



2019-2020 TAX CREDIT REVIEW FINAL REPORT

September 2020
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 Revenue 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/>.

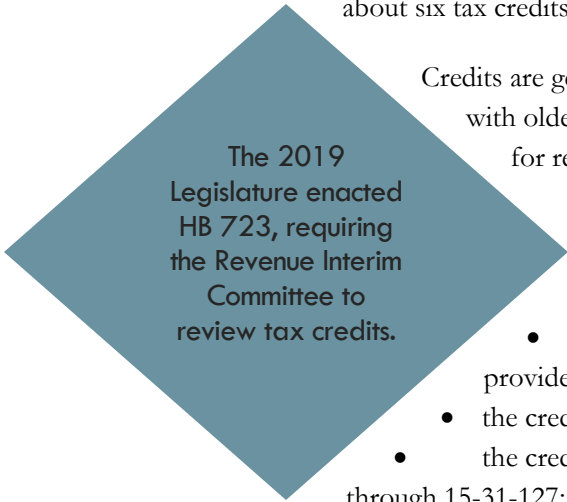
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2019-2020 TAX CREDIT REVIEW

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.

2019-2020 TAX CREDIT 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 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.

In addition to legislation addressing specific tax credits, the committee also requested a bill draft, [CCO1](#), to provide for ongoing review of tax credits. 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	
Elderly homeowner and renter tax credit	15-30-2337 through 15-30-2341	Retain credit	
Energy-conserving expenditures	15-30-2319 , 15-32-109	Retain credit, increase to \$800, and allow credit to be refunded	TC01
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

The committee also considered, but ultimately did not recommend, [a bill draft](#) related to the contractor's gross receipts fee. The draft would not have revised the credit but would have increased the project size subject to the fee.

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