



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0620	<b>Title:</b>	Provide for limited student loan tax credits for Montana job creators
<b>Primary Sponsor:</b>	Lynch, Ryan	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2             | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	(\$150,000)
<b>Net Impact-General Fund Balance:</b>	\$0	\$0	\$0	(\$150,000)

#### Description of fiscal impact:

HB 620 creates the Montana Young Entrepreneurs Student Loan Tax Credit Program and provides eligibility criteria and rule making authority to the Department of Revenue. The bill creates a new individual income tax credit for graduates of a Montana high school who have student loans from a post-secondary program completed in the last ten years who created at least 10 full-time, permanent jobs within a ten year period beginning after June 30, 2013 in Montana. Credits could first be claimed in FY 2017. Credit claims would be likely to increase for several years after FY 2017.

### FISCAL ANALYSIS

#### Assumptions:

##### **Department of Revenue**

- To be eligible for the tax credit, a person must have graduated from high school in Montana, have student loans from a college or other post-secondary training program, and within ten years of completing post-secondary education must have created ten new jobs and maintained each of those jobs for at least three years in Montana.

2. The credit would be \$5,000 for each job created after June 30, 2013. Since jobs for which the credit is claimed must have been in existence for three years, taxpayers can first become eligible for the credit in 2016. Credits will first be claimed on returns for 2016 filed in the spring of 2017, which is in FY 2017.
3. The number of credits that will be claimed is unknown but is likely to be small since it will be available to a limited population and for jobs created in a limited time period. This will be especially true in the first years, when the window of time during which qualifying jobs must have been created will be very short. Credits claimed on tax returns filed in 2017 can only be for jobs created between July 1 and December 31, 2013. This fiscal note assumes that credits would be claimed in FY 2017 for 30 new jobs. This will reduce general fund revenue by \$150,000.
4. This credit would require an additional line on the individual income tax return and a new form for taxpayers to claim the credit. Costs would be absorbed in the department’s existing budget.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	(\$150,000)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$150,000)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	(\$150,000)

**Long-Term Impacts:**

**Department of Revenue**

1. Use of this credit is likely to increase after the first year. However, since this is a one-time credit, the total amount of credits each year is likely to stay relatively small, probably less than \$1 million in new credit claims per year.

**Technical Notes:**

**Department of Revenue**

1. Section 1(1)(a) describes the credit this act would create as a one-time credit. It is not clear whether the intent is to allow each eligible taxpayer to claim the credit once in their life or to allow an eligible taxpayer to claim the credit once for each qualifying job created. It should be clarified whether someone who has qualified for and claimed the credit for creating ten jobs can then claim additional credit amounts for creating additional jobs.
2. It is unclear if the bill applies to Montana high school graduates that have student loans from any accredited public or private college, community college, or tribally controlled community college or other eligible training providers anywhere or if it only applies to secondary education providers within the state.

**Office of the Commissioner of Higher Education**

3. Language in Section 1(2)(c) requires that students have loans from a unit of the Montana university system or other accredited institution. Student loans are not made by educational institutions. Student loans are made by the federal government and private lenders. As HB 620 is currently written, students would not be able to meet the requirement in section 1(2)(c).

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*