

CONSIDERATION OF TAX CREDIT REVIEW PROCESS

DUTY TO REVIEW TAX CREDITS

Section [15-30-2303](#)¹, MCA, requires the Revenue Interim Committee to review individual income and corporate income tax credits on a rolling basis and recommend to the Legislature whether to eliminate or revise the credits.

The committee first [reviewed tax credits](#) in the 2019-2020 interim.²

2021 ACTIONS AFFECTING TAX CREDIT REVIEW

The 2021 Legislature enacted bills that repealed 17 tax credits and created two new credits. Because of varying effective dates and uncertainties about which bills would become law, staff did not advise the Legislature to coordinate the tax credit review process. Instead, RIC staff recommends that this committee analyze the review process this interim and request legislation to make any desired changes.

The 2021 Legislature passed bills repealing 17 tax credits and enacting two credits.

Four of the credits scheduled for review this interim will be repealed at the end of this year. When adopting the work plan at the July meeting, the committee decided not to review those credits

¹ Legislation enacted by the 2021 Legislature made significant changes to 15-30-2303. As of this writing, the linked section does not reflect the 2021 changes. The 2021 version of the MCA will be available later this year.

² The review of six credits resulted in the introduction of five committee-requested bills, three of which became law ([SB 30](#), [SB 41](#), [SB 45](#)), and two of which failed ([HB 17](#), [SB 7](#)).

SUMMARY OF TAX CREDITS

The table on the following page provides a summary of tax credits and when they are scheduled for review.

The table does not include tax credits scheduled to be repealed. [Senate Bill No. 45](#) repeals the credit for new or expanded manufacturing effective Oct. 1, 2021. [Senate Bill No. 399](#) repeals the capital gains tax credit on Jan. 1, 2024, and repeals on Jan. 1, 2022, credits for the following:

- Contributions to a university or college foundation or endowment;
- Disability insurance for employees;
- Installation of a geothermal system;
- Converting a motor vehicle to alternative fuel;
- Mineral or coal exploration;
- New employee in an empowerment zone;
- Oilseed crush facility;
- Biodiesel blending and storage;
- Biodiesel or biolubricant production facility;
- Adoption; and
- Temporary emergency lodging.

Credit	Code Sections	Year Enacted	Last Amended	Termination Year	Biennium Scheduled for Review	Committee Recommended Year for Review
Donations to an educational improvement account	15-30-2334 , 15-30-3110 , 15-31-158	2015	2021	2029	2021	
Donations to a student scholarship organization	15-30-2335 , 15-30-3111 , 15-31-159	2015	2021	2029	2021	
Property to recycle or manufacture using recycled material	Title 15, chapter 32, part 6	1991	2009	-	2023	
Infrastructure use fees	17-6-316	1995	2019	-	2023	
Contributions to a qualified endowment	15-30-2327 through 15-30-2329 , 15-31-161 , 15-31-162	1997	2019	2025	2023	
Preservation of historic buildings	15-30-2342 , 15-31-151	1997	2001	-	2025	
Unlocking state lands	15-30-2380	2013	2015	2027	2025	
Trades education and training	HB 252 (2021)	2021	-	2026	2025	
Job growth incentive tax credit	HB 629 (2021)	2021	-	2028	2025	
Registered apprentice or veteran apprentice	15-30-2357 , 15-31-173	2017	-	-	2027	
Earned income tax credit	15-30-2318	2017	-	-	2027	
Media production and postproduction credits	15-31-1007 , 15-31-1009	2019	2021	2029	2027	
Contractor's gross receipts*	15-50-207	1967	2005	-	2029	
Credit for elderly homeowners and renters*	15-30-2337 through 15-30-2341	1981	2021	-	2029	
Income taxes imposed by foreign states or countries*	15-30-2302	1941	2009	-	-	

*Reviewed by 2019-2020 RIC

HOW TO REVISE THE REVIEW PROCESS?

The committee should decide whether to revise the review process. After the scheduled repeals go into effect, there will be 14 credits to review.³ The review schedule is uneven, however, with two credits to be reviewed in the 2021 biennium, three in the 2023 biennium, four in the 2025 biennium, three in the 2027 biennium, and two in the 2029 biennium.

When deciding on a review process, the committee may wish to consider the following:

- How many credits can RIC reasonably review each biennium?
- How often should RIC review each credit?
- When was the credit last amended or reviewed?
- When does the credit terminate?
- Are there credits with similar purposes and should they be reviewed simultaneously?

The table includes a blank column for committee members to fill in the desired year for reviewing each credit. The committee could discuss the review schedule now or wait until later this interim after reviewing the two credits scheduled for review this interim.

³ [SB 41](#), upon recommendation from RIC, removed the credit for income taxes paid to foreign states or counties from the review process because that credit is likely required by the U.S. Constitution.