



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0252

**Title:** Non-refundable tax credit for employer-paid education of trade professions

**Primary Sponsor:** Jones, Lew

**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 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>

**Description of fiscal impact:** HB 252 bill would create a tax credit for 50% of qualified training expenses for vocational, technical and trade professions. The estimated impact would be a decrease in general fund revenues of \$1 million each fiscal year, beginning with FY 2022.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. HB 252 would create a non-refundable tax credit for trades education and training. The credit would be for 50% of the training expense paid to an unrelated, third-party for training in a vocational, technical or trade profession.
2. The credits that may be claimed for these qualifying training expenses by a taxpayer are capped annually at \$2,000 per employee and \$25,000 per employer/taxpayer. The credit is available to offset individual or corporate income tax liability.
3. Based on the demand for similar training assistance programs in Montana and other states, combined with the broad, inclusive nature of this tax credit, it is assumed that the credit would be claimed by approximately 300 employers for approximately 1,000 employees each year.

4. It is assumed the average training expense per employee would be approximately \$2,500, resulting in a credit amount of approximately \$1,250 per employee. The total estimated potential credit amount would be approximately \$1.25 million (1,000 employees x \$1,250 per employee) per year beginning with tax year 2021.
5. This credit would be non-refundable and unable to be carried over, so it is assumed that only 80% of the total potential credit amount would be able to be claimed and used to reduce tax liability.
6. These credits can be taken against individual or corporate income tax returns and it is assumed that income tax revenues will decrease by 80% of the credits claimed. This would result in a decrease in general fund revenues of about \$1 million per year beginning with FY 2022.
7. There is a total credit cap of \$1 million per year to start, and if the cap is hit in one year, then the cap would increase by 20% for subsequent years. It is estimated that the fiscal impact of this credit would be about \$1 million each fiscal year, without the restriction of the total cap, but if the demand for the credit is higher than anticipated and the cap is restrictive, then the amount of credits claimed would start at \$1 million and be able to increase 20% each year after. If this were to happen each year, then the total credits could reach \$1.728 million in FY 2025.
8. The \$25,000 annual cap for each employer/taxpayer would allow the maximum credit to be claimed for 12 and a half employees or a lower amount to be claimed for more employees. This cap would allow the credit to be available to more employers before hitting the total credit limit of \$1 million.
9. The department would incur minimal additional costs related to this bill.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
<b>TOTAL Revenues</b>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)

  
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 Sponsor's Initials

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 2/2/21  
 Date

  
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 Budget Director's Initials

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 2/1/21  
 Date