



2019-2020 TAX CREDIT REVIEW FINAL REPORT

September 2020 (Draft)
Revenue Interim Committee
Megan Moore

FINAL REPORT TO THE 67TH MONTANA LEGISLATURE

REVENUE

INTERIM COMMITTEE MEMBERS

Before the close of each legislative session, the House and Senate leadership appoint lawmakers to interim committees. The members of the XXX Interim Committee, like most other interim committees, serve one 20-month term. Members who are reelected to the Legislature, subject to overall term limits and if appointed, may serve again on an interim committee. This information is included in order to comply with 2-15-155, MCA.

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This report is a summary of the work of the Revenue Interim Committee,

specific to the Revenue Interim Committee’s 2019-2020 review of tax credits as outlined in the Revenue Interim Committee’s 2019-20 work plan and 15-30-2303, MCA. Members received additional information and public testimony on the subject, and this report is an effort to highlight key information and the processes followed by the Revenue Interim Committee in reaching its conclusions. To review additional information, including audio minutes, and exhibits, visit the Revenue Interim Committee website:

<https://www.leg.mt.gov/committees/interim/2019rvic/tax-credit-review/>.

A full report including links to the documents referenced in this print report is available at the Revenue Interim Committee website: <https://www.leg.mt.gov/committees/interim/2019rvic/tax-credit-review/>.

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BACKGROUND

The 2019 Legislature enacted [House Bill 723](#), requiring the Revenue Interim Committee to review income tax credits each interim. The newly enacted law, [15-30-2303](#), spreads the review process over five interims with about six tax credits up for review each interim.

The 2019
Legislature enacted
HB 723, requiring
the Revenue Interim
Committee to
review tax credits

Credits are generally reviewed based on the year in which the credit was enacted, with older credits reviewed first. Credits with termination dates are scheduled for review during the interim before the year in which the credit expires.

During the 2019-2020 interim, the Revenue Interim Committee reviewed the following credits:

- the credit for income taxes imposed by foreign states or countries provided for in 15-30-2302;
- the credit for contractor's gross receipts provided for in 15-50-207;
- the credit for new or expanded manufacturing provided for in 15-31-124 through 15-31-127;
- the credit for installing an alternative energy system provided for in 15-32-201 through 15-32-203;
- the credit for energy-conserving expenditures provided for in 15-30-2319 and 15-32-109; and
- the credit for elderly homeowners and renters provided for in 15-30-2337 through 15-30-2341.

Section 15-30-2303 includes criteria for the committee to use when reviewing the credits:

- (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions that may have been made regardless of the existence of the tax credit;
- (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;
- (c) whether the credit has out-of-state beneficiaries;
- (d) the timing of costs and benefits of the credit and how long the credit is effective;
- (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or elimination outweigh adverse impacts; and
- (f) the extent to which benefits of the credit affect the larger economy.

The Revenue Interim Committee considered these criteria and additional criteria. Both sets of criteria are included on this [tax credit review worksheet](#) the committee was encouraged to use for its review.

For each credit, staff provided a document including an overview of the credit, the purpose and legislative history, data on credit usage, information on administration of the credit, and possible areas for revision.¹

¹ The overview documents for each credit are available on the committee's Tax Credit Review website: <https://www.leg.mt.gov/committees/interim/2019rvic/tax-credit-review/>.

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Staff also notified possible stakeholders of the credit review process to encourage them to provide input.

FINDINGS AND RECOMMENDATIONS

The table below summarizes the committee's recommendations and provides links to legislation requested to implement the recommendations.

[Amend language to mention any draft bills not requested by the committee.]

[Include if CC01 is approved: In addition to the legislation addressing specific tax credits, the committee also requested [CCO1](#) to provide for an ongoing tax credit review process. The draft bill requires each credit to be reviewed every 10 years.]

Tax Credit	MCA Section	Committee Recommendation	Committee Approved Legislation
Contractor's gross receipts	15-50-207	Retain credit [and increase minimum project subject to contractor's gross receipts tax to \$40,000]	[TC04]
Elderly homeowner and renter's tax credit	15-30-2337 through 15-30-2341	Retain credit	
Energy-conserving expenditures	15-30-2319 , 15-32-109	Retain credit, increase credit to \$800, and allow credit to be refunded	TC01 ²
Income taxes imposed by foreign states or countries	15-30-2302	Retain credit, [do not review in future]	[CC01]
Installing alternative energy systems	15-32-201 through 15-32-203	Retain credit [and allow credit to be refunded]	[TC03]
New or expanded industry	15-31-124 through 15-31-127	Repeal credit	TC02

² The committee approved this draft bill with section 1 removed from the draft.