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DIRECTOR BRENDAN BEATTY

MEMORANDUM

To Revenue Interim Committee
From Aaron McNay, Economist
Tax Policy and Research
Date June 24, 2024
Subject **Annual Report on Job Growth Incentive Credit**

The Department of Revenue is required to make a report to the Revenue Interim Committee on the Grow Montana Jobs Credit each biennium (15-30-2361, MCA). This memorandum describes the Grow Montana Jobs Credit and reports on the use of the credit since it first became available in tax year 2022.

Created by the 2021 Montana Legislature, the Grow Montana Jobs Credit became available to certain business in Montana starting in tax year 2022. To qualify for the credit, a business must hire new qualifying employees that are associated with a project in the state that "encourages, promotes, and stimulates economic development in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation." The business must also have net employee growth associated with the qualifying project.

For the credit, a qualifying employee must also meet several requirements. The new qualified employees must have been hired towards the qualifying project. They must also have an annual wage that is above the qualifying cutoff amount, which is adjusted each year for inflation. The qualifying income amounts were \$50,000 in 2022 and \$54,530 in 2023. Qualifying employees must also work at least 6 months in the year the credit is being claimed.

If a business meets the necessary requirements for the credit, they must apply for a tax credit certificate from the Montana Department of Labor and Industry before they can claim the credit on a Montana tax return. If the Department of Labor and Industry determines the businesses has met all the necessary requirements, they will issue a

credit certificate. With the certificate, the business can claim a non-refundable credit that is equal to 50% of the taxes paid on Montana sources wages for the qualifying employees under the Federal Insurance Contributions Act (FICA). If the credit exceeds the taxpayer's tax liability, the taxpayer can carryforward the un-used portion of credit for up to 10 years.

Based on current records, no businesses claimed the Job Growth Incentive Credit on their Montana income tax returns for tax year 2022. As of June 12th, there have been no tax returns processed by the department that have claimed the credit for tax year 2023.

While no taxpayers have yet claimed the Job Growth Incentive Credit on their 2023 Montana tax return, the Department of Labor and Industry does report issuing one business a credit certificate for the tax year. This business, Montana Knife Company, received approval for \$43,391 in tax credits for 14 employees. The actual number of credits claimed, however, may be different than the amount reported on the certificate, depending on the taxpayer's tax liability during the years the credit is claimed by the business.