

OFFICE OF THE GOVERNOR  
STATE OF MONTANA

STEVE BULLOCK  
GOVERNOR



ANGELA McLEAN  
LT. GOVERNOR

May 4, 2015

The Honorable Linda McCulloch  
Secretary of State  
State Capitol  
Helena, MT 59620

Dear Secretary McCulloch:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto Senate Bill 171 (SB 171), "AN ACT GENERALLY REVISING TAXATION OF INCOME, INCLUDING THE CORPORATE INCOME TAX; REQUIRING THE TAXATION OF INDIVIDUALS, PARTNERSHIPS, AND SUBCHAPTER S. CORPORATIONS, INCLUDING TRUSTS AND ESTATES, TO RELATE THE STATE INDIVIDUAL INCOME TAX TO FEDERAL TAXABLE INCOME; PROVIDING ADJUSTMENTS TO FEDERAL TAXABLE INCOME TO INCLUDE CERTAIN INCOME; PROVIDING ADJUSTMENTS TO FEDERAL TAXABLE INCOME TO EXCLUDE CERTAIN INCOME; ELIMINATING MOST INDIVIDUAL INCOME TAX DEDUCTIONS; ELIMINATING CERTAIN INDIVIDUAL INCOME TAX CREDITS; REVISING CERTAIN INDIVIDUAL INCOME TAX CREDITS; ELIMINATING CERTAIN CORPORATE INCOME TAX DEDUCTIONS AND CREDITS; REVISING INDIVIDUAL INCOME TAX RATES SUBJECT TO A REDUCTION FOR NET CAPITAL GAIN INCOME; PROVIDING A TRANSITION FOR CREDITS THAT ARE SUBJECT TO A CARRYFORWARD; PROVIDING A TRANSITION FOR DIFFERENCES IN FEDERAL AND MONTANA INCOME TAX LAWS; REENACTING THE BIG SKY ON THE BIG SCREEN ACT AND MAKING PERMANENT THE AVAILABILITY AND USE OF TAX CREDITS; PROMOTING THE MOTION PICTURE AND TELEVISION INDUSTRIES AND RELATED MEDIA IN MONTANA BY PROVIDING TAX INCENTIVES FOR FILMING AND FOR DEVELOPING MAGAZINE ADVERTISING IN MONTANA; ALLOWING A PRODUCTION COMPANY A TAX CREDIT FOR EMPLOYING MONTANA RESIDENTS; ALLOWING A PRODUCTION COMPANY A TAX CREDIT FOR QUALIFYING EXPENDITURES MADE IN MONTANA; REQUIRING A PRODUCTION COMPANY TO APPLY TO THE DEPARTMENT OF COMMERCE FOR STATE CERTIFICATION OF A PRODUCTION TO QUALIFY FOR THE TAX CREDITS; REQUIRING AN APPLICATION AND AN APPLICATION FEE FOR A PRODUCTION COMPANY TO CLAIM TAX CREDITS FOR A STATE-CERTIFIED PRODUCTION; REQUIRING THAT THE APPLICATION FEE BE USED FOR ADMINISTERING THE TAX CREDITS; PROVIDING A STATUTORY APPROPRIATION; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 2-18-1312, 7-14-1133, 7-14-1636, 7-34-2416, 15-30-2101, 15-30-2102, 15-30-2103, 15-30-2104, 15-30-2113, 15-30-2151, 15-30-2153, 15-30-2328, 15-30-2329, 15-30-2337, 15-30-2341, 15-30-2501, 15-30-2512, 15-30-2602, 15-30-2605, 15-30-2606, 15-30-2618, 15-30-2364, 15-30-3003, 15-30-3004,

Secretary McCulloch

May 4, 2015

Page 2

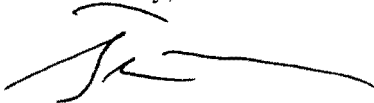
15-30-3005, 15-30-3312, 15-31-125, 15-31-127, 15-31-131, 15-31-162, 15-32-104, 15-32-106, 15-61-202, 15-61-203, 15-62-208, 15-63-202, 17-7-502, 19-2-1004, 19-17-407, 19-18-612, 19-19-504, 19-20-706, 19-21-212, 33-22-2006, 33-27-101, 33-27-102, 33-27-103, 37-4-104, 53-2-211, 67-11-303, 70-9-803, 75-2-103, 75-5-103, 87-2-102, AND 87-2-105, MCA; REPEALING SECTIONS 7-21-3701, 7-21-3702, 7-21-3703, 7-21-3704, 7-21-3710, 7-21-3715, 15-30-2110, 15-30-2111, 15-30-2114, 15-30-2115, 15-30-2116, 15-30-2117, 15-30-2119, 15-30-2131, 15-30-2132, 15-30-2133, 15-30-2141, 15-30-2142, 15-30-2143, 15-30-2144, 15-30-2152, 15-30-2301, 15-30-2319, 15-30-2320, 15-30-2356, 15-31-124, 15-31-134, 15-31-137, 15-31-163, 15-31-172, 15-32-109, 15-32-115, 15-32-201, 15-32-202, 15-32-203, 15-32-301, 15-32-302, 15-32-303, 15-32-401, 15-32-402, 15-32-404, 15-32-405, 15-32-406, 15-32-407, 15-32-501, 15-32-502, 15-32-503, 15-32-504, 15-32-505, 15-32-506, 15-32-507, 15-32-508, 15-32-509, 15-32-510, 15-32-701, 15-32-702, 15-32-703, 15-62-207, AND 33-2-724, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE.”

SB 171 is a significant rewrite of the Montana system of income taxation. Simplification is a laudable goal, but unfortunately SB 171 raises more issues than it resolves. Montana’s system of income taxation is generally recognized as stable, progressive, and fair. Montana’s tax system also receives high marks for being fair and business friendly when compared with other states. And, while it certainly can be improved, we need to ensure that changes minimize any harm. In my view that standard is not met by SB 171.

First, SB 171 will raise income taxes for approximately 17 percent or 75,000 of Montana’s income taxpayers. Second, the bill sunsets the Energy Conservation Credit, the Geothermal Heating System Credit and the Alternative Energy System Credit, which are widely used and play an important role in encouraging taxpayers to reduce fossil fuel reliance and meet air quality standards. This elimination is partially justified by a promise of replacing these credits with a grant program in the next legislative session. This promise, however, is dependent upon future legislative action that may not come to pass. Finally, at a cost of close to 30 million over the next two years, SB 171 will have a significant negative effect on balancing our budget and maintaining a sound ending fund balance.

For these reasons I veto SB 171.

Sincerely,



STEVE BULLOCK

Governor

cc: Legislative Services Division  
Debby Barrett, President of the Senate  
Austin Knudsen, Speaker of the House