

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



MIKE COONEY
LT. GOVERNOR

May 7, 2019

The Honorable Corey Stapleton
Secretary of State
State Capitol
Helena, MT 59601

Dear Secretary Stapleton:

In accordance with the power vested in me as Governor by the Constitution and laws of the State of Montana, I hereby veto Senate Bill 266 (SB 266), "AN ACT GENERALLY REVISING TAXATION TO PROMOTE NEW BUSINESS AND ECONOMIC ACTIVITY; PROVIDING FOR CREATION OF AN INCOME TAX CREDIT TO INCENTIVIZE MONTANA JOB GROWTH; PROVIDING FOR ADMINISTRATION BY THE DEPARTMENT OF LABOR AND INDUSTRY AND THE DEPARTMENT OF REVENUE; PROVIDING THAT THE CREDITS BE TAKEN AGAINST INDIVIDUAL INCOME TAX AND CORPORATE INCOME TAX LIABILITIES; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; PROVIDING APPROPRIATIONS; AMENDING SECTIONS 15-30-2357, 15-30-2618, AND 15-31-511, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

The budget I proposed to the legislature was balanced, maintained a meaningful reserve, and made targeted investments in education, infrastructure and critical services. It is the constitutional obligation of the legislature to pass a balanced budget. Yet in the closing days of the session and after final adjournment, Republicans have sent me bills that entail millions of dollars of unfunded spending, well beyond the capacity of the legislature's own revenue projections. Among those is SB 266, which would have an impact to the General Fund of more than \$650,000 in Fiscal Year 2020 and more than \$1 million in each of the three subsequent years.

Senate Bill 266 attempts to increase economic activity by creating an Employer Job Growth Tax Credit equal to 50 percent of an employer's federal tax liability for each new employee. To qualify for the credit, employers must create at least ten jobs the first year the credit is claimed, and at least 15 jobs in subsequent years. The non-refundable corporate income tax credit afforded by SB 266 lasts ten years for eligible employers.

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My administration is committed to promoting job growth and economic development across Big Sky Country. But instead of supporting new growth for small businesses, SB 266 allocates public monies to reward existing growth at the largest employers. The ten-job threshold would be difficult for the majority of Montana's businesses to meet, especially those that operate in rural areas. Additionally, employers with the capacity to create at least ten new jobs in a year will likely do so with or without a tax credit. The benefit outlined in SB 266 favors businesses that are already booming and neglects to support businesses that may need it most.

Given Montana's current workforce shortage and tight labor market, I question whether SB 266 is necessary.

For these reasons, I veto SB 266.

Sincerely,



STEVE BULLOCK
Governor

cc: Legislative Services Division
Scott Sales, President of the Senate
Greg Hertz, Speaker of the House