FISCAL NOTE

Bill #:	HB489	**Title:**	Cap discount amount for sale of Infrastructure investment credits
Primary Sponsor:	William Price	**Status:**	Introduced

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Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Net Impact on General Fund Balance:	**Unknown**	**Unknown**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Currently, the Board of Investments may make a loan to enhance economic development and create jobs in the basic sector of the economy if the loan will result in the creation of a business estimated to employ at least 50 people in Montana on a permanent, full-time basis or the expansion of a business estimated to employ at least an additional 15 people in Montana on a full-time basis. The loan must be used to build infrastructure and must be made to a local government that will create the necessary infrastructure. The local government receiving the loans may, in turn, charge fees to the users of the infrastructure. A business that is created or expanded as the result of a loan is then entitled to a credit against Individual or Corporate Income taxes for the portion of fees attributable to the use of the infrastructure.
2. In many cases a new business does not have positive taxable income for the first few years of its existence. Because the infrastructure credit is not a refundable credit, this business may not be able to use the credit otherwise available (although current law does allow the new business to carryforward the credit for a period of up to seven years). This bill would allow the new business to sell any unused credit to another taxpayer at a discount of no more than 5%.
3. The Department of Revenue has no means of accurately identifying taxpayers who would purchase credits at 95% of their value in order to apply the remaining 5% of the value to their own tax liabilities, or the amount of any additional credit that might be used under this program. Any such credit purchased and applied would result in a reduction in revenue to the state general fund.
4. There are no additional administrative expenses associated with this proposal.