HOUSE BILL NO. 293

INTRODUCED BY W. GALT

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE "MONTANA ECONOMIC DEVELOPMENT INDUSTRY ADVANCEMENT ACT" (MEDIA) TO PROVIDE INCOME TAX INCENTIVES FOR CERTAIN EXPENDITURES RELATED TO FILM, TELEVISION, AND RELATED MEDIA PRODUCTION; PROVIDING A TAX CREDIT TO PRODUCTION COMPANIES FOR CERTAIN MEDIA PRODUCTION EXPENDITURES MADE IN MONTANA; PROVIDING THAT THE CREDIT MAY BE CARRIED FORWARD OR TRANSFERRED TO A MONTANA TAXPAYER; REQUIRING THE DEPARTMENT OF REVENUE TO ADMINISTER THE TRANSFER OF THE TAX CREDITS; PROVIDING A TAX CREDIT FOR POSTPRODUCTION EXPENDITURES INCURRED IN MONTANA IF A MAJORITY OF THE POSTPRODUCTION WORK IS DONE IN MONTANA; REQUIRING A PRODUCTION COMPANY TO APPLY TO THE DEPARTMENT OF COMMERCE FOR STATE CERTIFICATION TO QUALIFY FOR THE MEDIA PRODUCTION TAX CREDIT; REQUIRING AN APPLICATION AND AN APPLICATION FEE FOR A PRODUCTION COMPANY OR POSTPRODUCTION COMPANY TO CLAIM A TAX CREDIT; PROVIDING A STATUTORY APPROPRIATION; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

<u>NEW SECTION.</u> **Section 1. Short title.** [Sections 1 through 9] may be cited as the "Montana Economic Development Industry Advancement Act".

<u>NEW SECTION.</u> **Section 2. Purpose.** (1) The purpose of [sections 1 through 9] is to enhance Montana's economy by expanding film and related media production in the state, by increasing job opportunities for a broad array of workers, and by promoting the growth of small businesses. The objectives of [sections 1 through 9] are to:

(a) advertise Montana as open for business to qualifying projects;

(b) develop a broad spectrum of high-paying jobs in the state;

(c) encourage investment of funds to finance media production in the state;

(d) expand opportunities for existing Montana small businesses and for new small businesses that provide goods and services to qualified projects; and

(e) promote tourism in the state.

(2) The objectives in subsection (1) will best be achieved by offering tax incentives as provided in [sections 1 through 9].

NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 9], unless the context requires otherwise, the following definitions apply:

(1) "Affiliate" means the members of a taxpayer's affiliated group within the meaning of 26 U.S.C. 1504(a) and any entity, notwithstanding its form of organization, that would otherwise qualify as a member of the affiliated group.

(2) "Base investment" means the amount expended by a production company as production expenditures and compensation incurred in this state that are directly used in a state-certified production.

(3) (a) "Compensation" means wages, salaries, commissions, payments to a loan-out company subject to the provisions of subsection (3)(b), union benefits, fringe benefits, and any other form of remuneration paid to employees for personal services.

(b) The term includes payments to a loan-out company by a production company if the production company withheld Montana income tax at the rate of 6.9% on all payments to the loan-out company for services performed in this state. The amount withheld is considered to have been withheld by the loan-out company on wages paid to its employees for services performed in this state. The amounts withheld must be allocated to the loan-out company's employees based on the payments made to the loan-out company's employees for services performed in Montana. For purposes of this chapter, loan-out company nonresident employees performing services in this state must be considered taxable nonresidents and the loan-out company is subject to income taxation in the tax year in which the loan-out company's employees perform services in this state, notwithstanding any other provisions of Title 15. The withholding liability is subject to penalties and interest as provided in 15-1-216.

(c) With respect to a single crew member or production staff member, excluding an actor, director, producer, or writer, the portion of any compensation that exceeds $600,000 for a single production is not included when calculating the base investment.

(d) All payments to a single employee and any legal entity in which the employee has any direct or indirect ownership interest are considered as having been paid to the employee and must be aggregated regardless of the means of payment or distribution.

(4) "Game platform" means the electronic delivery system used to launch or play an interactive game.

(5) "Game sequel" means an interactive game that builds on the theme of a previously released interactive game, is distinguished by a new title, and features objectives or characters that are recognizably different from those in the original game.

(6) (a) "Loan-out company" means a personal service company contracted with and retained by a production company to provide individual personnel who are not employees of the production company, including actors, directors, producers, writers, production designers, production managers, costume designers, directors of photography, editors, casting directors, first assistant directors, second unit directors, stunt coordinators, and similar personnel, for performance of services used directly in a qualified production activity.

(b) The term does not include persons retained by a production company to provide tangible property or outside independent contractor services, such as catering, construction, trailers, equipment, and transportation.

(7) "Multimarket commercial distribution" means paid commercial distribution that extends to markets outside the state.

(8) (a) "Postproduction company" means a company that:

(i) maintains a business location physically located in this state;

(ii) is engaged in qualified postproduction activities;

(iii) meets the requirements of [section 5(4)] in the tax year for which the postproduction company claims the tax credits provided for in [section 7]; and

(iv) has been approved by the department of commerce to claim the credit provided for in [section 7].

(b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part, by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan guaranteed by the state.

(9) "Prereleased interactive game" means a new game, the offering of an existing game on a new game platform, or a game sequel that is in the developmental stages of production and that may be available to individuals for testing purposes but is not generally made available or distributed to consumers or to the general public.

(10) (a) "Production company" means a company primarily engaged in qualified production activities that have been approved by the department of commerce.

(b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part, by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan guaranteed by the state.

(11) (a) "Production expenditure" means a preproduction, production, or postproduction expenditure incurred in Montana that is directly used for a qualified production activity including without limitation:

(i) set construction and operation;

(ii) wardrobes, makeup, accessories, and related services;

(iii) costs associated with photography and sound synchronization expenditures, excluding license fees, incurred with Montana companies for sound recordings and musical compositions, lighting, or related services and materials;

(iv) editing and related services;

(v) rental of facilities and equipment;

(vi) leasing of vehicles, whether to be photographed or to transport people, equipment, or materials;

(vii) lodging costs, including hotel rooms and private housing rentals paid for by the production company;

(viii) food costs and living allowances paid to staff, cast, and crew members, including without limitation payments made directly to caterers and per diem payments made to staff, cast, or crew members;

(ix) digital, film, or tape editing, film processing, transfers of film to tape or digital format, sound mixing, computer graphics services, special effects services, visual effects services, and animation services;

(x) airfare, if purchased through a Montana travel agency or travel company;

(xi) insurance costs and bonding, if purchased through a Montana insurance agency; and

(xii) other direct costs of producing the project in accordance with generally accepted entertainment industry practices.

(b) The term does not include:

(i) compensation, which qualifies for the credit provided for in [section 6(3)(b)(i) through (3)(b)(iv)];

(ii) production expenditures for footage shot outside the state;

(iii) marketing;

(iv) story rights; or

(v) distribution.

(12) "Qualified Montana promotion" means a promotion of this state approved by the department of commerce and consisting of:

(a) a qualified movie production that includes a 5-second static or animated logo that promotes Montana in the end credits for the life of the project and that includes a link to the official state of Montana website on the project's website;

(b) a qualified television production that includes an embedded 5-second Montana promotion during each broadcast worldwide for the life of the project and that includes a link to the official state of Montana website on the project's website;

(c) a qualified music video that includes the Montana logo at the end of each video and within online promotions;

(d) a qualified interactive game that includes a 15-second Montana advertisement in units sold and embedded in online promotions; or

(e) a qualified television special or sports event for which the network provides complimentary placement of two 30-second spots per 30 minutes of qualifying television special or sports event programming promoting Montana destinations and provided by the department of commerce as provided for in [section 4(7)].

(13) "Qualified postproduction activity" means an activity performed on a qualified production employing traditional, emerging, and new workflow techniques used in postproduction for picture, sound, and music editing, rerecording and mixing, visual effects, graphic design, original scoring, animation, musical composition, and other activities performed after initial production and including activities performed on previously produced and edited content.

(14) "Qualified postproduction expenditure" means an expenditure incurred in this state directly in qualified postproduction activities for footage shot inside or outside this state, including without limitation:

(a) costs associated with picture and sound synchronization;

(b) expenditures, excluding license fees, incurred with Montana companies for sound recordings and musical compositions, lighting, or related services and materials;

(c) editing and related services;

(d) rental of facilities and equipment;

(e) leasing of vehicles;

(f) costs of food and lodging;

(g) digital, film, or tape editing, film processing, transfers of film to tape or digital format, sound mixing, computer graphics services, special effects services, visual effects services, and animation services;

(h) compensation paid to an employee working within this state on qualified postproduction activities;

(i) airfare, if purchased through a Montana travel agency or travel company;

(j) insurance costs and bonding, if purchased through a Montana insurance agency; and

(k) other direct postproduction costs for the project in accordance with generally accepted entertainment industry practices.

(15) (a) "Qualified production" means a new film, video, or digital project including only feature films, series for theaters, television, or streaming, pilots, movies and scripted shows made for television or streaming, televised commercial advertisements, music videos, corporate videos, industrial films, production for website creation, television specials, sports events, video games, interactive entertainment, prereleased interactive games, and sound recording projects used in a feature film, series, pilot, or movie for television.

(b) The term includes projects shot, recorded, or originally created in short or long form, animation, and music, fixed on a delivery system, including film, videotape, computer disc, laser disc, and any element of the digital domain, from which the program is viewed or reproduced and which is intended for multimarket commercial distribution via a theater, video on demand, digital or fiber optic distribution platforms, digital video recording, a digital platform designed for distribution of interactive games, licensing for exhibition by individual television stations, groups of stations, networks, advertiser-supported sites, cable television stations, streaming services, or public broadcasting stations.

(c) The term does not include the coverage of news, local interest programming, instructional videos, commercials distributed only on the internet, infomercials, solicitation-based productions, nonscripted television programs, feature films consisting primarily of stock footage not originally recorded in Montana, or projects containing obscenity, including sexually explicit material, intended to be rated "NC-17", "X", "XX", or "XXX".

(16) (a) "Qualified production activity" means the production of a new film, video, or digital project in this state and approved by the department of commerce, including only feature films, series for theaters, television, or streaming, pilots, movies and scripted shows made for television or streaming, televised commercial advertisements, music videos, corporate videos, industrial films, production for website creation, television specials, sports events, video games, interactive entertainment, prereleased interactive games, and sound recording projects used in a feature film, series, pilot, or movie for television.

(b) The term includes the production of projects filmed or recorded in this state, in whole or in part and in short or long form, animation and music, fixed on a delivery system, including film, videotape, computer disc, laser disc, and any element of the digital domain, from which the program is viewed or reproduced and which is intended for multimarket commercial distribution via a theater, video on demand, digital or fiber optic distribution platforms, digital video recording, a digital platform designed for distribution of interactive games, licensing for exhibition by individual television stations, groups of stations, networks, advertiser-supported sites, cable television stations, streaming services, or public broadcasting stations.

(c) The term does not include the coverage of news, local interest programming, instructional videos, commercials distributed only on the internet, infomercials, solicitation-based productions, nonscripted television programs, or feature films consisting primarily of stock footage not originally recorded in Montana, projects containing obscenity, including sexually explicit material, intended to be rated "NC-17", "X", "XX", or "XXX", or projects not shot, recorded, or originally created in Montana.

(17) "Resident" or "Montana resident" has the meaning provided in 15-30-2101.

(18) "State-certified production" means a production engaged in qualified production activities and certified by the department of commerce as provided in [section 4].

(19) "Underserved area" means a county in this state in which 14% or more people of all ages are in poverty as determined by the U.S. bureau of the census estimates for the most current year available.

NEW SECTION. **Section 4. Application for state certification.** (1) A production company may not receive the tax credit provided for in [section 6] unless the production has been certified by the department of commerce as provided in this section.

(2) An application, on a form provided by the department of commerce, must be submitted by the production company to the department of commerce before the start of principal photography. The application must be accompanied by a $500 fee and must include:

(a) the production company's name, primary business address, telephone and fax numbers, incorporation information, federal tax identification number, and the name of at least one principal company officer or manager;

(b) the address and telephone and fax numbers of the production company's Montana office;

(c) the name of the line producer, unit production manager, or production accountant;

(d) a statement that the applicant meets the definition of production company in [section 3];

(e) the title of the production;

(f) the type of production;

(g) the proposed dates of production from preproduction to the start and completion of principal photography;

(h) a copy or synopsis of the production script;

(i) a list of production locations;

(j) a statement that the proposed production does not contain any material or performance that would be considered obscene under 45-8-201(2);

(k) a statement that the production will include a qualified Montana promotion, including whether the production will include a Montana screen credit to qualify for the additional tax credit provided for in [section 6(3)(b)(viii)]; and

(l) a statement that the production company plans to make a base investment of $350,000 or more or, if subsection (5) applies, that the production company plans to make a base investment of $50,000 or more.

(3) The application must be signed by the manager, agent, president, vice president, or other person authorized to represent the production company.

(4) (a) The department of commerce shall notify the applicant within 30 days of receipt of the application as to whether the production qualifies as a state-certified production.

(b) If the department of commerce approves the application, the department of commerce shall provide a certification number to the applicant.

(5) The department of commerce may approve on a case-by-case basis an application for a commercial, music video, production for website creation, video game, interactive entertainment, or experimental or low-budget project that plans a base investment of less than $350,000 but more than $50,000.

(6) (a) If the department of commerce determines that the production company has violated the provisions of subsection (2)(j) or (2)(k), the department of commerce may revoke the state certification of the production. If the department of commerce revokes the state certification, the department of commerce shall notify the department of revenue. The production company has the right to a hearing under Title 2, chapter 4, part 6.

(b) The department of revenue shall recapture any tax credit claimed by a production company for which the state certification has been revoked. The recapture is subject to penalties and interest as provided in 15-1-216.

(7) The department of commerce shall design and furnish the Montana screen credit needed to qualify for the additional tax credit provided for in [section 6(3)(b)(viii)] and the programming promoting Montana destinations provided for in [section 3(12)(e)].

(8) The application fee must be deposited in an account in the state special revenue fund. The fee is statutorily appropriated to the department of commerce, as provided in 17-7-502, to administer the provisions of [sections 4 through 9].

(9) The department of commerce shall prescribe rules necessary to carry out the provisions of this section, including a procedure for review of the department's denial or revocation of state certification, the department's policies on the types of productions that may include the Montana screen credit, and the criteria for approving projects with a base investment of less than $350,000.

NEW SECTION. **Section 5. Submission of costs -- fee.** (1) Prior to claiming the media production tax credit provided for in [section 6] or the tax credit for postproduction expenditures provided for in [section 8], a production company or postproduction company shall submit costs to the department of commerce as provided in this section. A taxpayer may not claim a credit provided for in [section 6] or [section 8] unless the costs have been approved as provided in this section. The submission of cost information must be accompanied by a $500 fee.

(2) (a) A production company wishing to claim or transfer the tax credit for media production provided for in [section 6] shall submit to the department of commerce detailed information on production expenditures and compensation paid in connection with the state-certified production. Production expenditures and compensation paid must be submitted within 60 days of the completion of principal photography or, for a state-certified production for which expenditures will be claimed for multiple tax years, by the end of the tax year for which the credit will be claimed.

(b) The information submitted by the production company must include:

(i) the certification number of the state-certified production, as provided for in [section 4(4)];

(ii) a description of the qualified production activities and the production expenditures, including information that demonstrates a base investment of $350,000 or more or, if [section 4(5)] applies, a base investment of $50,000 or more; and

(iii) if compensation is included in the production expenditures, a detailed listing of employee names, social security numbers, Montana wages, state of residence, and whether the employee is an enrolled student.

(3) (a) The department of commerce shall review the costs submitted pursuant to subsection (2) and provide to the department of revenue the amount of the media production tax credit calculated pursuant to [section 6] that may be claimed or transferred and the federal tax identification number of the production company.

(b) (i) Except as provided in subsection (3)(b)(ii), the department of commerce shall approve the media production tax credit if the state-certified production's base investment is $350,000 or more.

(ii) The department of commerce shall have authority to approve the credit for a commercial, music video, production for website creation, video game, interactive entertainment, or experimental or low-budget project certified by the department of commerce pursuant to [section 4(5)] if the production's base investment is $50,000 or more.

(c) A credit may be approved as provided in this subsection (3) only if principal photography began within 1 year of the date the department of commerce certified the production pursuant to [section 4].

(4) (a) A postproduction company wishing to claim the tax credit for qualified postproduction expenditures provided for in [section 8] shall submit to the department of commerce detailed information on qualified postproduction activities, equipment purchases and rentals, and qualified postproduction expenditures.

(b) The information submitted by the postproduction company must include:

(i) a description of the qualified postproduction activities;

(ii) a certification that the postproduction company maintains a business location physically located in this state;

(iii) a certification that the postproduction company meets the requirements of subsection (5)(b); and

(iv) if compensation is included in the qualified postproduction expenditures, a detailed listing of employee names, social security numbers, and Montana wages.

(5) (a) The department of commerce shall review the costs submitted pursuant to subsection (4) and provide to the department of revenue the amount of the postproduction tax credit that may be claimed under [section 8] and the federal tax identification number of the postproduction company.

(b) The department of commerce shall approve the tax credit for postproduction expenditure if:

(i) more than half of the qualified postproduction activities were performed and paid for in Montana; and

(ii) more than half of equipment purchases or rentals, based on value, took place in Montana.

(6) The costs submitted to the department of commerce pursuant to this section must be audited by a certified public accountant prior to submission.

(7) The identity and social security number or federal tax identification number of the employees for which compensation information is submitted pursuant to this section are subject to the provisions of 15-30-2618 and 15-31-511.

(8) The fee provided for in subsection (1) must be deposited in the state special revenue fund. The fee is statutorily appropriated, as provided in 17-7-502, to the department of revenue to administer the provisions of [sections 6 through 8].

NEW SECTION. **Section 6. Tax credit for media production.** (1) A production company and its affiliates are allowed a credit against the taxes imposed by chapter 30 and this chapter for investments in a state-certified production approved by the department of commerce as provided in [sections 4 and 5]. The credit is for the base investment made up to 1 year before state certification through completion of the project. The credit must be claimed for the year in which the production expenditures were incurred or the compensation was paid.

(2) To claim the credit provided for in this section:

(a) the production company or its affiliate must have applied to the department of commerce as provided in [section 5] and been approved to claim or transfer the credit; or

(b) the taxpayer must be the entity to which a credit approved pursuant to [section 5] and this section was transferred.

(3) (a) The credit is equal to 20% of the production expenditures in the state in the tax year, plus the additional amounts provided for in subsection (3)(b), but may not in the aggregate exceed 35% of the production company's base investment in the tax year.

(b) Additional amounts for which the credit may be claimed are:

(i) 25% of the compensation paid per production or season of a television series to each crew member or production staff member who is a Montana resident, not to exceed a $150,000 credit per person;

(ii) 15% of the compensation paid per production or season of a television series to each crew member or production staff member who is not a Montana resident but for whom Montana income taxes have been withheld, not to exceed a $150,000 credit per person;

(iii) 25% of the first $10 million of compensation paid per production or season of a television series to each actor, director, producer, or writer for whom Montana income taxes have been withheld;

(iv) 30% of compensation paid per production or season of a television series to a student enrolled in a Montana college or university who works on the production for college credit. The credit may not exceed $50,000 per student. If a credit provided for in this subsection (3)(b)(iv) is claimed for an enrolled student, the credits provided for in subsections (3)(b)(i) through (3)(b)(iii) may not be claimed for the same enrolled student.

(v) an additional 10% of payments made to a Montana college or university for stage rentals, equipment rentals, or location fees for filming on campus;

(vi) an additional 10% of all in-studio facility and equipment rental expenditures for a production that rents a studio for 20 days or more;

(vii) an additional 5% for production expenditures made in an underserved area; and

(viii) an additional 10% of the base investment in the state if the state-certified production includes a Montana screen credit furnished by the state as provided in [section 4(7)].

(4) If one production company makes a production expenditure to hire another production company to produce a project or contribute elements of a project for pay, the hired production company is considered a service provider for the hiring company and the hiring company is entitled to claim the credit.

(5) Any unused credit may be carried forward for 5 years or may be transferred as provided in [section 7].

(6) A taxpayer claiming a credit shall include with the tax return the following information:

(a) the amount of tax credit claimed and transferred for the tax year;

(b) the amount of the tax credit previously claimed or transferred;

(c) the amount of the tax credit carried over from a previous tax year; and

(d) the amount of the tax credit to be carried over to a subsequent tax year.

(7) A production company claiming or transferring the tax credit shall reimburse the department for any department-initiated audit costs relating to the tax credit other than a routine audit of a taxpayer.

(8) The credit allowed under this section may not be claimed by a taxpayer if the taxpayer has included the amount of the production expenditure or compensation on which the amount of the credit was computed as a deduction under 15-30-2131 or 15-31-114.

NEW SECTION. **Section 7. Transfer of tax credit for media production.** (1) A tax credit for a state-certified production approved as provided in [sections 4 and 5] and calculated pursuant to [section 6] but not claimed by the production company may be transferred in whole or in part by the production company to another Montana taxpayer as provided in this section.

(2) A credit may be transferred only once each tax year. The transfer may involve one or more transferees.

(3) A transferee must acquire the credit for a minimum of 88% of its value.

(4) A transferred credit is subject to the 5-year carryforward period from the year in which the production company was eligible to claim the credit.

(5) A production company or taxpayer that transfers a tax credit shall submit to the department of

revenue a written notification of the transfer of the tax credit within 30 days after the transfer. The notification must include the following information:

(a) the certification number of the state-certified production;

(b) the tax credit balance before and after the transfer;

(c) the tax identification number of the taxpayer to whom the credit was transferred;

(d) the amount of credit transferred; and

(e) any other information required by the department of revenue.

(6) A transferee has rights to claim the tax credit available to the production company or previous transferee only at the time of the transfer. If a production company or transferee did not have rights to claim the credit at the time of transfer, the department of revenue shall disallow the credit claimed by the taxpayer or recapture the credit. The transferee's recourse is against the production company or previous transferee and not against the state of Montana.

(7) The department shall administer the transfer of credits pursuant to this section and shall register brokers of media tax credits.

NEW SECTION. **Section 8. Tax credit for postproduction expenditures.** (1) A postproduction company that has incurred qualified postproduction expenditures in the tax year is allowed a credit against the taxes imposed by chapter 30 and this chapter if:

(a) the taxpayer applies to the department of commerce as provided in [section 5] and is approved to claim the credit;

(b) a majority of the total postproduction work is performed and paid for in Montana; and

(c) a majority of the equipment purchases or rentals, based on value, are made in Montana.

(2) The tax credit is equal to 25% of qualified postproduction expenditures incurred in the state. An additional tax credit equal to 5% of qualified postproduction expenditures is allowed for qualified postproduction expenditures incurred in an underserved area.

(3) A tax credit claimed under this section may not exceed the postproduction company's total compensation paid to employees working in this state for the tax year in which the credit is claimed.

(4) The tax credit allowed by this section may not be refunded if the taxpayer has no tax liability. Any unused credit may be carried forward for 5 years.

(5) A taxpayer claiming a credit shall include with the tax return the following information:

(a) the amount of tax credit claimed for the tax year;

(b) the amount of the tax credit previously claimed;

(c) the amount of the tax credit carried over from a previous tax year; and

(d) the amount of the tax credit to be carried over to a subsequent tax year.

(6) A postproduction company may not claim a credit under this section for production expenditures for which the media production credit provided for in [section 6] is claimed.

(7) A postproduction company claiming the tax credit under this section shall reimburse the department for any department-initiated audit costs relating to the tax credit other than a routine audit of a taxpayer.

NEW SECTION. **Section 9. Rulemaking.** (1) The department of commerce and the department of revenue shall adopt rules necessary to implement and administer [sections 1 through 8] and this section. The rules shall include procedures for:

(a) determining production expenditures allowed under [section 6] and postproduction expenditures allowed under [section 8];

(b) administering the transfer of credits and the registration and reporting requirements of credit brokers pursuant to [section 7]; and

(c) reviewing taxpayer compliance with the provisions of [section 4].

(2) The department of revenue and the department of commerce shall jointly adopt rules related to the content of the definitions in [section 3].

Section 10. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;

5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-2-807; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-3-1304; 10-4-304; 15-1-121; 15-1-218; [section 4]; [section 5]; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-101; 15-70-130; 15-70-433; 16-11-119; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-215; 18-11-112; 19-3-319; 19-3-320; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-9-905; 20-26-617; 20-26-1503; 22-1-327; 22-3-116; 22-3-117; 22-3-1004; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-1004; 37-43-204; 37-50-209; 37-51-501; 37-54-113; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-12-213; 44-13-102; 50-1-115; 53-1-109; 53-6-148; 53-6-1304; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-321; 61-3-415; 69-3-870; 69-4-527; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 75-26-308; 76-13-150; 76-13-416; 76-17-103; 76-22-109; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 80-11-1006; 81-1-112; 81-1-113; 81-7-106; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603; 90-1-115; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments.(In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch. 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 6, Ch. 61, L. 2011, the inclusion of 76-13-416 terminates June 30, 2019; pursuant to sec. 11(2), Ch. 17, L. 2013, the inclusion of 17-3-112 terminates on occurrence of contingency; pursuant to sec. 27, Ch. 285, L. 2015, and sec. 1, Ch. 292, L. 2015, the inclusion of 53-9-113 terminates June 30, 2021; pursuant to sec. 6, Ch. 291, L. 2015, the inclusion of 50-1-115 terminates June 30, 2021; pursuant to sec. 28, Ch. 368, L. 2015, the inclusion of 53-6-1304 terminates June 30, 2019; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on occurrence of contingency; pursuant to sec. 5, Ch. 422, L. 2015, the inclusion of 17-7-215 terminates June 30, 2021; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117 terminates June 30, 2025; pursuant to sec.

10, Ch. 427, L. 2015, the inclusion of 37-50-209 terminates September 30, 2019; pursuant to sec. 33, Ch. 457, L. 2015, the inclusion of 20-9-905 terminates December 31, 2023; pursuant to sec. 12, Ch. 55, L. 2017, the inclusion of 37-54-113 terminates June 30, 2023; pursuant to sec. 4, Ch. 122, L. 2017, the inclusion of 10-3-1304 terminates September 30, 2025; pursuant to sec. 55, Ch. 151, L. 2017, the inclusion of 30-10-1004 terminates June 30, 2021; pursuant to sec. 1, Ch. 213, L. 2017, the inclusion of 90-6-331 terminates June 30, 2027; pursuant to secs. 5, 8, Ch. 284, L. 2017, the inclusion of 81-1-112, 81-1-113, and 81-7-106 terminates June 30, 2023; pursuant to sec. 1, Ch. 340, L. 2017, the inclusion of 22-1-327 terminates July 1, 2023, and pursuant to sec. 2, Ch. 340, L. 2017, and sec. 32, Ch. 429, L. 2017, is void for fiscal years 2018 and 2019; and pursuant to sec. 10, Ch. 374, L. 2017, the inclusion of 76-17-103 terminates June 30, 2027.)"

NEW SECTION. **Section 11. Codification instruction.** [Sections 1 through 9] are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [sections 1 through 9].

NEW SECTION. **Section 12. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. **Section 13. Effective date.** [This act] is effective on passage and approval.

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