



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 Amended in House Committee

- 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
Net Impact-General Fund Balance:	<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 as amended in the House Taxation Committee, would create a tax credit for 50% of qualified training expenses for vocational, technical and trade professions. The amendments change the revenue interim committee review date so that the credit is reviewed prior to the added sunset (after tax year 2026), and the \$1,000,000 annual tax credit cap is eliminated.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 252, as amended, 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. 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 reduces the potential amount of credits that could be claimed.
8. This bill, as amended, has no annual cap on the total credits claimed, which increases the risk of the potential cost being higher than estimated in any given year.
9. This bill, as amended, terminates December 31, 2026.
10. 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>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<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)
TOTAL Revenues	<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)




 Sponsor's Initials

 Date



 Budget Director's Initials



 Date