



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # SB0122

Title: Encourage manufacture of ammunition in Montana to ensure availability

Primary Sponsor: Rosendale, Matthew M

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$43,725	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$43,725)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 122 makes an establishment or manufacturer of small arms ammunition components a qualified economic development purpose pursuant to 90-1-116 through 90-1-119, MCA, and Title 90, Chapter 1, Part 2, MCA. The bill provides income, corporation, and property tax exemptions for a person or entity in Montana engaged in the manufacture of these ammunition components. SB 122 is expected to require \$43,725 in FY 2016 expenditures, with no additional costs to the state after FY 2016.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, individuals and corporations engaged in the manufacture of small arms components are expected to pay individual income and corporate income taxes on incomes earned through the manufacturing and sale of these components. In addition, manufactures are also required to pay state property taxes for any property used in the manufacture of ammunition components under current law.
- SB 122 provides individual income and corporate income tax exemptions for the manufacture of small arms primers, propellants and cartridge cases within the State of Montana. The bill also exempts these

manufactures from paying any state property taxes for equipment and land, used in the manufacturing of these components.

3. To qualify for the tax exemptions provided under SB 122, a small arms ammunition manufacturer must:
 - a. manufacture smokeless propellant, black powder, primers, or cartridge cases for small arms;
 - b. make the manufactured items available to consumers in Montana at a price that is no greater than the sales price to out of state consumers; and,
 - c. not enter into agreements that commit all of its sales to out of state consumers.
4. SB 122 also exempts any income a lender, or investor, earns from corporate income and individual income taxes, that is attributable to a bona fide arm's length loan made to an organization engaged in the manufacturing of small arms ammunition components.
5. Manufacturers would still be required to pay the local share of property taxes levied on real property, and the employer's share of the employee payroll tax.
6. As of CY 2014, there are no known individuals, or corporations, engaged in the manufacture of these small arms components within the State of Montana. As no qualified manufactures currently exist in the state, the changes proposed do not have fiscal impact to the state.
7. This bill requires computer system implementation costs of \$43,725 in FY 2016 for development of the exemptions outlined in SB 122

Department of Commerce (DOC):

8. Sections 90-1-117, through 90-1-118, MCA, authorize small business matching grants for companies that have applied for, and received, a small business innovation research grants from a federal agency. SB 122 makes an establishment or manufacturer of propellant and small arms primers a qualified economic development purpose under this program.
9. The bill would make an establishment or manufacturer of propellant and small arms primers a qualified economic development purpose under the Big Sky Economic Development Trust Fund and eligible matching grants if it met the other qualifications.
10. The department does not anticipate any fiscal impact as a result of the passage of SB 122.

<u>Fiscal Impact:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>				
Operating Expenses	\$43,725	\$0	\$0	\$0
TOTAL Expenditures	\$43,725	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$43,725	\$0	\$0	\$0
TOTAL Funding of Exp.	\$43,725	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$43,725)	\$0	\$0	\$0

Technical Notes:

Department of Commerce

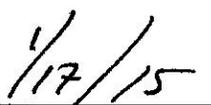
1. The bill amends 90-1-116, MCA which authorizes state matching funds to economic development organizations, certified by the Department of Commerce to manage and administer funds for the department on a regional basis. A manufacturer of propellant and small arms primers falls outside the scope of 90-1-116, MCA.

Sponsor's Initials

Date



Budget Director's Initials



Date