

1 HOUSE BILL NO. 80

2 INTRODUCED BY KITZENBERG

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A TAX CREDIT FOR BUSINESSES AND
5 INDIVIDUALS HIRING RECENT MONTANA COLLEGE GRADUATES; ALLOWING A CARRYOVER OF
6 UNUSED CREDITS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
7 APPLICABILITY DATE."

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

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11 NEW SECTION. **Section 1. Hiring recent Montana college graduate -- tax credit.** (1) There is
12 allowed as a credit against the taxes imposed by 15-30-103, 15-31-101, 15-31-121, and 15-31-122 an
13 amount equal to:

14 (a) the recent Montana college graduate tax credit determined under subsection (2); and

15 (b) any recent Montana graduate tax credit carryovers.

16 (2) (a) Subject to subsection (2)(b), there is a tax credit of 3% of the state taxable income paid as
17 salary or wages by the taxpayer during the tax year to qualifying graduates of Montana colleges and
18 universities. To qualify for the tax credit authorized by this section, the employee:

19 (i) must have graduated from an accredited Montana college or university in the current or previous
20 tax year in which the credit is claimed; and

21 (ii) must have been employed on a full-time basis for the balance of the year in which the employee
22 graduated, or if the credit is claimed for the year following the year of graduation, the employee must have
23 been employed on a full-time basis for all of the tax year in which the credit is claimed.

24 (b) The tax credit may not exceed \$500 a year for each qualifying graduate employee.

25 (3) If the credit granted under this section exceeds the taxpayer's liability for the tax year, the
26 amount of the excess may be carried over for the succeeding 5 tax years. The entire amount of unused
27 credit must be carried forward to the earliest of the succeeding years, and the oldest available unused credit
28 must be used first.

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

1 **NEW SECTION. Section 2. Hiring recent Montana college graduate -- tax credit.** There is a tax
2 credit for hiring recent Montana college graduates against the taxes imposed by 15-30-103 as provided in
3 [section 1]. .

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

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

9

10 **NEW SECTION. Section 4. Effective date -- retroactive applicability.** (1) [This act] is effective on
11 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
12 December 31, 1996.

13 (2) [This act] applies to Montana college graduates hired after December 31, 1996.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0080, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

an act establishing a tax credit for businesses and individuals hiring recent Montana college graduates; allowing a carryover of unused credits; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- 1. The colleges of technology, community colleges, private colleges and tribal colleges are included in the definition of accredited Montana colleges as mentioned in subsection (2) (a).
- 2. College graduates refers to graduates with Associate's, Bachelor's or graduate degrees.
- 3. "State taxable income" in section (2) (b) means gross salary or wages paid to the recent graduate that are taxable by the state of Montana.
- 4. The \$500 cap on the tax credit will be reached when the recent graduates gross salary or wages (that are taxable by the state of Montana) reach \$16,667 ($\$500/0.03$). Most recent graduates are expected to receive gross salary or wages of at least \$16,667.
- 5. In 1995, 6,045 students graduated from Montana colleges and universities with degrees.
- 6. Approximately 74 percent of 1995 graduates were employed full-time in Montana one year after graduation ($.74 \times 6,045 = 4,469$).
- 7. Since 1991, the average annual increase in total number of degrees awarded is 200, which means an increase of approximately 148 recent graduates employed full-time in Montana each year.
- 8. Given the growth in degrees awarded (6,341 projected degrees in 1997 and 6,489 projected degrees in 1998), the reduction of income tax revenue in FY 98 would be \$2,346,000 ($0.74 \times 6,341 \times \500) and in FY 99 would be \$2,401,000 ($0.74 \times 6,489 \times \500). These estimates do not include any increased hiring of recent graduates due to the tax credit incentive.
- 9. Expenses incurred by the Corporation Tax Division of the Department of Revenue would include the yearly cost of \$400 for printing a new form to be used for claiming the corporate license tax credit and a one-time computer programming cost of \$1,600.
- 10. The Individual Income Tax Division of the Department of Revenue would incur a one-time computer programming cost of \$14,418, annual record storage costs of \$254, and annual form costs of \$200.

FISCAL IMPACT:

	<u>FY 98</u>	<u>FY 99</u>
<u>Expenditures:</u>		
Corporation Tax (Operating)	\$2,000	\$400
Income Tax (Operating)	<u>\$14,418</u>	<u>\$454</u>
Total (General Fund)	\$16,418	\$854

Dave Lewis 1-8-97

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Sam Kitzenberg 1-10-97

SAM KITZENBERG, PRIMARY SPONSOR DATE

Fiscal Note for HB0080, as introduced

HB 80

	<u>FY 98</u>	<u>FY 99</u>
<u>Revenues:</u>		
Corporate and Individual Income Tax (\$2,346,000) (General Fund)		(\$2,401,000)
<u>Net Impact:</u>		
General Fund	(\$2,362,418)	(\$2,401,854)

TECHNICAL NOTES:

1. It is not clear what is meant by "state taxable income" in section (2)(b). Does state taxable income refer to gross salary or wages taxable by Montana or Montana taxable income as computed on income tax forms? It is not possible for the employer to know the latter. Does state taxable income include only income taxable by Montana or does it include income taxable by other states? For example, a company with situs in Montana could hire a recent Montana graduate for a company branch in another state and take the tax credit offered by Montana.
2. The phrase "balance of the year" is somewhat ambiguous. How soon after graduation must the student be hired to be considered employed for the "balance of the year?"