

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN EMPLOYER TAX CREDIT FOR TRADES
5 EDUCATION AND TRAINING EXPENSES; PROVIDING THAT THE CREDIT BE TAKEN AGAINST
6 INDIVIDUAL INCOME TAX AND CORPORATE INCOME TAX LIABILITIES; PROVIDING RULEMAKING
7 AUTHORITY; AMENDING SECTION 15-30-2303, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
8 DATE AND A RETROACTIVE APPLICABILITY DATE."

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

11
12 NEW SECTION. **Section 1. Tax credit for trades education and training.** (1) Subject to the
13 provisions of this section, an employer taxpayer is allowed a credit against the tax imposed by chapter 31 or
14 this chapter for expenses incurred in the provision of certain education and training of employees for a trade
15 profession who work or are anticipated to work in Montana for at least 6 months of the year in which the
16 education or training occurs.

17 (2) The credit is equal to 50% of the qualified education and training expenses incurred by an
18 employer for the benefit of an employee, not to exceed \$2,000 per employee annually. An employer's total
19 credit allowed under subsection (1) on an annual basis may not exceed \$25,000.

20 (3) (a) The credit may not exceed the employer's tax liability and may not be carried forward or
21 carried back.

22 (b) Subject to the preapproval process in subsection (7), the credit may only be claimed in a tax year
23 in which the aggregate limit in subsection (7) had not been exceeded at the time the employer incurred qualified
24 education and training expenses.

25 (4) The credit allowed under this section may not be claimed by an employer if:

26 (a) the employer has included the qualified education and training expenses upon which the amount
27 of the credit was computed as a deduction in computing the tax imposed by chapter 31 or this chapter; or

28 (b) for any amount of qualified education and training expenses that are paid for with a grant or other

1 similar program to provide money for education and training of employees.

2 (5) The credit permitted under this section must be applied to the tax year in which the employer
3 incurs the qualified education and training expenses.

4 (6) If during any tax year a qualified education and training expense incurred by the employer is
5 recovered by the employer, the employer shall:

6 (a) include as income the amount deducted in any prior year that is attributable to the qualified
7 education and training expense incurred by the employer to the extent that the deduction reduced the
8 employer's individual income tax or corporate income tax; and

9 (b) increase the amount of tax due under 15-30-2103 or 15-31-101 by the amount of the credit
10 allowed in the tax year in which the credit was taken.

11 (7) (a) (i) The aggregate amount of tax credits allowed under this section is \$1 million beginning in
12 tax year 2021.

13 (ii) Beginning in 2022, by August 1 of each year, the department shall determine if \$1 million or the
14 aggregate limit provided for in subsection (7)(a)(iii) in tax credits was claimed by employers or preapproved by
15 the department. If this condition is satisfied, the aggregate amount of tax credits allowed must be increased by
16 20% for the succeeding tax years.

17 (iii) If the aggregate limit is increased in any tax year, the department shall use the new limit as the
18 base aggregate limit for succeeding tax years until a new aggregated limit is established under the provisions of
19 subsection (7)(a)(ii).

20 (b) The department shall approve the amount of tax credits for employers on a first-come, first-served
21 basis and post a notice on its website advising employers when the aggregate limit is in effect. If an employer
22 claims or incurs qualified education and training expenses after total credits approved exceeds the aggregate
23 limit, the employer's return will be processed without regard to the credit.

24 (c) The department may develop an internet-based registration system that provides an employer with
25 the opportunity to obtain preapproval for a tax credit before incurring qualified education and training expenses.

26 (8) The department may adopt rules, prepare forms, and maintain records that are necessary to
27 implement this credit.

28 (9) For the purposes of this section, the following definitions apply:

1 (a) "Qualified education and training expenses" means those expenses actually incurred by the
2 employer that are paid to an unrelated third party and include but are not limited to tuition, fees, books,
3 supplies, or equipment required as part of a qualified training method to assist an employee of the employer in
4 developing additional techniques and skills in a trade profession.

5 (b) "Qualified training method" means education and training provided in any of the following
6 methods:

7 (i) classroom education or training in which the employee travels to the educator or trainer;

8 (ii) on-site education or training in which the educator or trainer travels to the business and customizes
9 the education or training to the employer's needs; or

10 (iii) online education or training that is interactive, in which:

11 (A) the employee has access to the educator or trainer;

12 (B) the employee demonstrates or practices what the employee is learning; and

13 (C) the online education or training has the capability to provide suitable proof of completion.

14 (c) "Trade profession" means:

15 (i) boilermakers;

16 (ii) brick masons, block masons, and stone masons;

17 (iii) carpenters;

18 (iv) carpet installers;

19 (v) cement masons and terrazzo workers;

20 (vi) construction and building inspectors;

21 (vii) construction equipment operators;

22 (viii) construction laborers and helpers;

23 (ix) drywall and ceiling tile installers and tapers;

24 (x) electricians;

25 (xi) elevator installers and repairers;

26 (xii) glaziers;

27 (xiii) HVAC workers;

28 (xiv) machinists;

- 1 (xv) maintenance mechanics and auto mechanics;
- 2 (xvi) millwrights;
- 3 (xvii) oil and gas workers;
- 4 (xviii) painters;
- 5 (xix) plumbers, pipefitters, and steamfitters;
- 6 (xx) roofers;
- 7 (xxi) sheet metal workers;
- 8 (xxii) structural iron and steel workers;
- 9 (xxiii) telecommunications tower technicians;
- 10 (xxiv) tile and marble setters;
- 11 (xxv) welders; and
- 12 (xxvi) wind turbine technicians.

13

14 **NEW SECTION. Section 2. Corporate income tax credit for trades education and training. (1)**

15 There is a tax credit against the taxes otherwise imposed by 15-31-101, 15-31-121, and 15-31-122 that is

16 allowable in the amount established pursuant to [section 1] for qualified education and training expenses

17 incurred by an employer for the benefit of an employee. The credit is administered as provided in [section 1]

18 and this section.

19 (2) If the credit allowed under [section 1] and this section is claimed by a small business corporation

20 as defined in 15-30-3301, a pass-through entity, or a partnership, the credit must be attributed to shareholders,

21 owners, or partners using the same proportion as used to report the entity's income or loss.

22

23 **Section 3.** Section 15-30-2303, MCA, is amended to read:

24 **"15-30-2303. Tax credits subject to review by interim committee.** (1) The following tax credits

25 must be reviewed during the biennium commencing July 1, 2019:

- 26 (a) the credit for income taxes imposed by foreign states or countries provided for in 15-30-2302;
- 27 (b) the credit for contractor's gross receipts provided for in 15-50-207;
- 28 (c) the credit for new or expanded manufacturing provided for in 15-31-124 through 15-31-127;

- 1 (d) the credit for installing an alternative energy system provided for in 15-32-201 through 15-32-203;
- 2 (e) the credit for energy-conserving expenditures provided for in 15-30-2319 and 15-32-109; ~~and~~
- 3 (f) the credit for elderly homeowners and renters provided for in 15-30-2337 through 15-30-2341; and
- 4 (g) the credit for trades education and training provided for in [section 1] and [section 2].

5 (2) The following tax credits must be reviewed during the biennium commencing July 1, 2021:

- 6 (a) the credit for commercial or net metering system investment provided for in Title 15, chapter 32,
- 7 part 4;

8 (b) the credit for qualified elderly care expenses provided for in 15-30-2366;

9 (c) the credit for dependent care assistance and referral services provided for in 15-30-2373 and 15-
10 31-131;

11 (d) the credit for contributions to a university or college foundation or endowment provided for in 15-
12 30-2326, 15-31-135, and 15-31-136;

13 (e) the credit for donations to an educational improvement account provided for in 15-30-2334, 15-30-
14 3110, and 15-31-158; and

15 (f) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-30-
16 3111, and 15-31-159.

17 (3) The following tax credits must be reviewed during the biennium commencing July 1, 2023:

18 (a) the credit for providing disability insurance for employees provided for in 15-30-2367 and 15-31-
19 132;

20 (b) the credit for installation of a geothermal system provided for in 15-32-115;

21 (c) the credit for property to recycle or manufacture using recycled material provided for in Title 15,
22 chapter 32, part 6;

23 (d) the credit for converting a motor vehicle to alternative fuel provided for in 15-30-2320 and 15-31-
24 137;

25 (e) the credit for infrastructure use fees provided for in 17-6-316; and

26 (f) the credit for contributions to a qualified endowment provided for in 15-30-2327 through 15-30-
27 2329, 15-31-161, and 15-31-162.

28 (4) The following tax credits must be reviewed during the biennium commencing July 1, 2025:

- 1 (a) the credit for preservation of historic buildings provided for in 15-30-2342 and 15-31-151;
- 2 (b) the credit for mineral or coal exploration provided for in Title 15, chapter 32, part 5;
- 3 (c) the credit for capital gains provided for in 15-30-2301;
- 4 (d) the credit for a new employee in an empowerment zone provided for in 15-30-2356 and 15-31-
- 5 134;
- 6 (e) the credit for an oilseed crush facility provided for in 15-32-701; and
- 7 (f) the credit for unlocking state lands provided for in 15-30-2380.
- 8 (5) The following tax credits must be reviewed during the biennium commencing July 1, 2027:
- 9 (a) the biodiesel or biolubricant production facility credit provided for in 15-32-702;
- 10 (b) the biodiesel blending and storage credit provided for in 15-32-703;
- 11 (c) the adoption tax credit provided for in 15-30-2364;
- 12 (d) the credit for providing temporary emergency lodging provided for in 15-30-2381 and 15-31-171;
- 13 (e) the credit for hiring a registered apprentice or veteran apprentice provided for in 15-30-2357 and
- 14 15-31-173;
- 15 (f) the earned income tax credit provided for in 15-30-2318; and
- 16 (g) the media production and postproduction credits provided for in 15-31-1007 and 15-31-1009.
- 17 (6) The revenue interim committee shall review the tax credits scheduled for review in the biennium of
- 18 the next regular legislative session, including any individual or corporate income tax credits with an expiration or
- 19 termination date that are not listed in this section, and make recommendations to the legislature about whether
- 20 to eliminate or revise the credits. The legislature may extend the review dates by amending this section. The
- 21 revenue interim committee shall review the credits using the following criteria:
- 22 (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions that
- 23 may have been made regardless of the existence of the tax credit;
- 24 (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;
- 25 (c) whether the credit has out-of-state beneficiaries;
- 26 (d) the timing of costs and benefits of the credit and how long the credit is effective;
- 27 (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or
- 28 elimination outweigh adverse impacts; and

1 (f) the extent to which benefits of the credit affect the larger economy."
2

3 NEW SECTION. Section 4. Codification instruction. (1) [Section 1] is intended to be codified as
4 an integral part of Title 15, chapter 30, part 23, and the provisions of Title 15, chapter 30, part 23, apply to
5 [section 1].

6 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 31, part 1, and the
7 provisions of Title 15, chapter 31, part 1, apply to [section 2].
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9 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.
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11 NEW SECTION. Section 6. Retroactive applicability. [This act] applies retroactively, within the
12 meaning of 1-2-109, to income tax years beginning after December 31, 2020.
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