



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0707

Title: Revise capital gains tax credit

Primary Sponsor: Abbott, Kim

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 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$14,968,000	\$13,608,000	\$13,839,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$14,968,000</u>	<u>\$13,608,000</u>	<u>\$13,839,000</u>

Description of fiscal impact: HB 707 limits the capital gains tax credit to individuals with incomes below an income threshold and limits the credit to either net capital gains income or taxable income. The bill would increase general fund revenue by \$14.968 million in FY 2021.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, taxpayers can claim a 2% income tax credit of the taxpayer's net capital gains.
- HB 707 limits the personal income tax credit for capital gains to individuals with a Montana taxable income that is less than \$1 million. The credit is also limited to the taxpayer's net capital gains or taxable income.
- The maximum income level is increased based on an inflation factor each tax year.
- The changes to the capital gains credit apply to all tax years beginning after December 31, 2019.
- The income tax model was updated the proposed changes in HB 707. HB 707 will increase income tax liabilities by nearly \$15 million in TY 2020 relative to current law.



HB 707 Change in Tax Revenue (\$ million)				
Tax Year	TY 2020	TY 2021	TY 2022	TY 2023
Change in Revenue	\$14.968	\$13.608	\$13.839	\$14.156

6. As the proposed change in tax liabilities is due to a change in a tax credit, it is assumed that taxpayers will not change their withholding, or estimated payments, as a result of HB 707.
7. With no changes in withholding or estimated payment amounts, the proposed bill would increase general fund revenue by \$14.968 million in FY 2021, \$13.608 million in FY 2022 and \$13.838 million in FY 2023.
8. The department does not expect to incur significant costs because of the proposed bill.

Fiscal Impact:	FY 2020	FY 2021	FY 2022	FY 2023
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$14,968,000</u>	<u>\$13,608,000</u>	<u>\$13,839,000</u>
TOTAL Revenues	<u>\$0</u>	<u>\$14,968,000</u>	<u>\$13,608,000</u>	<u>\$13,839,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$14,968,000	\$13,608,000	\$13,839,000

Long-Term Impacts:

1. Capital gains income can change significantly from one year to the next.

	<u>3/26/2019</u>		<u>3/26/19</u>
Sponsor's Initials	Date	Budget Director's Initials	Date