

Corporate License Tax Expenditures

Following is a list of expenditures that reduce tax liability for corporate license taxpayers. Many of these expenditures can also be claimed by small businesses, S. corporations, or limited liability companies whose income is “passed through” to the owner, member, or partner and is taxed as individual income.

For certain expenditures the number of taxpayers using it is small. The Department of Revenue’s policy is to not show the exact count when the number of taxpayers is less than 10. An asterisk indicates the number is fewer than 10.

Montana Deductions

Energy-Conserving Investments Deduction (15-32-103, MCA)

A corporate taxpayer may deduct a portion of expenditures on capital investment in a building for an energy conservation purpose from gross corporate income. If the building is a residential building, the taxpayer may deduct 100% of the first \$1,000 expended, 50% of the next \$1,000 expended, 20% of the third \$1,000 expended, and 10% of the fourth \$1,000 expended. For example if a corporate taxpayer invested \$4,000 in approved energy conservation measures in a residential apartment building owned by the taxpayer, it would be able to deduct \$1,800 of the expenses (100% of \$1,000 plus 50% of \$1,000 plus 20% of \$1,000 plus 10% of \$1,000 **or** \$1,000+\$500+\$200+\$100).

For non-residential buildings, the taxpayer may deduct 100% of the first \$2,000 spent on energy conservation capital investments, 50% of the second \$2,000 spent, 20% of the third \$2,000 spent, and 10% of the fourth \$2,000 spent. If a corporate taxpayer invested \$4,000 in approved energy conservation measures in a non-residential building owned by the taxpayer, it could deduct \$3,000 of the expenses (100% of \$2,000 plus 50% of \$2,000 **or** \$2,000+\$1,000). If the taxpayer invested \$8,000 in approved energy conservation measures in the same building, it could deduct \$3,600 of the expenses (100% of \$2,000 plus 50% of \$2,000 plus 20% of \$2,000 plus 10% of \$2,000 **or** \$2,000 + \$1,000 + \$400 + \$200).

This deduction is subject to approval of the Department of Revenue and cannot be taken on expenditures financed by a state, federal, or private grant. The purpose of this deduction is to encourage energy-conserving investments in existing buildings.

Deduction for Purchasing Montana-Produced Organic Fertilizer and Inorganic Fertilizer Produced as a Byproduct (15-32-303, MCA)

In addition to all the other allowed deductions from gross corporate income, a taxpayer may deduct expenditures for organic fertilizer and inorganic fertilizer produced as a byproduct, if the fertilizer was made or used in Montana. The purpose of this deduction is to promote the use of inorganic byproducts and organic matter produced by Montana industries.

Deduction for Donation of Exploration Information (15-32-510, MCA)

A taxpayer may deduct expenses from the donation of mineral exploration information to the Montana Tech Foundation to reside in the Montana Tech research library. Montana Tech has the right to limit what information is accepted and what deductions are granted. The documented expenses must be based on the cost of recreating the donated information. If the exploration incentive credit is also claimed by the taxpayer, then this deduction is limited to 20% of the actual value of the data. The deduction is intended to encourage the sharing of mineral exploration information.

Recycled Material Qualifying for Deduction (15-32-609, MCA)

A taxpayer may deduct an additional 10% of expenditures for the purchase of recycled material that was otherwise deductible as a business-related expense. The Department of Revenue defines the types of recycled material that may be used to claim this deduction. The purpose of this deduction is to encourage the use of goods made from reclaimed materials, especially post-consumer materials. The deduction will expire at the end of calendar year 2011.

This deduction is the only one for which data is accessible. In the most recent database of corporate taxpayer returns, the total deductions claimed were \$20,167,172. At the general tax rate of 6.75%, this is a reduction of taxes of \$1,361,284.

Montana Corporate Tax Credits

Many of these credits are available to individual income tax payers as well as corporate license taxpayers. More thorough explanations of many of the credits and their history are available in the individual income tax section on tax expenditures.

There are differences between the tax periods for the two different income taxes – individual and corporate. The tax year for Individual income tax returns is the calendar year and data from the tax returns is presented on that basis. The corporate license tax year and filing requirements is based upon the

corporation's fiscal year which can vary from the calendar year. The numbers of corporate tax credits claimed and the amount of the credits in this section are on a state fiscal year basis.

College Contribution Credit

Individual and corporate taxpayers are allowed a credit equal to 10% of donations to the general endowment funds of units of the Montana university system, Montana private colleges, or Montana private college foundations. The maximum credit allowed per year is \$500. The credit claimed may not exceed the taxpayer's liability. The credit must be applied in the tax year in which the donation was made and no carry forward or carry back is allowed (see 15-30-163, MCA).

The table to the right shows credits claimed on corporate tax returns by fiscal year.

College Contribution Credit		
<u>Fiscal Year</u>	<u>Number of Credits Claimed</u>	<u>Total Credits Claimed</u>
1997	43	\$7,244
1998	35	\$6,868
1999	36	\$6,676
2000	34	\$8,933
2001	36	\$8,221
2002	28	\$6,737
2003	23	\$5,413
2004	24	\$6,480
2005	18	\$4,571
2006	21	\$4,449
2007	30	\$9,194
2008	28	\$6,265

Contractor's Gross Receipts (15-50-207, MCA)

Contractors are required to pay a license fee equal to 1% of the gross receipts from government contracts during the year for which the license is issued. The agency or prime contractor withholds the 1% license fee from payments to the prime contractor or subcontractors. The agency or contractor is responsible for remitting the correct amount to the Department of Revenue along with a form reporting who is to be credited with the license fee payment.

Contractors may use the amount of gross receipts tax paid as a credit against the contractor's corporation license tax liability or income tax liability, depending upon the

Contractor's Gross Receipts		
<u>Fiscal Year</u>	<u>Number of Credits Claimed</u>	<u>Total Credits Claimed</u>
1997	118	\$558,711
1998	108	\$499,682
1999	118	\$906,014
2000	125	\$847,950
2001	119	\$709,652
2002	121	\$1,048,955
2003	112	\$955,814
2004	78	\$972,698
2005	69	\$1,142,370
2006	64	\$703,319
2007	127	\$1,717,148
2008	106	\$1,393,906

type of tax the contractor must pay. The credit may be carried forward a maximum of 5 years.

Charitable Endowment Credit (15-31-161 and 162, MCA)

A qualified endowment is a permanent fund held by or on behalf of a 501(c)(3) charitable organization. A planned gift is one of nine types of arrangements specified in the IRS code that generally provide income to the donor for life or a set period and then the remainder goes to the charity. Individual taxpayers are allowed a credit of 40% of the present value of a planned gift to a qualified charitable endowment.

Corporations are allowed a credit of 20% of a gift to a qualified endowment. As noted in the section on individual income tax, the concept of planned gifts makes sense for individuals but not corporations; therefore, corporations are allowed the credit for an outright gift. In the 2007 Legislature SB 150 extended the credit through 2013. The same legislation restricted the definition of a qualified endowment to exclude a fund where the contributions are expended directly for construction, renovation, or purchasing operations assets, such as building or equipment. However the interest from the endowment may be used to purchase operational assets, but not the principle. Data on corporate license tax credits claimed is available for fiscal years 1998-2008 and is provided in the table.

Charitable Endowment Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
1998	15	\$63,516
1999	58	\$313,675
2000	100	\$462,002
2001	127	\$703,420
2002	125	\$622,099
2003	77	\$425,846
2004	52	\$117,618
2005	38	\$106,490
2006	45	\$121,753
2007	50	\$160,667
2008	46	\$174,337

Alternative Fuel Motor Vehicle Conversion Credit (15-30-164, MCA)

Taxpayers are allowed a credit against individual income tax or corporate license tax of up to 50% of the cost of converting a motor vehicle to operate on natural gas, liquefied petroleum gas (LPG or propane), liquefied natural gas, hydrogen, electricity, or a fuel of at least 85% alcohol or ether. The credit is limited to \$500 for conversion of a motor vehicle with gross weight of 10,000 pounds or less or \$1,000 for

Alternative Fuel Motor Vehicle Conversion Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2001	*	\$2,760
2002	*	\$7,000
2003	*	\$3,000
2004	*	\$12,267
2005	*	\$50
2006	0	\$0
2007	*	\$16,000
2008	*	\$23,500

conversion of a vehicle weighing more than 10,000 pounds.

The credit claimed cannot be more than the taxpayer's liability and cannot be carried forward or back. The credit must be claimed for the year in which the conversion was done. The table in this section shows the number of corporate returns with credits claimed and the total dollar amount of credits.

Health Insurance for Uninsured Montanans Credit (15-31-132, MCA)

A corporation with 20 or fewer employees working at least 20 hours per week may claim a nonrefundable credit of up to \$3,000 against corporation license tax. In order to claim the credit the employer must pay at least 50% of the employee's premium and can claim a credit for a maximum of 10 employees' health or disability insurance (ARM 42.4.2802).

A credit of \$25 a month is allowed if the employer pays 100% of the employee's premium. If the employer pays a share of the employee's premium then the \$25 credit is pro-rated by the same percentage share.

The credit is subject to a number of restrictions including that the credit may not exceed 50% of the total premium for each employee, the credit may not be claimed more than 36 consecutive months, and may not be granted to an employer or its successor within 10 years of when the last credit was claimed. The employer must have been in business in Montana for at least 12 months and the credit cannot be carried forward or backward and claimed against another year's taxes.

Health Insurance for Uninsured Montanans		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
1997	*	\$1,490
1998	10	\$5,403
1999	11	\$6,820
2000	11	\$7,468
2001	11	\$7,566
2002	*	\$1,219
2003	16	\$18,888
2004	17	\$19,433
2005	78	\$91,543
2006	92	\$118,476
2007	206	\$201,593
2008	126	\$111,786

Insure Montana Small Business Health Insurance Credit (15-31-130, MCA)

This credit was enacted by the 2005 legislature (HB667) and was applicable beginning with tax year 2006. Sections 33-22-2006, 15-30-185, and 15-31-130, MCA establish the credit. The table to the

Insure Montana Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2007	87	\$404,942
2008	221	\$1,057,951

right provides the data on credits claimed in fiscal years 2007-2008.

The 2005 legislation established a voluntary small business health insurance pool with small employers composing the membership (33-22-2001, MCA). Members of the pool are eligible for premium assistance or incentives, or tax credits. An employer that has not offered group health insurance in the last two years may take premium assistance payments instead of claiming the credit.

A small employer that provides group health insurance for its employees through the state pool may claim a credit against taxes of:

- (a) up to 50% of total premiums the employer pays for the plan or,
- (b) up to \$100 per month per covered employee (\$125 if the average age is at least 45), up to \$100 per month per covered spouse, and up to \$40 per other covered dependent.

The maximum credit depends on the number of employees an employer may have and be eligible and this is set by the State Auditor's Office in an administrative rule. The current maximum is nine employees. Taxpayers with credits that are greater than their tax liability may have the excess credits refunded. A taxpayer may not deduct insurance premiums as a business expense if the taxpayer has taken the credit.

As discussed in the income tax section, while it is included as a credit on the tax form, from a tax expenditure perspective the Insure Montana Small Business Health Insurance credit is different from other credits which decrease general fund available for other purposes. This credit is funded by general fund which is then reimbursed from cigarette and tobacco tax collections. Because these tax collections also fund programs to offset the health costs due to cigarette and tobacco use, the reimbursement of the general fund reduces the funding available for these health programs.

Recycling Credit (15-32-601-611, MCA)

Taxpayers are allowed a credit against individual income tax or corporate license tax for a portion of the cost of investments in depreciable property used in collecting or processing reclaimable material or manufacturing a product from reclaimed material. The amount of the credit is equal to 25% of the cost of the first \$250,000 invested in property, 15% of the cost of the next \$250,000 invested in property and 5% of the next \$500,000 of investment.

Therefore if the taxpayer invests a total investment \$1,000,000 in property that qualifies for the credit, the taxpayer can claim a credit of \$125,000. If the taxpayer invests \$250,000 in property qualifying for the credit then the taxpayer can claim a credit of \$62,500. The credit terminates December 31, 2011. An asterisk in the table indicates less than 10 corporate taxpayers claimed this credit.

Recycling Credits		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
1997	15	\$231,567
1998	14	\$91,421
1999	15	\$140,544
2000	*	\$54,290
2001	*	\$87,912
2002	*	\$119,060
2003	*	\$5,440
2004	*	\$2,718
2005	*	\$17,905
2006	*	\$39,700
2007	12	\$81,892
2008	10	\$102,037

Oilseed Crushing and Biodiesel Production Facility Credit (15-32-701 and 702)

Taxpayers are allowed a credit against individual income tax or corporation tax of 15% of the costs of investments in depreciable property in Montana that is used primarily for crushing oilseeds for producing biodiesel or lubricants or for the production of biodiesel or biolubricants.

The taxpayer can claim credits on investments for the two tax years prior to when the facility begins production or any tax year that the equipment is in production up to January 1, 2015. Unused credits can be carried forward seven years. Taxpayers claiming the credit can still claim depreciation or amortization and other credits allowed by the state.

Oilseed Crushing & Biodiesel Production Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2007	0	\$0
2008	*	\$500

The credit is subject to a number of restrictions, including how the credit can be carried forward; total credits claimed may not exceed \$500,000; and the depreciable property for which the credit has been claimed must begin to be

used by 2015 for the purposes of oilseed crushing and biodiesel or biolubricant production.

The credit was first enacted by the 2005 legislature in HB 756. The 2007 legislature passed HB 166 which extends this credit's life to January 1, 2015 from January 1, 2010; allows the credit to apply to biolubricants too; and allows the credit to be claimed on investment in the two tax years prior to when the equipment is used in production. The table above provides the available data on corporate tax credits claimed in fiscal years 2007-2008; in FY 2008 less than 10 taxpayers claimed the credit as indicated by the asterisk.

Biodiesel Blending and Storage Tank Credit (15-32-703, MCA)

This credit was established in HB 756 passed by the 2005 legislature. Taxpayers can claim a credit of 15% of the cost of equipment used in blending biodiesel made from Montana ingredients with petroleum-based diesel. The credit can also be used for storage facilities in a year when the taxpayer is blending or in the two years before blending began. The total credits that may be claimed over time are \$52,500 for a distributor (wholesaler) and \$7,500 for a retailer.

Biodiesel Storage and Blending Credit		
<u>Fiscal Year</u>	<u>Number of Credits Claimed</u>	<u>Total Credits Claimed</u>
2007	*	\$7,559
2008	0	\$0

The credit is subject to a number of restrictions, including that the taxpayer's biodiesel sales must be greater than 2% of the total diesel sales by the end of the third year after the year that the investment is claimed. The unused tax credit can be carried forward up to 7 years, but can only be claimed in tax years in which the facility is operating for the purposes of biodiesel blending. The table above provides the available data on corporate tax credits claimed in fiscal years 2007-2008. Less than 10 corporate license taxpayers claimed the credit in FY 2007 as indicated by the asterisk.

Geothermal Heating System Credit (15-32-115, MCA)

Taxpayers are allowed a credit against individual income tax or corporation tax for up to \$1,500 of costs of installing a geothermal heating system (ground-source heat pump) in the taxpayer's principal residence or in a residence the taxpayer constructs. Only one credit may

Geothermal System Credit		
<u>Fiscal Year</u>	<u>Number of Credits Claimed</u>	<u>Total Credits Claimed</u>
2007	0	\$0
2008	*	\$500

be claimed per residence and any credit remaining after the year of installation can be carried forward and claiming in succeeding tax years. This credit could not be claimed by corporate taxpayers, such as builders of residential units, until tax year 2006. The change was made by the 2005 legislature (SB 340). The asterisk in the table indicated that less than 10 corporate license taxpayers claimed this credit in FY 2008.

Alternative Energy Production Credit (15-32-401 through 407, MCA)

Qualifying taxpayers that invest \$5,000 or more in a commercial system, or net metering system, that generates energy using alternative energy sources is allowed a credit against corporation license tax of 35% of the costs, less any federal or state grants. Alternative energy sources are defined as including, but not limited to, solar energy, wind energy, geothermal energy, conversion of biomass, fuel cells that do not require hydrocarbon fuel, small hydroelectric generators producing less than 1 megawatt; and methane from solid waste.

Alternative Energy Production Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2007	206	\$201,593
2008	126	\$111,786

Tax credits may be carried forward for seven years. The carry forward period is extended to 15 years if the equipment is placed in service within the boundaries of a Montana reservation and there is an employment agreement with the tribal government of the reservation in which tribal members will be trained and employed in constructing, maintaining and operating the system. The table above provides the available data on corporate tax credits claimed in fiscal years 2007-2008.

Dependent Care Assistance Credit (15-31-131 and 133, MCA)

There are several employer costs for which dependent care credits can be claimed. If the employer provides day care services to employees' dependents or information and referral services to employees, then a credit against corporation tax can be claimed for a share of the costs. The allowed credit is 25% of the cost of the day care assistance with a limit of \$1,575 per employee receiving the assistance. The day care must be provided by a licensed or registered day care provider; it must meet IRS requirements and cannot be part of the employee's compensation. The employer can also claim a credit on 25% of the cost of providing day care information and referral services to employees (15-31-131, MCA).

Dependent Care Assistance Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2001	*	\$1,846
2002	*	\$4,790
2003	*	\$1,672
2004	*	\$50
2005	0	\$0
2006	*	\$50
2007	*	\$50
2008	0	\$0

Under 5-31-133, MCA there is a credit allowed against corporation tax for a portion of the cost of setting up a day care facility to be used by the taxpayer's employees' dependents. The credit is the lowest of either:

- (1) 15% of the costs incurred, or
- (2) \$2,500 times the number of dependents the facility accommodates, or
- (3) \$50,000.

To claim the credit the facility must meet certain criteria, such as accommodating six or more children, be run by a licensed operator, and have been placed in operation by January 1, 2006. The credit is to be claimed over a ten year period, with 1/10th of the credit claimed each year. An asterisk in the table above indicates that fewer than 10 corporate taxpayers claimed the credit in the fiscal year.

Historic Property Preservation Credit (15-31-151, MCA)

Corporate taxpayers may take a credit against corporation license tax for costs of rehabilitating a historic building located in Montana. The credit is 25% of the federal credit allowed by 26 USC 47(a)(2). The federal credit is 20% of the cost of rehabilitation of a building that has been certified as having historic significance and 10% of the cost of rehabilitation of a building placed in service before 1936 that has not been certified.

The credit is not refundable if it exceeds the amount of taxes owed, but unused credit can be carried over to the seven succeeding tax years. If the corporation is a partnership or small business corporation (S corporation) the credit must be attributed to the partners or shareholders in the same proportion used to report the partnership or corporation income or loss for Montana income tax purposes. An asterisk indicates that fewer than 10 corporate taxpayers claimed the credit in the fiscal year.

Historic Property Preservation Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2001	*	\$1,790
2002	*	\$12,884
2003	*	\$30,948
2004	*	\$111,843
2005	*	\$39,876
2006	*	\$50
2007	*	\$129,479
2008	*	\$43,370

Montana Capital Company Credit (90-8-202, MCA)

Corporate taxpayers could take a credit against corporation license tax for investments in a certified Montana capital company or qualified small business investment company. The credit was limited to 50% of the investment up to \$150,000 per taxpayer for regular capital companies, and an additional \$250,000 for qualified investment in a Montana small business investment capital company.

The credit was last available for investments made before July 1, 1995, but the credit itself could be carried forward for up to 15 years and used to reduce tax liability. Credits currently being claimed are carried forward from prior years.

Montana Capital Company Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
1997	49	\$223,028
1998	38	\$158,615
1999	30	\$62,112
2000	19	\$15,541
2001	15	\$9,047
2002	15	\$2,695
2003	14	\$934
2004	15	\$2,716
2005	13	\$26,809
2006	12	\$45,374
2007	10	\$57,363
2008	0	\$0

Infrastructure Users Fee Credit (17-6-316, MCA)

The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The infrastructure may serve as collateral for the loan and the local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the amount of the fee it pays.

The total amount of the credit claimed may not exceed the amount of the loan. The credit can be carried forward for 7 years and used to reduce tax liability or carried back for 3 years. Data is available on the credits claimed against corporate license tax for fiscal years 2001-2008. As with the other tables, an asterisk indicates that fewer than 10 corporate taxpayers claimed the credit in the fiscal year.

Infrastructure Users Fee Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2001	*	\$100
2002	*	\$36,295
2003	*	\$533,813
2004	*	\$814,362
2005	*	\$685,134
2006	*	\$50
2007	*	\$622,928
2008	*	\$1,345,829

New/Expanded Industry Credit (15-31-124 and 125, MCA)

New or expanding manufacturing industries are allowed a tax credit equal to 1% of the total new wages paid in Montana for the first three years of operation or expansion. Expanding operations must increase total full-time jobs by 30% or more. "New" industry means a corporation engaging in manufacturing for the first time in Montana.

The table on the right provides the information on corporate license tax credits claimed. Data is available for fiscal years 2005-2008. An asterisk indicates that fewer than 10 corporate taxpayers claimed the credit in the fiscal year.

New and Expanded Industry Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2005	*	\$14,659
2006	*	\$84,708
2007	*	\$83,570
2008	*	\$4,311

Empowerment Zone New Employees Tax Credit (15-31-134, MCA)

A local government may establish an empowerment zone in an area with chronic high unemployment (7-21-3710, MCA). Employers in an empowerment zone are eligible for a credit against either income tax or corporation license tax for the first three years of employment for new positions. The credit per new employee is \$500 for the first year, \$1,000 for the second year, and \$1,500 for the third year.

Empowerment Zone New Employees Tax Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2005	*	\$948
2006	0	\$0
2007	0	\$0
2008	0	\$0

To receive the credit, the taxpayer must apply for and receive certification from the Department of Labor and Industry. The table provides information on corporate license tax credits claimed. Data is available for fiscal years 2005-2008. An asterisk indicates that fewer than 10 corporate taxpayers claimed the credit in the fiscal year.

Qualified Research Credit (15-31-150, MCA)

Taxpayers may receive a nonrefundable tax credit for increases in qualified research expense and basic research payments for research conducted in Montana. The amount of the credit is determined in accordance with section 41 of the IRC, U.S.C. 41 as it read on July 1, 1996 or as subsequently amended. Section 41 of the IRS code provides a credit equal to 20% of any increase in research expenditures over the taxpayer's baseline research expenditures. Montana provides a 5% credit against individual income tax or corporation license tax for the same increases in expenditures in the state.

Increased Research Activities Credits		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2001	*	\$87,912
2002	*	\$119,060
2003	*	\$5,440
2004	*	\$2,718
2005	*	\$17,905
2006	*	\$39,700
2007	12	\$81,892
2008	10	\$102,037

The taxpayer may not claim a credit for the current year after December 31, 2010. Unused credits from any tax year can be carried back for two years or carried forward for up to 15 years and used to reduce tax liability. An asterisk indicates that fewer than 10 taxpayers claimed the credit in the fiscal year.

Mineral Exploration Incentive Credit (15-32-501 through 509, MCA)

Taxpayers are allowed a credit, not to exceed 50% of the taxpayer's liability and not greater than \$20 million, for certified mineral exploration expenses. The credit is for the full amount of solid mineral or coal exploration activity in the state (oil and gas exploration expenditures are not eligible). The credit is available only for expenses incurred up to the time that construction of a new mine or reopening of a previously closed mine commences. The credit can be carried forward for 15 years.

Mineral Exploration Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2007	*	\$1,212
2008	*	\$1,831

The table above provides the available data on this credit. An asterisk indicates that fewer than 10 taxpayers claimed the credit in that fiscal year.

Film Employment Credit (15-31-907 and 908, MCA)

The Big Sky on the Big Screen Act was passed by the 2005 legislature. The 2007 Legislature revised the Act, which is in Section 15, Chapter 31, Part 9 of the MCA, to remove the \$1 million limitation on the amounts of tax credits received and made other changes. Under the Act if the production has been certified by the Department of Commerce, then credits

Film Production Credit		
Fiscal Year	Number of Credits Claimed	Total Credits Claimed
2007	0	\$0
2008	*	\$9,007

against either corporate or individual income taxes are allowed for two types of expenditures. Taxpayers are allowed a credit equal to 14% of the first \$50,000 of compensation paid to each Montana resident employed on a state-certified production. Employee compensation for which the credit is claimed may not be deducted from gross revenue in calculating taxable income.

A taxpayer may also claim a credit against income or corporation license tax for 9% of purchases in Montana for the making of a film that has met the criteria to be certified by the Department of Commerce. A taxpayer may not deduct any expenses for which a credit was claimed. The credit terminates on January 1, 2010, but unused credits can be carried over for use on tax returns for tax years beginning before January 1, 2014.

The table above shows the tax credits claimed against corporate income on returns filed in fiscal years 2007 and 2008. The asterisk indicates that fewer than 10 taxpayers claimed the credit in the fiscal year.

Short-term Temporary Lodging Credit

The 2007 legislature created a refundable individual and corporate income tax credit available to lodging establishments that provide free temporary lodging to individuals displaced from their homes due to domestic abuse (HB 240). The tax credit is available beginning with tax year 2008 and is equal to \$30 for each day of lodging provided, limited to a maximum of five nights of lodging for each individual each year. The individuals must be referred to the lodging establishment by a designated charitable organization. The credit is claimable only for lodging provided in Montana.

The credit may not be claimed if the individual is displaced by a major disaster declared by the President under federal law (42 U.S.C. 5170 or 5191) and financial assistance for temporary housing assistance is available. Due to the newness of the credit, there is no return data available on the number and amount claimed.

Developmental Disability Account Contribution Credit

This credit is no longer available as of the end of 2007. Taxpayers were allowed a credit against individual income tax or corporation tax of 30% of any donation to the developmental disability services account. The credit was limited to a maximum of \$10,000 and any excess beyond the taxpayer's liability was not refundable and could not be carried forward or backward to use against another year's taxable income.