Senate BILL NO. 393 DENNY Miller

INTRODUCED BY M. Taylor Beaudry Lynch Harp

BENEDICT Thomas Grosfield Mahlum

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A JOB GAINS TAX CREDIT; PROVIDING DEFINITIONS; PROVIDING A $500 TAX CREDIT AGAINST INDIVIDUAL INCOME TAXES OR CORPORATE LICENSE TAXES FOR EACH QUALIFYING NEW JOB; PROVIDING A $650 TAX CREDIT AGAINST INDIVIDUAL INCOME TAXES OR CORPORATE LICENSE TAXES FOR EACH QUALIFYING NEW JOB CREATED BY A BUSINESS ENGAGED IN COMPUTER MANUFACTURING OR SOFTWARE SERVICES; ALLOWING A TAXPAYER TO ALSO CLAIM THE NEW AND EXPANDING INDUSTRY CREDIT IF CERTAIN CONDITIONS ARE MET; PROVIDING AN EXCEPTION TO THE ELIGIBILITY FOR THE CREDIT; ALLOWING A CARRYOVER OF UNUSED CREDITS; AND PROVIDING APPLICABILITY DATES."

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

NEW SECTION. **Section 1. Job gains tax credit -- definitions.** As used in [section 2] and this section, the following definitions apply:

(1) "Computer manufacturing" means the manufacture of electronic computers, computer storage devices, or computer peripheral equipment as described by the North American Industry Classification System of 1997 published by the U.S. bureau of the census.

(2) "Expanding business" means a business that has expanded or diversified a present operation to increase total full-time employment by three jobs or more.

(3) (a) "New business" means a business engaging in a business operation for the first time in the state.

(b) A new business does not include:

(i) a corporation or other business entity reorganized from a previously existing corporation or business entity that has been engaged in a business operation in this state;

(ii) a corporation or other business entity created as a parent, subsidiary, or affiliate of an existing corporation or other business entity that has been engaged in a business operation in this state of which 20% or more of the ownership is held by the corporation or by the owners of the business entity or by the stockholders of the corporation or business entity; or

(iii) a corporation or other business entity primarily engaged in mining or in the generation, transmission, or distribution of electrical energy.

(4) "Software services" means the design, development, and production of computer programming services, prepackaged computer software, or bundling software with purchased computer hardware for specific applications, as described by the North American Industry Classification System of 1997 published by the U.S. bureau of the census.

NEW SECTION. **Section 2. Job gains tax credit -- credit for computer manufacturing or software services -- exception.** (1) Except as provided in subsection (7), 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) or (3); and

(b) any job gains tax credit carryovers.

(2) Except as provided in subsection (3), there is a job gains tax credit for a new business or expanding business in an amount equal to $500 for each qualifying job. A qualifying job:

(a) must have been created by the taxpayer in either 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 $23,000 in state taxable income during the tax year for which the credit is applied.

(3) The tax credit allowed under this section for a new business or expanding business engaged in computer manufacturing or providing software services is $650 for each qualifying job.

(4) 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 3 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 the minimum amount set forth in subsection (2)(c).

(5) A taxpayer claiming a credit under this section may also claim a credit under the provisions of

15-31-125 if the taxpayer creates six or more new jobs and meets the requirements for a new or expanding industry credit, as provided in 15-31-124 through 15-31-127, and meets the requirements of this section.

(6) 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 15-30-111 or 15-31-114.

(7) The credit allowed in this section may not be claimed by a taxpayer primarily engaged in mining or in the generation, transmission, or distribution of electrical energy.

(8) A credit claimed under this section by a small business corporation or by a partnership must be attributed as provided in 15-31-137.

(9) The income amount specified in subsection (2)(c) must be adjusted for inflation annually by the department. The adjustment is determined by multiplying the dollar amount in subsection (2)(c) 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 1997 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 3. Job gains tax credit.** There is a job gains tax credit allowed against the taxes imposed by 15-30-103 as provided in [section 2].

NEW SECTION. **Section 4. Codification instruction.** (1) [Sections 1 and 2] are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [sections 1 and 2].

(2) [Section 3] 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 3].

NEW SECTION. **Section 5. Applicability.** (1) [This act] applies to tax years beginning after December 31, 1997.

(2) [This act] applies to jobs created after December 31, 1997, and before January 1, 2004.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0393, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act establishing a job gains tax credit; providing definitions; providing a $500 tax credit against individual income taxes or corporate license taxes for each qualifying new job; providing a $650 tax credit against individual income taxes or corporate license taxes for each qualifying new job created by a business engaged in computer manufacturing or software services; allowing a taxpayer to also claim the new and expanding industry credit if certain conditions are met; providing an exception to the eligibility for the credit; allowing a carryover of unused credits; and providing applicability dates.

ASSUMPTIONS:
1. This bill applies to tax years beginning after December 31, 1997; and to jobs created after December 31, 1997 and before January 1, 2004.
2. There is no revenue impact from this proposal in FY98.

FISCAL IMPACT:

Expenditures: (General Fund)

Corporation license tax and individual income tax forms would have to be changed to add a line for the new credit. This cost plus additional costs for data storage and programming would total $16,672 in FY99.

Revenues:

In order to qualify for the credit under this proposal, the business must be either a "new business" (engaging in business for the first time in the state), or an "expanding business" (increasing full-time employment by 3 jobs or more). The job must be an additional job, not a replacement job, and must pay at least $23,000 per year.

The Department of Revenue does not have sufficient data to forecast the number of jobs that will qualify in future years; hence, no precise estimate of the revenue impact of this bill is available.

The current law new or expanding wage credit provided for in MCA, 15-31-124 has resulted in total credits of $8,166 in 1994 for 3 firms; $8,668 in 1995 for 5 firms; and $933 in 1996 for 3 firms. This credit applies only to new *manufacturing* jobs, only to *corporations*, and requires expansion of *30% of the labor force* for expanding businesses. The proposed credit could be significantly larger than this credit in that it would apply to all economic sectors other than mining or electric energy generation, transmission, or distribution; applies to all businesses, not just corporations; and applies if expansion increases jobs by three or more.

The Department is aware of at least one major new job creation effort--the Advanced Silicon Materials, Inc. project in Butte. This project is scheduled to provide 165 new jobs in 1997, and an additional 125 jobs in 1998, with all of these new jobs scheduled to pay at least $23,000 per year. Under the bill this project would receive a tax benefit of $145,000. It is highly unlikely that the revenue impact from this proposal would exceed this amount in future years, *on average*.

Dave Lewis	3-14-97	Mike Taylor	3-15-97
DAVE LEWIS, BUDGET DIRECTOR	DATE	MIKE TAYLOR, PRIMARY SPONSOR	DATE
Office of Budget and Program Planning			

SB 393

STATE OF MONTANA - FISCAL NOTE

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DESCRIPTION OF PROPOSED LEGISLATION:
An act establishing a job gains tax credit; providing definitions; providing a $500 tax credit against individual income taxes or corporate license taxes for each qualifying new job; providing a $650 tax credit against individual income taxes or corporate license taxes for each qualifying new job created by a business engaged in computer manufacturing or software services; allowing a taxpayer to also claim the new and expanding industry credit if certain conditions are met; providing an exception to the eligibility for the credit; allowing a carryover of unused credits; and providing applicability dates.

ASSUMPTIONS:
1. This bill applies to tax years beginning after December 31, 1997; and to jobs created after December 31, 1997 and before January 1, 2004.
2. There is no revenue impact from this proposal in FY98.

FISCAL IMPACT:

Expenditures: (General Fund)

Corporation license tax and individual income tax forms would have to be changed to add a line for the new credit. This cost plus additional costs for data storage and programming would total $16,672 in FY99.

Revenues:

In order to qualify for the credit under this proposal, the business must be either a "new business" (engaging in business for the first time in the state), or an "expanding business" (increasing full-time employment by 3 jobs or more). The job must be an additional job, not a replacement job, and must pay at least $23,000 per year.

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Dave Lewis 3-14-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Mike Taylor 3-15-97
MIKE TAYLOR, PRIMARY SPONSOR DATE

SB 393 #2

APPROVED BY COM
ON TAXATION

SENATE BILL NO. 393

INTRODUCED BY M. TAYLOR, BEAUDRY, LYNCH, HARP, SPRAGUE, BECK, BENEDICT, THOMAS, GROSFIELD, STANG, TOEWS, MAHLUM, FOSTER, DEPRATU, MOHL, JENKINS, CLARK, GRINDE, ANDERSON, MCCANN, BANKHEAD, BOHLINGER, KNOX, WILSON, MESAROS, DENNY, MILLS, CRISMORE, WAGNER, TASH, DOHERTY, ADAMS

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A JOB GAINS TAX CREDIT; PROVIDING DEFINITIONS; PROVIDING A $500 TAX CREDIT AGAINST INDIVIDUAL INCOME TAXES OR CORPORATE LICENSE TAXES FOR EACH QUALIFYING NEW JOB; PROVIDING A $650 TAX CREDIT AGAINST INDIVIDUAL INCOME TAXES OR CORPORATE LICENSE TAXES FOR EACH QUALIFYING NEW JOB CREATED BY A BUSINESS ENGAGED IN COMPUTER MANUFACTURING OR SOFTWARE SERVICES; ALLOWING A TAXPAYER TO ALSO CLAIM THE NEW AND EXPANDING INDUSTRY CREDIT IF CERTAIN CONDITIONS ARE MET; ~~PROVIDING AN EXCEPTION TO THE ELIGIBILITY FOR THE CREDIT;~~ ALLOWING A CARRYOVER OF UNUSED CREDITS; AND PROVIDING APPLICABILITY DATES."

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

NEW SECTION. **Section 1. Job gains tax credit -- definitions.** As used in [section 2] and this section, the following definitions apply:

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(2) "Expanding business" means a business that has expanded or diversified a present operation to increase total full-time employment by three jobs or more.

(3) (a) "New business" means a business engaging in a business operation for the first time in the state.

(b) A new business does not include:

(i) a corporation or other business entity reorganized from a previously existing corporation or business entity that has been engaged in a business operation in this state; OR

(ii) a corporation or other business entity created as a parent, subsidiary, or affiliate of an existing

SECOND READING

corporation or other business entity that has been engaged in a business operation in this state of which 20% or more of the ownership is held by the corporation or by the owners of the business entity or by the stockholders of the corporation or business entity~~; or~~

~~(iii) a corporation or other business entity primarily engaged in mining or in the generation, transmission, or distribution of electrical energy~~.

(4) "Software services" means the design, development, and production of computer programming services, prepackaged computer software, or bundling software with purchased computer hardware for specific applications, as described by the North American Industry Classification System of 1997 published by the U.S. bureau of the census.

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(a) the job gains tax credit determined under subsection (2) or (3); and

(b) any job gains tax credit carryovers.

(2) Except as provided in subsection (3), there is a job gains tax credit for a new business or expanding business in an amount equal to $500 for each qualifying job. A qualifying job:

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

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(3) The tax credit allowed under this section for a new business or expanding business engaged in computer manufacturing or providing software services is $650 for each qualifying job.

(4) 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 3 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 the minimum amount set forth in subsection (2)(c).

(5) A taxpayer claiming a credit under this section may also claim a credit under the provisions of 15-31-125 if the taxpayer creates six or more new jobs and meets the requirements for a new or expanding industry credit, as provided in 15-31-124 through 15-31-127, and meets the requirements of this section.

(6) 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 15-30-111 or 15-31-114.

~~(7) The credit allowed in this section may not be claimed by a taxpayer primarily engaged in mining or in the generation, transmission, or distribution of electrical energy.~~

~~(8)~~(7) A credit claimed under this section by a small business corporation or by a partnership must be attributed as provided in 15-31-137.

~~(9)~~(8) The income amount specified in subsection (2)(c) must be adjusted for inflation annually by the department. The adjustment is determined by multiplying the dollar amount in subsection (2)(c) 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 1997 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.

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(2) [Section 3] 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 3].

NEW SECTION. **Section 5. Applicability.** (1) [This act] applies to tax years beginning after December 31, 1997.

(2) [This act] applies to jobs created after December 31, 1997, and before January 1, 2004.

-END-

SENATE BILL NO. 393

INTRODUCED BY M. TAYLOR, BEAUDRY, LYNCH, HARP, SPRAGUE, BECK, BENEDICT, THOMAS, GROSFIELD, STANG, TOEWS, MAHLUM, FOSTER, DEPRATU, MOHL, JENKINS, CLARK, GRINDE, ANDERSON, MCCANN, BANKHEAD, BOHLINGER, KNOX, WILSON, MESAROS, DENNY, MILLS, CRISMORE, WAGNER, TASH, DOHERTY, ADAMS

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