

SB 60 INTRODUCED BY HALLIGAN, PINSONEAULT
INCREASE TAX INCENTIVES ALLOWED INVESTOR IN MONTANA
CAPITAL COMPANY

1/06 INTRODUCED
1/06 REFERRED TO TAXATION
1/07 FISCAL NOTE REQUESTED
1/14 HEARING
1/15 FISCAL NOTE RECEIVED
2/02 TABLED IN COMMITTEE

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SB BILL NO. *60*
Haltzman *For Council*

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE TAX CREDITS ALLOWED INVESTORS IN QUALIFIED MONTANA CAPITAL COMPANIES; AMENDING SECTION 90-8-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 90-8-202, MCA, is amended to read:

"90-8-202. Designation of qualified Montana capital companies -- tax credit. (1) The board shall designate as qualified Montana capital companies those certified companies that have been privately capitalized at a minimum level of \$200,000. A certified company seeking designation as a qualified Montana capital company must make written application to the board on forms provided by the board. The application must contain the information required by 90-8-204 and such other information as the board requires.

(2) The total amount of tax credits authorized for a single qualified company may not exceed \$375,000. In the event the capitalization of the company is later increased, the company may apply for authorization of additional tax credits within the foregoing limitation. The total credits

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authorized for all companies may not exceed a total of \$1 million prior to June 30, 1985. The total credits authorized for all companies between July 1, 1985, and June 30, 1987, may not exceed \$1 million plus any portion of the \$1 million available for authorization before June 30, 1985, that is allocated to qualified companies. The credits shall be allocated to qualified companies in the order that completed applications for designation as qualified capital companies are received by the board, and the board shall certify to each such company its appropriate allocation.

(3) Investors in a qualified Montana capital company are entitled to the tax credits provided for in subsection (4). Funds invested in a certified company prior to designation as a qualified Montana capital company may, at the discretion of the investor, be placed in an escrow account in a Montana financial institution pending designation of the company as a qualified Montana capital company.

(4) Subject to the provisions of subsection (2), an individual, small business corporation, partnership, or corporate taxpayer who makes a capital investment in a qualified Montana capital company is entitled to a tax credit equal to ~~25%~~ 50% of the investment, up to a maximum credit of ~~\$25,000~~ \$50,000 per taxpayer. The credit may be taken against the tax liability imposed on the investor



1 pursuant to Title 15, chapter 30 or 31. The credit for
2 investments by a small business corporation electing to be
3 taxed under 15-31-202 or a partnership may be claimed by the
4 small business corporation shareholders or the partners.

5 (5) The tax credit allowed under subsection (4) is to
6 be credited against the taxpayer's income tax liability for
7 the taxable year in which the investment in a qualified
8 Montana capital company is made. If the amount of the tax
9 credit exceeds the taxpayer's tax liability for the taxable
10 year, the amount of the credit which exceeds the tax
11 liability may be carried back or carried forward in
12 accordance with the provisions of section 46(b) of the
13 Internal Revenue Code of 1954, as amended.

14 (6) The tax credit provided for in this section is
15 available only to those taxpayers who invest in a qualified
16 Montana capital company within 5 years of April 18, 1983."

17 NEW SECTION. Section 2. Extension of authority. Any
18 existing authority of the department of revenue to make
19 rules on the subject of the provisions of this act is
20 extended to the provisions of this act.

21 NEW SECTION. Section 3. Effective date --
22 applicability. (1) This act is effective on passage and
23 approval.

24 (2) This act applies retroactively, within the meaning
25 of 1-2-109, to taxable years beginning after December 31,

1 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB060, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An Act increasing the tax credits allowed investors in qualified Montana capital companies; and providing for an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The Revenue Estimating Advisory Council's individual and corporate income tax estimates provide the basis for comparison.
2. Corporate tax collections will be \$53,063,000 in FY88 and \$58,995,000 in FY89. Payments by financial institutions will be \$6,140,000 of the total in FY88 and \$6,826,250 in FY89.
3. Individual income tax collections will be \$208,088,000 in FY88 and \$229,991,000 in FY89.
4. Corporations will claim \$100,000 in capital company credits in FY88 and \$120,000 in FY89 under current law. Individuals will claim \$75,000 in FY88 and \$75,000 in FY89 (Department of Revenue estimates).
5. All of the corporate claimants are financial institutions (actual experience).
6. The maximum credit limits will be utilized under this proposal.

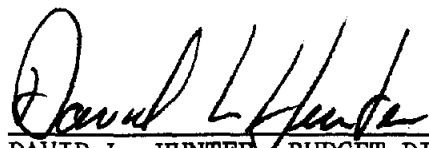
FISCAL IMPACT:

Revenue Impact:

	FY88			FY89		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Individual Income Tax	\$208,088,000	\$207,758,000	(\$ 330,000)	\$229,991,000	\$229,669,000	(\$ 322,000)
Corporate License Tax	53,063,000	52,568,000	(495,000)	58,995,000	58,512,000	(483,000)

Expenditure Impact:

N/A

 DATE 1/14/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE 1-15-87
 MIKE HALLIGAN, PRIMARY SPONSOR

Fiscal Note for SB060, as introduced.

Fiscal Note Request, SB060, as introduced.

Form BD-15

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Fund Information:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
General Fund	\$163,993,000	\$163,718,000	(\$ 274,000)	\$181,456,000	\$181,188,000	(\$ 268,000)
Foundation Program	64,060,000	63,953,000	(108,000)	70,882,000	70,776,000	(105,000)
Sinking Fund	28,187,000	28,139,000	(47,000)	31,188,000	31,142,000	(46,000)
Local Governments	4,912,000	4,516,000	(396,000)	5,461,000	5,075,000	(386,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

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

N/A