

HOUSE BILL 503

Introduced by Iverson

1/31	Introduced
2/01	Referred to Taxation
2/01	Fiscal Note Requested
2/07	Fiscal Note Received
3/07	Sponsor Fiscal Note Requested
3/08	Sponsor Fiscal Note Received
3/09	Hearing
3/09	Fiscal Note Printed
3/09	Sponsor Fiscal Note Printed
3/16	Tabled in Committee

1 *House* BILL NO. *503*
2 INTRODUCED BY *Johnson*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE MONTANA
5 CAPITAL COMPANY ACT; AUTHORIZING A TAX CREDIT AGAINST COAL
6 SEVERANCE TAX LIABILITY FOR INVESTMENTS IN A QUALIFIED
7 MONTANA CAPITAL COMPANY; EXTENDING THE PERIOD FOR QUALIFYING
8 INVESTMENTS BY 2 YEARS; AMENDING SECTION 90-8-202, MCA; AND
9 PROVIDING AN EFFECTIVE DATE."

10

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

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

13 "90-8-202. Designation of qualified Montana capital
14 companies -- tax credit. (1) The board shall designate as
15 qualified Montana capital companies those certified
16 companies that have been privately capitalized at a minimum
17 level of \$200,000. A certified company seeking designation
18 as a qualified Montana capital company must make written
19 application to the board on forms provided by the board.
20 The application must contain the information required by
21 90-8-204 and such other information as the board requires.

22 (2) (a) The total amount of tax credits authorized for
23 a single qualified company may not exceed \$1,500,000. In the
24 event the capitalization of the company is later increased,
25 the company may apply for authorization of additional tax

1 credits within the foregoing limitation.

2 (b) The total credits authorized for all companies may
3 not exceed a total of \$1 million prior to June 30, 1985. The
4 total credits authorized for all companies between July 1,
5 1985, and June 30, 1987, may not exceed \$1 million plus any
6 portion of the \$1 million available for authorization before
7 June 30, 1985, that is allocated to qualified companies. The
8 total credits authorized for all companies between July 1,
9 1987, and June 30, 1989, may not exceed \$3 million plus any
10 portion of the credits available for authorization before
11 June 30, 1987, that is allocated to qualified companies.
12 The total credits authorized for all companies between July
13 1, 1989, and June 30, 1991, may not exceed \$3 million plus
14 any portion of the credits available for authorization
15 before June 30, 1989, that is allocated to qualified
16 companies.

17 (3) The credits shall be allocated to qualified
18 companies in the order that completed applications for
19 designation as qualified capital companies are received by
20 the board, and the board shall certify to each such
21 qualified company its appropriate allocation.

22 (4) Investors in a qualified Montana capital company
23 are entitled to the tax credits provided for in subsection
24 (5). Funds invested in a certified company prior to
25 designation as a qualified Montana capital company may, at

1 the discretion of the investor, be placed in an escrow
2 account in a Montana financial institution pending
3 designation of the company as a qualified Montana capital
4 company.

5 (5) Subject to the provisions of subsection (2), an
6 individual, small business corporation, partnership, or
7 corporate taxpayer who makes a capital investment in a
8 qualified Montana capital company is entitled to a tax
9 credit equal to 50% of the investment, up to a maximum
10 credit of \$150,000 per taxpayer. The credit may be taken
11 against the tax liability imposed on the investor pursuant
12 to Title 15, chapter 30, or 31, or 35. The credit for
13 investments by a small business corporation electing to be
14 taxed under 15-31-202 or a partnership may be claimed by the
15 small business corporation shareholders or the partners.

16 (6) The tax credit allowed under subsection (5) is to
17 be credited against the taxpayer's income tax or coal
18 severance tax liability for the taxable year in which the
19 investment in a qualified Montana capital company is made.
20 If the amount of the tax credit exceeds the taxpayer's tax
21 liability for the taxable year, the amount of the credit
22 which exceeds the tax liability may be carried back or
23 carried forward in accordance with the provisions of section
24 46(b) of the Internal Revenue Code, as amended.

25 (7) The tax credit provided for in this section is

1 available only to those taxpayers who invest in a qualified
2 Montana capital company within 4 6 years of July 1, 1987."

3 NEW SECTION. **Section 2. Extension of authority.** Any
4 existing authority to make rules on the subject of the
5 provisions of [this act] is extended to the provisions of
6 [this act].

7 NEW SECTION. **Section 3. Effective date.** [This act] is
8 effective July 1, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB503, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the Montana Capital Company Act; authorizing a tax credit against coal severance tax liability for investments in a qualified Montana Capital Company; extending the period for qualifying investments by two years; and providing an effective date.

FISCAL IMPACT:

The Board of Investments estimates that approximately \$2.4 million in total tax credits will be available in the 1991 biennium for investment in a qualified Montana Capital Company. This proposal allows the tax credit to be claimed against coal severance tax liability. The Montana Capital Company Act allows a taxpayer who makes a capital investment in a qualified Montana capital company to claim a tax credit equal to 50% of the investment up to a maximum credit of \$150,000 per taxpayer. The Board of Investments also determined that each taxpayer can make investments in multiple qualified Montana companies, thus earning a maximum of \$150,000 in tax credits for each of those investments. If coal companies made the required investments and used the entire \$2.4 million in tax credits against coal severance tax liability, the maximum impact on coal severance tax revenues would be a reduction of \$2.4 million in the biennium.

Ray Shackelford

3/3/89

RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

DATE

DENNIS IVERSON, PRIMARY SPONSOR

3/8/89

DATE

Fiscal Note for HB503, as introduced

HB 503

SPONSOR'S FISCAL NOTE

Form BD-15S

There is hereby submitted a Sponsor's Fiscal Note for: HB 503, Version: Introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the Montana Capital Company Act; authorizing a tax credit against coal severance tax liability for investments in a qualified Montana Capital Company; extending the period for qualifying investments by two years; and providing an effective date.

ASSUMPTIONS:

1. \$2.4 million will be available to potential Montana Capital Companies.
2. A credit of \$150,000 tax credit per capital company is the maximum allowable by law.
3. Under 15-35-104 the coal mine operator is the taxpayer and therefore the only eligible entity for the credit. However in order to be eligible, the operator must form a Montana Capital Company. There are only five (5) taxpayers eligible under this definition representing a total of \$750,000 in potential coal severance tax input to the various funds, of which 13.68 percent will impact the general fund (\$102,600).
4. Although the maximum impact of the tax credits has been described, there are significant and positive short and long term benefits from this type of investment.


PRIMARY SPONSOR

DATE

3/08/89

Fiscal Note for: HB 503 Version: Introduced

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Form BD-15S
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REVENUE IMPACT:

		<u>FY 90</u>			<u>FY 91</u>		
		<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Coal Severance Tax		\$52,884,000	\$52,134,000	\$(750,000)	\$45,683,000	\$45,683,000	\$ 0
<u>Fund Information:</u>							
Coal Tax Trust Fund	- (50%)	\$25,442,000	\$25,067,000	\$(375,000)	\$22,841,500	\$22,841,500	\$ 0
General Fund	- (13.68%)	7,234,531	7,131,931	(102,600)	6,249,434	6,249,434	0
Highway Fund	- (12.00%)	6,346,080	6,256,080	(90,000)	5,481,960	5,481,960	0
Education Trust	- (7.60%)	4,019,184	3,962,184	(57,000)	3,471,908	3,471,908	0
Local Impact	- (6.65%)	3,516,786	3,466,911	(49,875)	3,037,920	3,037,920	0
School Equalization	- (3.80%)	2,009,592	1,981,092	(28,500)	1,735,954	1,735,954	0
Parks Acq. & Maint.	- (1.90%)	1,004,796	990,546	(14,250)	867,977	867,977	0
Alter. Energy Research	- (1.71%)	904,316	891,490	(12,826)	781,179	781,179	0
Agricultural Act	- (0.76%)	401,919	396,218	(5,701)	347,191	347,191	0
Renewable Res. Devel.	- (0.475%)	251,199	247,637	(3,562)	216,994	216,994	0
Water Development	- (0.475%)	251,199	247,638	(3,561)	216,994	216,994	0
County Land Planning	- (0.38%)	200,959	198,109	(2,850)	173,595	173,595	0
State Library Comm.	- (0.38%)	200,959	198,109	(2,850)	173,595	173,595	0
Conservation Dist. Ops.-	(0.19%)	100,480	99,055	(1,425)	86,798	86,798	0
Total		\$52,884,000	\$52,134,000	\$(750,000)	\$45,683,000	\$45,683,000	\$ 0

HB 503, as introduced