SENATE BILL NO. 420

INTRODUCED BY Jergeson, Van Valkenburg, Pipinich, Harrington

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A JOB GAINS TAX CREDIT; PROVIDING A 10 PERCENT TAX CREDIT AGAINST INDIVIDUAL INCOME TAXES OR CORPORATE LICENSE TAXES FOR THE SALARY PAID FOR QUALIFYING NEW JOBS; ALLOWING A CARRYOVER OF UNUSED CREDITS; AND PROVIDING AN APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Job gains tax credit.** (1) There is allowed as a credit against the taxes imposed by 15-30-103, 15-31-101, 15-31-121, and 15-31-122 an amount equal to:

(a) the job gains tax credit determined under subsection (2); and

(b) any job gains tax credit carryovers.

(2) There is a job gains tax credit of 10% of the state taxable income paid by the taxpayer during the tax year for qualifying jobs. A qualifying job:

(a) must have been created by the taxpayer in the tax year, or the year previous to the tax year, for which the credit is applied;

(b) may not have been previously claimed for the job gains tax credit and must be an additional job created by the taxpayer that does not replace an existing job;

(c) is a job for which the taxpayer paid the jobholder or jobholders if job turnover caused more than one individual to hold the job a minimum of $17,000 and a maximum of $50,000 in state taxable income during the tax year for which the credit is applied.

(3) If the credit granted under this section exceeds the taxpayer's liability for the tax year, the amount of the excess may be carried over as a job gains tax credit for the succeeding 5 tax years. The entire amount of unused credit must be carried forward to the earliest of the succeeding years and the oldest available unused credit must be used first. The credit may be carried forward only if the qualified job for which the unused credit was granted still exists and the jobholder or jobholders were paid within the range set forth in subsection (2)(c).

(4) A taxpayer claiming a credit under this section may not also claim a credit under the provisions

of 15-31-125.

(5) The amount of any credit claimed for a tax year under this section must be subtracted from any amount of wages and salaries that the taxpayer claims as a deduction for that tax year under 15-31-114.

(6) The income amounts enumerated in subsection (2)(c) must be adjusted for inflation annually by the department of revenue. The adjustment is determined by multiplying the appropriate dollar amount by the ratio of the implicit price deflator for the second quarter of the previous year to the implicit price deflator for the second quarter of 1995 and rounding off the product to the nearest dollar. The department shall use the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

NEW SECTION. **Section 2. Job gains tax credit.** There is a job gains tax credit allowed against the taxes imposed by 15-30-103 as provided in [section 1].

NEW SECTION. **Section 3. Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 2].

NEW SECTION. **Section 4. Applicability.** (1) [This act] applies to tax years beginning after December 31, 1995.

(2) [This act] applies to jobs created after December 31, 1995.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0420, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act establishing a job gains tax credit; providing a 10 percent tax credit against individual income taxes or corporate license taxes for the salary paid for qualifying new jobs; allowing a carryover of unused credits; and providing an applicability date.

ASSUMPTIONS:
1. This proposal applies to tax years beginning, and jobs created, after December 31, 1995. There will be no impact in FY96; the first impact will be in FY97.

FISCAL IMPACT:

Expenditures: (Department of Revenue)
Creation of a new credit requires the addition of a new line on individual and corporation income tax return forms. This increases corporation license tax administrative expenses by $1,500 in FY96. Individual income tax administrative expenses increase by $10,000 in FY96, and by $2,500 in FY97 and each fiscal year thereafter.

Revenues:
The impact that this bill will have on tax year liabilities, and subsequent fiscal year revenue collections will depend on the number of jobs created each year, and the distribution of those jobs across industries and wage and salary brackets. The Department of Revenue has no means of estimating this impact precisely for future years.

However, based on recent information released by the Department of Labor and Industry showing the growth in the number of jobs in Montana, by industrial classification, for tax year 1994; and based on average wages and salaries paid within industrial classification sectors (DOLI), the Department of Revenue estimates that if this credit had been in effect for calendar year 1994, tax liabilities of individuals and corporations would have been reduced by $14.2 million. Because 1994 was a high growth year for Montana, future tax year impacts would likely be smaller than this impact; however, revenue losses are estimated to be in the range of $8 to $15 million per year, depending on prevailing economic circumstances.

TECHNICAL NOTES:
The bill provides for a tax credit equal to "10% of the state taxable income paid by the taxpayer during the tax year for qualifying jobs". This definition is not clear. Also, the bill provides that corporations are required to reduce their deductions for wages and salaries paid that qualify for the credit, but the same treatment is not required of businesses paying individual income tax, when the principle is the same.

Dave Lewis 3-14-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

J. D. Lynch
J. D. LYNCH, PRIMARY SPONSOR DATE
Fiscal Note for SB0420, as introduced

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