

## 1 HOUSE BILL NO. 158

2 INTRODUCED BY BARNHART

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4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A CREDIT AGAINST CERTAIN TAXES FOR A  
5 PORTION OF WAGES PAID TO CERTAIN PERSONS RECEIVING PUBLICLY PROVIDED CASH ASSISTANCE  
6 OR VARIOUS OTHER TYPES OF PUBLIC ASSISTANCE; AND PROVIDING A DELAYED EFFECTIVE DATE  
7 AND AN 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. Tax credit for wages paid to certain employees.** (1) Subject to the  
12 provisions of subsections (2) through (5), an employer is entitled to a credit against taxes otherwise due  
13 under this chapter for a portion of the amount of wages paid to a person who, at the time of being hired,  
14 was receiving cash assistance or was participating in or enrolled in:

- 15 (a) the job supplement program described in 53-4-603(2);  
16 (b) the pathways component of the families achieving independence in Montana (FAIM) project  
17 described in 53-4-603(4);  
18 (c) the community services program described in 53-4-603(5);  
19 (d) the job opportunities and basic skills training (JOBS) program described in 53-4-703;  
20 (e) the Montana medicaid program described in 53-6-101; or  
21 (f) vocational rehabilitation services described in 53-7-108 and provided by or through the  
22 department of public health and human services.

- 23 (2) The tax credit is available only to employers:  
24 (a) who have been in business in Montana for at least 12 months;  
25 (b) whose workforce is composed of at least 80% of employees who each work for the employer  
26 at least 20 hours a week; and  
27 (c) who provide employer-sponsored health insurance and pay at least 50% of each employee's  
28 health insurance premium.

- 29 (3) Subject to the provisions of subsection (4), an employer is entitled to a tax credit equal to the  
30 lesser of \$25 a month or 6% of the wages paid during the month to each employee eligible under

1 subsection (1) if the employee:

2 (a) worked for the employer for 20 hours or more a week during the month; or

3 (b) was otherwise in a paid status for the employer for 20 hours or more a week during the month.

4 (4) The credit may not exceed \$450 for each employee eligible under subsection (3) and may not  
5 be claimed for a single employee for a period of more than 18 consecutive months.

6 (5) The credit allowed under this section may not be claimed as a carryback or carryforward and  
7 may not be refunded if the employer has no tax liability.

8

9 **NEW SECTION. Section 2. Codification instruction.** [Section 1] is intended to be codified as an  
10 integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [section 1].

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12 **NEW SECTION. Section 3. Effective date -- applicability.** [This act] is effective January 1, 1998,  
13 and applies to all tax revenue recorded on or after January 1, 1998, regardless of when the tax obligation  
14 accrued.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0158, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act allowing a tax credit against certain taxes for a portion of wages paid to certain persons receiving publicly-provided cash assistance or various other types of public assistance.

ASSUMPTIONS:

1. If an employer hires certain persons receiving public assistance to work a minimum of 20 hours per week, or 80 hours during a month, and the employee is paid a minimum wage of \$4.75 per hour, the federal minimum tax credit the employer would receive for one month for that employee is \$22.80 ( $6\% \times \$4.75 \times 80$ ). The maximum credit the employer can receive for any employee during a month, is \$25.00.
2. If the employer retains the employee for at least 18 months, the minimum credit received by the employer would be \$410.40 ( $\$22.80 \times 18$  months) and the maximum credit received would be \$450.
3. There is no way to determine how many employers will claim this credit, and how many individuals on public assistance would be affected. However, under federal welfare reform, the state is required to meet work participation rates for eighty percent of its caseload as a condition of continuing to receive federal funds under the Temporary Assistance for Needy Families (TANF) block grant.
4. For fiscal 1998, the work participation rate is 30% and in fiscal 1999 increases to 35%.
5. The projected welfare caseload only during fiscal 1998 is 9,154 and during fiscal 1999 is 9,201. If eighty percent of these families are subject to work requirements, then in fiscal 1998, there would be 2,197 families participating in work activities ( $9,154 \times .8 \times .3$ ). In fiscal 1999, the number of families is 2,576 ( $9,201 \times .8 \times .35$ ).
6. Assume that one person per family will be working for an employer who will request the tax credit.
7. Assume that on average, the employer will be able to claim the tax credit for an employee for 9 months out of each year.
8. During fiscal 1998, employers would receive approximately \$450,000 in tax credits ( $2,197$  employees  $\times 9$  months of employment  $\times \$23$  per month tax credit = \$454,779). In fiscal year 1999, employers would receive approximately \$530,000 ( $2,576$  employees  $\times 9$  months of employment  $\times \$23$  per month tax credit = \$533,232).
9. The maximum estimated savings for an average size family receiving a cash assistance payment that becomes ineligible for all public assistance programs due to employment would be \$14,873 annually. Of that amount, assuming the state maintains only the level of general fund necessary to meet the maintenance of effort under the TANF block grant, the general fund portion of these benefits would be \$1,567 during fiscal 1998 and \$1,518 in fiscal 1999.
10. Therefore, 290 families would need to be moved off of public assistance in fiscal 1998 ( $\$454,779/1,567$ ) and 351 families in fiscal 1999 ( $\$533,232/1,518$ ) in order to be cost neutral against the loss in tax revenue due to the tax credit.

FISCAL IMPACT:

Unable to determine at this time.

*Dave Lewis* 1-13-97

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

*Beverly Barnhart* Jan 14

BEVERLY BARNHART, PRIMARY SPONSOR DATE

Fiscal Note for HB0158, as introduced

**HB 158**