

HOUSE BILL NO. 187

INTRODUCED BY J. HAMILTON

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A SMALL BUSINESS INVESTMENT TAX CREDIT;
5 DESCRIBING ELIGIBLE INVESTMENTS IN QUALIFYING BUSINESSES AND QUALIFYING FUNDS;
6 PROVIDING RULEMAKING AUTHORITY; PROVIDING DEFINITIONS; AND PROVIDING AN APPLICABILITY
7 DATE AND A TERMINATION DATE."

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

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11 NEW SECTION. **Section 1. Small business investment tax credit -- definitions -- rulemaking.** (1)

12 For tax years 2018 through 2023, there is allowed as a credit against taxes otherwise imposed by this chapter
13 a percentage of investments made by the taxpayer during the year to a qualifying business or a qualifying fund.

14 (2) The amount of the credit is 30% of the total investments, and the minimum investment to qualify for
15 the credit is \$50,000.

16 (3) The credit is limited to \$75,000 in a year and to a total of \$750,000 in all years for which the credit
17 is claimed.

18 (4) The credit allowed under this section may not exceed the taxpayer's income tax liability. The unused
19 portion of a credit may be carried forward for 7 succeeding tax years.

20 (5) The credit may not be claimed by a principal or officer of a qualifying fund if the principal or officer
21 is also a principal or officer of a qualifying business in which the qualifying fund invests.

22 (6) The department shall adopt rules to implement this section. The rules must include a process for the
23 department to certify qualifying businesses and qualifying funds.

24 (7) Pursuant to 5-4-104, the legislature finds that the purpose of the tax credit provided for in this section
25 is to encourage investment in small businesses and to increase the number of high-wage jobs in Montana.

26 (8) For purposes of this section, the following definitions apply:

27 (a) "Proprietary technology" means the technical innovations that are unique and legally owned or
28 licensed by a business and includes, without limitation, innovations that are patented, patent pending, a subject
29 of trade secrets, or copyrighted.

30 (b) "Qualified field" means the field of aerospace, agriculture, renewable energy, energy efficiency and

1 conservation, environmental engineering, food technology, information technology, materials science technology,
2 nanotechnology, telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics,
3 biologicals, chemistry, veterinary science, tourism, forestry, mining, manufacturing, or transportation or a similar
4 field.

5 (c) (i) "Qualifying business" means a business:

6 (A) engaged in or committed to engage in innovation in Montana in one of the following as its primary
7 business activity:

8 (I) using proprietary technology to add value to a product, process, or service in a qualified field; or

9 (II) researching, developing, or producing a proprietary product, process, or service in a qualified field;

10 (B) domiciled in Montana;

11 (C) with at least 65% of the business's employees employed in Montana;

12 (D) with 65% of the business's total payroll paid or incurred in Montana; and

13 (E) that meets at least three of the following requirements:

14 (I) has fewer than 25 employees;

15 (II) has been in operation fewer than 5 years;

16 (III) had previous equity infusions of less than \$2 million;

17 (IV) has assets totaling less than \$10 million.

18 (ii) The term does not include, other than the activities specifically listed in subsection (8)(c)(i)(A), a
19 business engaged in real estate development, insurance, banking, lending, lobbying, political consulting,
20 information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, or
21 professional services provided by attorneys, accountants, business consultants, physicians, or health care
22 consultants.

23 (d) "Qualifying fund" means a fund comprising cash, securities, or other investment assets based in
24 Montana that makes 75% or more of its investments in qualifying businesses.

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26 **NEW SECTION. Section 2. Codification instruction.** [Section 1] is intended to be codified as an
27 integral part of Title 15, chapter 30, part 23, and the provisions of Title 15, chapter 30, part 23, apply to [section
28 1].

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30 **NEW SECTION. Section 3. Applicability.** [This act] applies to tax years beginning after December 31,

1 2017.

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3 NEW SECTION. **Section 4. Termination.** [This act] terminates December 31, 2030.

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