

HOUSE BILL NO. 842
INTRODUCED BY H. JACOBSON

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING CERTAIN TAX INCENTIVES FOR INVENTORS OF QUALIFIED PRODUCTS DEVELOPED AND MANUFACTURED IN THIS STATE AND TO IN-STATE MANUFACTURERS OF THOSE PRODUCTS."

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

NEW SECTION. **Section 1. Inventors assistance.** (1)(a) The following incentives are available to inventors for qualified products developed and manufactured in this state and to manufacturers of those products who are located in this state.

(b) To qualify for the incentives, the product must be patented or have a patent pending pursuant to federal law.

(2) Royalties earned by an inventor from a product developed and manufactured in this state are exempt from state income tax for a period of 7 years from January 1 of the first year in which a royalty is received.

(3) (a) In addition to any other tax credit to which the manufacturer may be entitled, a manufacturer located in this state that is manufacturing a product developed by an inventor in this state may exclude from the manufacturer's Montana taxable income or, in the case of an individual, from the individual's Montana adjusted gross income 65% of the cost of depreciable property purchased and used directly in manufacturing the product.

(b) The maximum exclusion may not exceed \$500,000.

(c) If the exclusion allowed by this subsection (3) exceeds the Montana taxable income or, in the case of an individual, the Montana adjusted gross income, the amount of the exclusion that is in excess of income may be carried forward as an exclusion against subsequent Montana taxable income or, in the case of an individual, against subsequent Montana adjusted gross income for a period not to exceed 4 years.

(4) For the purposes of this section, "depreciable property" means machinery, fixtures, equipment, buildings, or substantial improvements placed in service in this state during the tax year of the person claiming a deduction pursuant to subsection (3).

(5) The department shall adopt rules to implement this section.

NEW SECTION. **Section 2. Codification instruction.** [Section 1] is intended to be codified as an

integral part of Title 15, and the provisions of Title 15 apply to [section 1].

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