per annum from the due date until
3 paid.

4 (2) If a taxpayer's computed tax liability is more
5 than \$1,000 for the year, the taxpayer shall make quarterly
6 estimated tax payments as follows:

7 (a) If the tax year begins before the fourth month,
8 the estimated tax payments are due in four equal
9 installments on April 15, June 15, September 15, and
10 December 15.

11 (b) If the tax year begins after the third month but
12 before the sixth month, the estimated tax payments are due
13 in three equal payments on June 15, September 15, and
14 December 15.

15 (c) If the tax year begins after the fifth month but
16 before the ninth month, the estimated tax payments are due
17 in two equal installments on September 15 and December 15.

18 (d) If the tax year begins after the eighth month but
19 before the 12th month, the entire tax payment is due on
20 December 15.

21 (e) Estimated tax does not have to be paid for a
22 period of less than 4 months.

23 (3) Except as provided in subsection (4), if a
24 taxpayer does not remit at least 90% of the amounts due on
25 the installment dates provided in subsection (2), the

1 taxpayer must be assessed a penalty that is the amount of
2 the difference between the amount paid and 90% of the amount
3 that should have been paid on the due date. However, an
4 underpayment that falls between 80% and 90% of the tax due
5 is computed at 75% of the full rate for underpayments. If no
6 return is filed, the amount of actual tax for the year is
7 used to compute any penalty.

8 (4) (a) The penalty provided in subsection (3) may not
9 be assessed if:

10 (i) the taxpayer's total payments are equal to the tax
11 paid for the previous year;

12 (ii) the taxpayer's total payments are equal to the tax
13 figured on the previous year's return using current tax
14 rates; or

15 (iii) the total paid by the taxpayer equals 90% of the
16 tax due on the basis of annualizing the income received for:

17 (A) the first 3 months, for the installment due in the
18 fourth month;

19 (B) the first 3 or 5 months, for the installment due
20 in the sixth month;

21 (C) the first 6 or 8 months, for the installment due
22 in the ninth month; and

23 (D) the first 9 or 11 months, for the installment due
24 in the 12th month.

25 (b) The exceptions provided in subsections (4)(a)(i)

1 and (4)(a)(ii) do not apply to a corporation having federal
 2 taxable income of \$1 million or more in any one of the
 3 preceding 3 years."

4 Section 4. Section 15-35-102, MCA, is amended to read:
 5 "15-35-102. Definitions. As used in this chapter, the
 6 following definitions apply:

7 (1) "Agreement" means a signed contract that is valid
 8 under Montana law between a coal mine operator and a
 9 purchaser or broker for the sale of coal that is produced in
 10 Montana.

11 (2) "Base consumption level" for a purchaser means the
 12 greater of:

13 (a) the arithmetic average volume of coal purchased
 14 during calendar years 1983 and 1984 from all Montana coal
 15 mine operators; or

16 (b) 90% of the maximum tonnage provided for in any
 17 agreement executed prior to January 1, 1985, for which the
 18 highest scheduled minimum quantity of coal stipulated by the
 19 terms of the agreement as they existed on January 1, 1985,
 20 has not been purchased at any time during the term of the
 21 agreement, plus the arithmetic average volume of coal
 22 purchased during calendar years 1983 and 1984 from all
 23 Montana coal mine operators under all other agreements.

24 (3) "Base production level" for a coal mine operator
 25 means the arithmetic average volume of coal produced in

1 Montana and sold to a purchaser in calendar years 1983 and
 2 1984.

3 (4) "Broker" means any person who resells Montana
 4 coal.

5 (5) "Contract sales price" means either the price of
 6 coal extracted and prepared for shipment f.o.b. mine,
 7 excluding that amount charged by the seller to pay taxes
 8 paid on production, or a price imputed by the department
 9 under 15-35-107. Contract sales price must be based on the
 10 statements required in 15-35-104 and includes all royalties
 11 paid on production, no matter how such royalties are
 12 calculated. However, with respect to royalties paid to the
 13 government of the United States, the state of Montana, or a
 14 federally recognized Indian tribe, the contract sales price
 15 includes only:

16 (a) for quarterly periods ending on and after
 17 September 30, 1984, 15 cents per ton plus 75% of the
 18 difference between 15 cents per ton and the amount of such
 19 federal, state, and tribal government royalties actually
 20 paid;

21 (b) for quarterly periods ending on and after
 22 September 30, 1985, 15 cents per ton plus 50% of the
 23 difference between 15 cents per ton and the amount of such
 24 federal, state, and tribal government royalties actually
 25 paid;

1 (c) for quarterly periods ending on and after
2 September 30, 1986, 15 cents per ton plus 25% of the
3 difference between 15 cents per ton and the amount of such
4 federal, state, and tribal government royalties actually
5 paid; and

6 (d) for ~~quarterly~~ monthly periods ending on and after
7 September 30, 1987, 15 cents per ton.

8 (6) "Department" means the department of revenue.

9 (7) "Energy conversion process" includes any process
10 by which coal in the solid state is transformed into slurry,
11 gas, electric energy, or any other form of energy.

12 (8) "Incremental production" means that quantity of
13 coal produced annually by a coal mine operator and sold to a
14 qualified purchaser that exceeds the base production level
15 of the coal mine operator for that purchaser, but only to
16 the extent the quantity of coal exceeds that purchaser's
17 base consumption level from all Montana producers.

18 (9) "Produced" means severed from the earth.

19 (10) "Purchaser" means a person who purchases or
20 contracts to purchase Montana coal directly from a coal mine
21 operator or indirectly from a broker and who utilizes that
22 coal in any industrial, commercial, or energy conversion
23 process. A coal broker or any other third party intermediary
24 is not a purchaser under the provisions of this chapter.

25 (11) "Qualified purchaser" means a purchaser whose

1 purchases of Montana coal in any given year exceed his base
2 consumption level. A purchaser of Montana coal who enters
3 into a coal agreement with another purchaser or a broker
4 that causes a reduction in the base consumption level of a
5 purchaser is not a qualified purchaser.

6 (12) "Strip mining" or "surface mining" is defined in
7 82-4-203.

8 (13) "Taxes paid on production" includes any tax paid
9 to the federal, state, or local governments upon the
10 quantity of coal produced as a function of either the volume
11 or the value of production and does not include any tax upon
12 the value of mining equipment, machinery, or buildings and
13 lands, any tax upon a person's net income derived in whole
14 or in part from the sale of coal, or any license fee.

15 (14) "Ton" means 2,000 pounds.

16 (15) "Underground mining" means a coal mining method
17 utilizing shafts and tunnels and as further defined in
18 82-4-203."

19 Section 5. Section 15-35-104, MCA, is amended to read:

20 "15-35-104. ~~Quarterly~~ Monthly statement and payment of
21 tax. Each coal mine operator shall compute the severance tax
22 due on each ~~quarter-year's~~ month's worth of production on
23 forms prescribed by the department. The statement shall
24 indicate the tonnage produced, the average Btu value of the
25 production, the contract sales price received for the

1 production, and such other information as the department may
 2 require. The completed form in duplicate, with the tax
 3 payment, shall be delivered to the department not later than
 4 30 days following the close end of the quarter month. The
 5 form shall be signed by the operator if the operator is an
 6 individual or by an officer of the coal mine operator if the
 7 operator is a business entity. A person operating more than
 8 one coal mine in this state may include all of his mines in
 9 one statement. The department may grant a reasonable
 10 extension of time for filing statements and payment of taxes
 11 due upon good cause shown therefor."

12 Section 6. Section 15-35-105, MCA, is amended to read:
 13 "15-35-105. Penalty for delinquent tax. The department
 14 shall add to the amount of all delinquent severance taxes a
 15 penalty of 10% of the delinquent amount plus interest at the
 16 rate of 1% per month or fraction thereof computed on the
 17 total amount of severance tax and penalty. Interest shall be
 18 computed from the date the severance tax was due to the date
 19 of payment. The department shall mail to the person required
 20 to file a quarterly monthly report and pay any severance
 21 tax, a letter setting forth the amount of tax, penalty, and
 22 interest due, and the letter shall further contain a
 23 statement that if payment is not made, a warrant for
 24 distraint may be filed. The penalty amount may be waived by
 25 the department if reasonable cause for the failure or

1 neglect to file the quarterly monthly statement is provided
 2 to the department."

3 Section 7. Section 15-35-203, MCA, is amended to read:
 4 "15-35-203. Calculation and application of credit. (1)
 5 The amount of new coal production incentive tax credit that
 6 a coal mine operator may claim against the tax imposed in
 7 15-35-103 is calculated by:

8 (a) determining the incremental production for each of
 9 his qualified purchasers that was produced during a calendar
 10 year;

11 (b) determining the arithmetic average severance tax
 12 per ton calculated prior to application of the credit on
 13 coal sold to each qualified purchaser during the calendar
 14 year;

15 (c) multiplying the incremental production for a
 16 calendar year for a purchaser by the average severance tax
 17 per ton for that purchaser and multiplying the total by
 18 $33 \frac{1}{3}\%$; and

19 (d) totaling the amount so calculated for all
 20 qualified purchasers.

21 (2) When filing the quarterly monthly statement
 22 required in 15-35-104, a coal mine operator may claim
 23 against the coal severance tax calculated for that quarter
 24 month an amount equal to 25% one-twelfth of the new coal
 25 production incentive tax credit allowed on incremental

1 production that occurred during the previous calendar year.

2 (3) If in any calendar year a purchaser exceeds his
3 base consumption level and he has purchased from more than
4 one Montana coal mine operator during the year, the credit
5 on the incremental production must be divided among the
6 operators on a pro rata basis. To determine each coal mine
7 operator's pro rata share of the tax credit, each operator
8 shall divide his incremental production by the sum of all
9 coal mine operators' incremental production for that
10 purchaser and multiply the quotient by the purchases in
11 excess of the base consumption level for that purchaser.

12 (4) Neither a coal mine operator nor a purchaser is
13 entitled to a direct payment for the credit allowed in
14 15-35-202. A credit terminates if not taken during the year
15 following the year in which the incremental production
16 occurred.

17 (5) Each coal mine operator must reduce the delivered
18 price of coal sold to each qualified purchaser by an amount
19 equal to the credit received on incremental production sold
20 to that purchaser."

21 Section B. Section 15-36-102, MCA, is amended to read:

22 "15-36-102. Quarterly Periodic payment of tax. Such
23 (1) Except as provided in subsection (2), the severance tax
24 shall must be paid in quarterly installments for the
25 quarterly periods ending, respectively, March 31, June 30,

1 September 30, and December 31 of each year, and the amount
2 of the tax for each quarterly period ~~shall~~ must be paid to
3 the department of revenue within 60 days after the end of
4 each quarterly period.

5 (2) (a) The severance tax must be paid in calendar
6 monthly installments within 30 days after the end of each
7 calendar month if the petroleum and other mineral or crude
8 oil produced or extracted is 300,000 barrels a year or more.

9 (b) The severance tax must be paid in calendar monthly
10 installments within 45 days after the end of the calendar
11 month if the cubic feet of natural gas produced or extracted
12 is 1 billion cubic feet a year or more."

13 Section 9. Section 15-36-105, MCA, is amended to read:

14 "15-36-105. Statement to accompany payment -- records
15 -- collection of tax -- refunds. (1) Each and every person
16 must, within ~~60~~ the required number of days after the end of
17 each following quarter or month, make out on forms
18 prescribed by the department of revenue a statement showing
19 the total number of barrels of merchantable or marketable
20 petroleum and other mineral or crude oil or cubic feet of
21 natural gas produced or extracted by such person in the
22 state during each month or each month of such each quarter
23 and during the whole quarter, the average value thereof
24 during each month, and the total value thereof for the whole
25 quarter, together with the total amount due to the state as

1 severance taxes for such quarter or month, and must within
 2 ~~such--60~~ the required number of days deliver such statement
 3 and, except as provided in 15-36-121, pay to the department
 4 the amount of the taxes shown by such statement to be due to
 5 the state for the quarter or month for which such statement
 6 is made. Such statement must be signed by the individual or
 7 the president, vice-president, treasurer, assistant
 8 treasurer, or managing agent in this state of the
 9 association, corporation, joint-stock company, or syndicate
 10 making the statement. Any such person engaged in carrying on
 11 such business at more than one place in this state or
 12 owning, leasing, controlling, or operating more than one oil
 13 or gas well in this state may include all thereof in one
 14 statement. The department shall receive and file all such
 15 statements and collect and receive from such person making
 16 and filing a statement the amount of tax payable by such
 17 person, if any, as the same shall appear from the face of
 18 the statement.

19 (2) It shall be the duty of the department to examine
 20 each of such statements and compute the taxes thereon, and
 21 the amount so computed by the department shall be the taxes
 22 imposed, assessed against, and payable by the taxpayer
 23 making the statement for the quarter or month for which the
 24 statement is filed. If the tax found to be due shall be
 25 greater than the amount paid, the excess shall be paid by

1 the taxpayer to the department within 10 days after written
 2 notice of the amount of the deficiency shall be mailed by
 3 the department to such taxpayer. If the tax imposed shall be
 4 less than the amount paid, the difference must be applied as
 5 a credit against tax liability for subsequent quarters or
 6 months or refunded if there is no subsequent tax liability.

7 (3) IF the tax is not paid on or before the due date,
 8 there shall be assessed a penalty of 10% of the amount of
 9 the tax, unless it is shown that the failure was due to
 10 reasonable cause and not due to neglect. If any tax under
 11 this chapter is not paid when due, interest shall be added
 12 thereto at the rate of 1% a month or fraction thereof,
 13 computed on the total amount of severance tax and penalty
 14 from the due date until paid."

15 Section 10. Section 15-36-107, MCA, is amended to
 16 read:

17 "15-36-107. Procedure to compute tax in absence of
 18 statement -- penalty and interest. If any such person shall
 19 fail, neglect, or refuse to file any statement required by
 20 15-36-105 within the time therein required, the department
 21 of revenue shall, immediately after such time has expired,
 22 proceed to inform itself as best it may regarding the number
 23 of barrels of petroleum and other mineral or crude oil or
 24 cubic feet of gas extracted and produced by such person in
 25 this state during such each quarter and during each month

1 thereof, or during each month if paying monthly, and the
 2 average value thereof during each such month and shall
 3 determine and fix the amount of the severance taxes due to
 4 the state from such person for such quarter or month and
 5 shall add to the amount of such severance taxes a penalty of
 6 10% thereof plus interest at the rate of 1% per month or
 7 fraction thereof computed on the total amount of severance
 8 taxes and penalty. Interest shall be computed from the date
 9 the severance taxes were due to the date of payment. The
 10 department shall mail to the person required to file a
 11 quarterly or monthly statement and pay any severance tax, a
 12 letter setting forth the amount of severance tax, penalty,
 13 and interest due, and the letter shall further contain a
 14 statement that if payment is not made, a warrant for
 15 distraint may be filed. The 10% penalty herein provided may
 16 be waived by the department if reasonable cause for the
 17 failure and neglect to file the statement required by
 18 15-36-105 is provided to the department."

19 Section 11. Section 15-51-101, MCA, is amended to
 20 read:

21 "15-51-101. Rate of tax -- electrical energy
 22 producers. In addition to the license tax now provided by
 23 law, each person or other organization now engaged in the
 24 generation, manufacture, or production of electricity and
 25 electrical energy in the state of Montana, either through

1 waterpower or by any other means, for barter, sale, or
 2 exchange (and hereinafter referred to as the "producer")
 3 shall on or before the 30th day after each calendar ~~quarter,~~
 4 ~~quarterly-periods-ending-March-31, June--30,--September--30,~~
 5 ~~and--December-31,~~ month render a statement to the department
 6 of revenue showing the gross amount, except for actual and
 7 necessary plant use, required to produce the energy of
 8 electricity and electrical energy produced, manufactured, or
 9 generated during the preceding calendar quarter month
 10 without any deduction and shall pay a license tax thereon in
 11 the sum of \$.0002 per kilowatt hour on all such electricity
 12 and electrical energy generated, manufactured, or produced,
 13 measured at the place of production and as shown on the
 14 statement required in the manner and within the time
 15 hereinafter provided."

16 Section 12. Section 15-51-102, MCA, is amended to
 17 read:

18 "15-51-102. Payment of tax -- not to be set out on
 19 customers' bills. The license tax shall be remitted with the
 20 statement and paid on or before the 30th day of the month
 21 after each calendar quarter month. No bill, statement, or
 22 account rendered or given any customer by any organization
 23 affected by the provisions of this chapter shall set out or
 24 contain as a separate item any amount on account or by
 25 reason of the license tax imposed by this chapter."

1 Section 13. Section 15-51-111, MCA, is amended to
2 read:

3 "15-51-111. Procedure to compute tax in absence of
4 statement. If any person fails, neglects, or refuses to file
5 any statement required by 15-51-101 within the time therein
6 required, the department of revenue shall, after such time
7 has expired, proceed to inform itself as best it may
8 regarding the number of KWH produced by such person in this
9 state during such-quarter the month and compute the amount
10 of taxes due to the state from such person for such-quarter
11 the month and add the penalty and interest as required by
12 15-51-103. The department shall mail to the person required
13 to file a quarterly monthly report and pay such tax a letter
14 setting forth the amount of tax, penalty, and interest due,
15 and the letter must further contain a statement that if
16 payment is not made, a warrant for distraint may be filed.
17 The 10% penalty may be waived by the department if
18 reasonable cause for failure and neglect to file the
19 statement required by 15-51-101 is provided to the
20 department."

21 NEW SECTION. Section 14. Appropriations -- purposes
22 of funding. The following funds are appropriated from the
23 general fund for projects, programs, and proposals:

24 PROJECTS

25 (1) the sum of \$1 million to the governor's office to

1 be used as follows:

2 (a) up to \$100,000 for information gathering,
3 research, proposal preparation, travel, and other expenses
4 necessary for Montana's participation in the first phase of
5 the federal site selection process for the superconducting
6 super collider proposed by the U.S. department of energy;
7 and

8 (b) the remainder of the \$1 million for further
9 activities in pursuit of the selection decisions, including
10 site preparation and improvement, if Montana remains in
11 consideration as a location for the project after the
12 conclusion of the first phase of the selection process;

13 (2) the sum of \$4 million to construct, staff, and
14 operate six tourist welcoming centers at major ports of
15 entry to the state: I-90, Idaho and Wyoming; I-15, Alberta
16 and Idaho; I-94, North Dakota; and U.S. 20, Idaho and
17 Yellowstone Park;

18 (3) the sum of \$1 million to the department of
19 commerce to establish a one-stop business licensing--master
20 business license program. The department of commerce shall
21 use the money to develop a program that provides for
22 unification and simplification of the procedures for
23 licensing of business and industry in order to effect
24 immediate savings in time, effort, and money for business
25 licensees.

1 (4) the sum of \$5 million to the Montana business
 2 capital grant competition for awards to the best business
 3 ideas for new and expanding Montana businesses that add
 4 value to Montana's agricultural, timber, or mineral
 5 commodities. Awards may be made pursuant to criteria
 6 developed by the department of commerce with \$1 million as
 7 the maximum prize in seed and venture capital that may be
 8 awarded.

9 (5) the sum of \$16 million to the university building
 10 infrastructure project;

11 PROGRAMS

12 (1) (a) the sum of \$1,200,000 to the Montana rural
 13 assistance loan program; and

14 (b) the sum of \$800,000 to the agricultural
 15 development division of the department of agriculture for:

16 (i) the "grown in Montana program" of market
 17 enhancement and development for:

18 (A) base product development; and

19 (B) value-added research and development;

20 (ii) alternative crop research and assessment; and

21 (iii) research transfer for:

22 (A) assessment of research findings; and

23 (B) promotion and implementation of research;

24 (2) the sum of \$500,000 to the department of commerce
 25 for the business assistance program for funding economic

1 assistance programs and value-added research and development
 2 for exploring ways to add value to Montana's basic
 3 commodities before they leave the state;

4 (3) the sum of \$300,000 to the Montana science and
 5 technology development board;

6 (4) the sum of \$50,000 to the department of commerce
 7 for matching expenditures by the Montana ambassadors for new
 8 business recruitment. The department of commerce shall use
 9 the money to equally match expenditures by the Montana
 10 ambassadors:

11 (a) for lawful services or inducements in the
 12 recruitment of new industry to locate in Montana; or

13 (b) to pay the costs of protocol incurred during the
 14 recruitment of new business or new industry;

15 (5) the sum of \$440,000 to fund the support staff at
 16 the museum of the Rockies as the museum has great potential
 17 as a "destination point" tourist attraction;

18 PROPOSALS

19 (1) the sum of \$450,000 to establish Montana
 20 international trade offices in Canada and Japan in order to
 21 expand those markets for Montana products;

22 (2) the sum of \$200,000 to the department of commerce
 23 for the biennium to establish the Montana value-added
 24 commission to develop a strategy to add value, before
 25 exportation, to the state's basic commodities, including

1 coal, metal and nonfuel minerals, oil and gas, timber,
2 agriculture, tourism and travel, water, and wildlife, in an
3 effort to create new jobs and increase profits. The Montana
4 value-added commission consists of 10 members appointed as
5 follows:

6 (a) The speaker of the house, the president of the
7 senate, the republican floor leader of the senate, and the
8 house minority leader each shall appoint one member of the
9 50th legislature and one member of the public.

10 (b) The director of the department of commerce shall
11 appoint two members.

12 (3) the sum of \$1 million for funding the tourist
13 promotion bureau to establish:

14 (a) a major market tourism promotion program; and

15 (b) a destination point development project to
16 identify and promote the development of new tourist
17 attractions in Montana that will make the state a
18 first-class destination tourist state;

19 (4) the sum of \$1,600,000 to the Montana customized
20 job training partnership program to fund a job training and
21 equipment program as provided in section 20 to prepare
22 Montanans for jobs in midlevel and advanced technology
23 companies;

24 (5) the sum of \$3 million to establish the Montana
25 small business incubator program as provided in section 16;

1 (6) the sum of \$1,600,000 to a higher education
2 capital improvement fund in the state special revenue fund
3 to purchase equipment needed by units of the university
4 system to train students and conduct research in midlevel
5 and advanced technology;

6 (7) the sum of \$10,000 to the department of commerce
7 to establish, organize, promote, and conduct an annual
8 conference on the state of business in Montana to:

9 (a) assess economic conditions and trends in Montana;

10 (b) evaluate the state of business in Montana;

11 (c) discuss and disseminate new ideas to stimulate and
12 promote business in Montana; and

13 (d) develop potential solutions to the problems of
14 business, industry, and agriculture in Montana.

15 (8) the sum of \$150,000 to the department of commerce
16 for the biennium to create the Montana information
17 infrastructure commission to develop a strategy to attract,
18 develop, and enhance a vital information and
19 telecommunications industry in Montana to create new jobs
20 and new businesses. The Montana information infrastructure
21 commission consists of 10 members appointed as follows:

22 (a) The speaker of the house, the president of the
23 senate, the republican floor leader of the senate, and the
24 house minority leader each shall appoint one member of the
25 50th legislature and one member of the public.

1 (b) The director of the department of commerce shall
2 appoint two members.

3 (9) the sum of \$1,500,000 to the department of labor
4 and industry to fund the Montana youth conservation corp
5 work and job training program.

6 NEW SECTION. Section 15. Appropriation. There is
7 appropriated from the general fund the sum of \$1,188,000 to
8 the department of revenue for fiscal years 1988 and 1989 for
9 the costs of administering the provisions of sections 1
10 through 13.

11 NEW SECTION. Section 16. Small business incubator
12 program -- purpose -- administration. (1) The purpose of the
13 small business incubator program is to establish and operate
14 small business incubator facilities at Montana state
15 university, the university of Montana, eastern Montana
16 college, and northern Montana college.

17 (2) The program must be administered through the
18 science and technology alliance pursuant to criteria
19 established by the science and technology alliance.

20 (3) (a) The program must provide new manufacturing or
21 product development companies in low, middle, and high
22 technology fields with space and business development
23 services that are needed to begin operation and survive in
24 the early years of business growth.

25 (b) Funding is provided to acquire, renovate, equip,

1 and furnish existing buildings as necessary to make them
2 suitable for small business incubator facilities, and for
3 appropriate staffing expenses.

4 (c) Small business incubators must be occupied by
5 for-profit businesses primarily engaged in agricultural and
6 nonagricultural product and process development, product
7 commercialization and manufacturing, or computer services.

8 NEW SECTION. Section 17. Definitions. As used in
9 [sections 17 through 20], the following definitions apply:

10 (1) "Allowable costs" means costs that may be
11 partially or fully reimbursed. Costs for specialized
12 equipment and materials not appropriately attributable to
13 training are not allowed. Allowable costs include:

14 (a) covered costs of classroom training. These costs
15 may include but are not limited to identified costs incurred
16 for:

- 17 (i) instructors;
- 18 (ii) training-related equipment;
- 19 (iii) classroom space and facilities;
- 20 (iv) liability insurance;
- 21 (v) administrative support services;
- 22 (vi) support services for employees being trained;
- 23 (vii) workers' compensation coverage; and
- 24 (viii) other related costs.

25 (b) covered employer expenses. Covered employer

1 expenses may include but are not limited to the actual costs
 2 incurred by an employer if he assumes the responsibility for
 3 on-the-job and classroom training. The increased costs must
 4 be specifically identified and may include costs incurred
 5 for:

- 6 (i) training supervision;
- 7 (ii) training facilities;
- 8 (iii) maintenance of training records;
- 9 (iv) monitoring the progress of training;
- 10 (v) additional costs of production time allocated for
 11 on-the-job training;
- 12 (vi) wage subsidies to employees who are trainees; and
- 13 (vii) other functions essential to the training
 14 program.

15 (2) "Classroom training" means job-related instruction
 16 on or off the job site. Classroom training may be inside or
 17 outside of scheduled working hours and is not obtained in
 18 the course of production or in the course of rendering a
 19 service. Classroom training may be coordinated with
 20 on-the-job training so that skills acquired in the classroom
 21 and on the job are mutually reinforced in a manner that
 22 enhances the career education and productivity of the
 23 employee trainee.

24 (3) "Council" means the economic development and job
 25 training advisory council as provided in [section 18].

1 (4) "Department" means the department of commerce as
 2 provided in 2-15-1801.

3 (5) "Director" means the director of the department of
 4 commerce.

5 (6) "Eligible applicant" means an applicant who may
 6 apply for funds made available for the purposes of [sections
 7 17 through 20]. Eligible applicants include but are not
 8 limited to employers, employee organizations, local
 9 education agencies, community-based organizations, and other
 10 providers of training with demonstrated effectiveness, or
 11 any combination of these applicants.

12 (7) "On-the-job training" means the development of
 13 skills associated with work processes covered sequentially
 14 in the course of employment in an occupation, trade, or
 15 industry. The purpose of the development of these skills is
 16 to provide an employee with a good income and the
 17 opportunity for career advancement. Career advancement is
 18 measured by the employee's skill proficiency and the
 19 progression of his earnings and related benefits recognized
 20 within the occupation, trade, or industry in which he
 21 receives training.

22 NEW SECTION. Section 18. Economic development and job
 23 training advisory council. (1) The economic development and
 24 job training advisory council is hereby created. It is
 25 administered by the department. Council members are

1 representatives of the:

2 (a) department of commerce;

3 (b) department of labor and industry;

4 (c) Montana job training coordinating council;

5 (d) balance-of-state private industry council;

6 (e) concentrated employment program private industry

7 council; and

8 (f) economic development community.

9 (2) The department shall establish the terms of

10 council members.

11 (3) The council shall meet quarterly or as needed to:

12 (a) review the activities of the economic development

13 and job training program;

14 (b) recommend policies for implementing the program;

15 (c) work with state and federal job training programs

16 to ensure coordination of services;

17 (d) define targeted individuals; and

18 (e) advise the director in matters affecting the

19 administration of the program.

20 NEW SECTION. Section 19. Rulemaking. The department

21 shall adopt the rules necessary to implement the provisions

22 of [sections 17 through 20].

23 NEW SECTION. Section 20. Powers and duties of

24 director. (1) The director, in consultation with the

25 council, shall implement the provisions of [sections 17

1 through 20] to administer a job training and equipment

2 program. Implementation includes adoption by the department

3 of rules, performance standards, and guidelines for the

4 program.

5 (2) The director shall hire staff and incur other

6 administrative expenses to implement the provisions of

7 [sections 17 through 20] to assure timely coordination and

8 cooperation among the state, employers, local training

9 providers, employee organizations, and industry

10 representatives.

11 (3) (a) The director may enter into contracts with

12 eligible applicants to fund approved programs. The contracts

13 must provide programs that are consistent with the

14 provisions of [sections 17 through 20].

15 (b) A contract must be made as follows:

16 (i) An eligible applicant may apply to the department

17 to provide a training program. The application must include:

18 (A) a proposal for a program of skills development and

19 education that describes the program and the use of

20 classroom or on-the-job training, or both;

21 (B) a description of the types of skills training or

22 education, or both, to be provided;

23 (C) a statement of allowable costs separated into

24 covered costs of classroom training and covered employer

25 expenses;

1 (D) a breakdown and justification of the costs
2 associated with equipment, personnel, facilities, and
3 materials;

4 (E) a statement from the business or industry
5 regarding the employment need for the program and the
6 economic development impact of the program;

7 (F) a statement of the financial support provided by
8 the employer for the program; and

9 (G) any other information considered necessary by the
10 department to make a determination of the need for the
11 program and the eligible applicant's ability to fulfill the
12 terms of the contract.

13 (ii) An employer involved in the program commits first
14 to hire employees; only an employee may receive training.
15 The commitment to first hire an employee allows a person
16 already employed in a business or industry to be eligible
17 for training that will result in an upgrade.

18 (iii) The eligible applicant's commitment of financial
19 support must be equal to the amount of the requested
20 contract, but the director may waive all or part of the
21 requirement of matching financial support if he finds that:

22 (A) the program funded by the contract will increase
23 the employment opportunities for targeted individuals; and

24 (B) the businesses or industries participating in the
25 program have agreed to contribute personnel, facilities,

1 equipment, supplies, stipends, or other items of value to
2 the program in an amount approved by the director.

3 (iv) The eligible applicant shall make a binding
4 commitment to the director for adequate reporting of
5 information and data regarding the program, particularly
6 information concerning recruitment and employment, right of
7 access to the eligible applicant's financial and other
8 records directly related to the program, and control over
9 program management by the director as the director considers
10 prudent.

11 NEW SECTION. Section 21. Repealer. Section 14,
12 Chapter 652, Laws of 1983, is repealed.

13 NEW SECTION. Section 22. Extension of authority. Any
14 existing authority of the department of revenue to make
15 rules on the subject of the provisions of this act is
16 extended to the provisions of this act.

17 NEW SECTION. Section 23. Applicability. Sections 1
18 through 13 are effective for tax periods beginning on or
19 after January 1, 1988.

20 NEW SECTION. Section 24. Effective date. This act is
21 effective July 1, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB009, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating the Montana Jobs Investment Act; appropriating funds for economic development, projects, programs, and proposals; making the tax payment periods more frequent for certain withholding taxes, coal severance taxes, certain oil and gas severance taxes, and electrical energy producer's license taxes; providing a penalty for failure to pay estimated individual income taxes; providing for quarterly estimated payments of corporation license and income taxes; appropriating funds for administrative costs; repealing Section 14, Chapter 652, Laws of 1983; and providing an applicability date and an effective date.

ASSUMPTIONS:

Unless otherwise noted, all revenue impacts are based on the revenue estimate assumptions provided by the Revenue Estimating Advisory Council (REAC).

FISCAL IMPACT:

Revenue Impact: The proposed legislation is estimated to provide the following additional one-time revenue in FY88.

<u>Revenue Source</u>	<u>Total Increase</u>
Additional Accelerated Withholding	\$ 6,737,000
Individual Estimated Tax	14,000,000
Corporate Estimated Tax	11,630,000
Coal Severance Tax	13,100,000
Oil Severance Tax	2,100,000
Natural Gas Severance Tax	140,000
Electrical Energy Producer's Tax	440,000
Total	<u>\$ 48,147,000</u>

<u>Fund Distribution:</u>	<u>Total Increase</u>
General Fund	\$ 24,111,230
School Foundation	\$ 8,319,800
Debt Service	\$ 3,442,000
Local Governments (Corporation Tax)	\$ 1,077,000
Local Government Block Grant (Oil Severance Tax)	\$ 700,000
County Rebate (Oil and Natural Gas Severance Taxes)	\$ 34,000

David L. Hunter DATE 3/24/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

John Vincent DATE 3/24
 JOHN VINCENT, PRIMARY SPONSOR

Fiscal Note for HB009, as introduced.

HB 9

Fiscal Note Request, HB009, as introduced.

Form BD-15

Page 2

Appropriations: The bill provides for total general fund appropriations of \$40,988,000 to support the Montana Jobs Investment Act.

Expenditures: Total expenditures for data processing, development, and administrative costs are estimated to be \$1,188,000 over the 1989 biennium. (Included in the total general fund appropriation above.)

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

The bill does not provide for any change in the distribution of funds from the sources listed above.

HB 9