

MONTANA TAX CLIMATE & INCENTIVES

A Presentation by the MT Department of Commerce for the Main Street Montana Manufacturing Key Industry Network



FINANCE

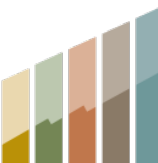


INFORMATION



TECHNICAL ASSISTANCE

BUSINESS RESOURCES DIVISION



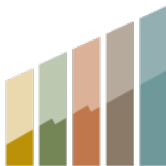
Business Tax Climate

The 10 best states in this year's Index are:

1. Wyoming
2. South Dakota
3. Nevada
4. Alaska
5. Florida
6. Montana
7. New Hampshire
8. Indiana
9. Utah
10. Texas



Source: The Tax Foundation
<http://taxfoundation.org/>

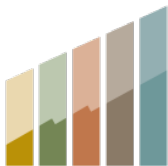


Business Tax Climate

How we land at 6th

	Overall Rank	Corporate Tax	Individual Income Tax	Sales Tax	Unemployment Insurance Tax	Property Tax
Montana	6	18	20	3	18	8

- No Sales Tax
- Low Property Tax
- Moderate Corporate and Individual Income Tax



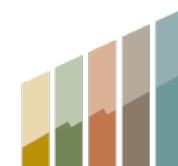
Business Tax Climate

Table 1. 2015 State Business Tax Climate Index Ranks and Component Tax Ranks

	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Rank	Property Tax Rank
Wyoming	1	1	1	13	34	35
South Dakota	2	1	1	35	41	18
Montana	6	18	20	3	18	8
Utah	9	5	12	19	22	4
Washington	11	28	6	46	19	23
Oregon	12	36	31	4	30	15
Idaho	19	21	24	22	46	3
Colorado	20	12	16	43	35	22
North Dakota	25	19	36	20	16	2

Note: 1 is best, 50 is worst. Rankings do not average to total. States without a tax rank equally as 1 for that component. D.C. score and rank do not affect other states. Report shows tax systems as of July 1, 2014 (the beginning of Fiscal Year 2015).

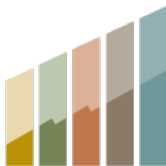
Source: Tax Foundation calculations.



MT Tax Incentives – Corporate Income



- Alternative Energy Production Credit
- Alternative Fuel Credit
- Biodiesel/Bio Lubricant Production Facilities Credit
- Biodiesel Blending and Storage Credit
- Capital Gains and Dividends from Small Business Investment Company Tax Exemption
- College Contribution Credit
- Contractor's Gross Receipts Tax Credit
- Dependent Care Assistance Credit
- Disability Insurance for Uninsured Montanans Credit
- Donation of Exploration Information Deduction
- Empowerment Zone Tax Credit
- Energy Conservation Investments Deduction
- Film Employment Production Credit
- Film Qualified Expenditures Credit
- Geothermal System Credit
- Historic Buildings Preservation Credit
- Increase Research and Development Activities Credit
- Infrastructure User Fee Credit
- Insure Montana Small Business Health Insurance Credit
- Mineral and Coal Exploration Incentive Credit
- New/Expanded Industry Credit
- Oilseed Crushing Facility Credit
- Qualified Endowment Credit
- Recycle Credit
- Recycle Deduction
- Research and Development Firms Tax Exemption
- Temporary Emergency Lodging Credit
- Unlocking State Lands Credit



MT Tax Incentives – Property Tax

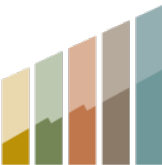
State Options

- New Industrial Property
- Pollution Control Equipment
- Gasohol Producing Equipment
- Electrolytic Reduction Facilities
- Research and Development
- New or Expanding Industries
- Expanding "Value-Added" Machinery and Equipment
- Reduced Rate for Remodeling of Building or Structures



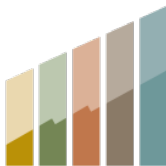
Local Options

- Exemption for New or Expanding Industry
- Exemption and Abatement for Remodeling or Expansion of Certain Commercial Property
- Remodeling, reconstruction, or expansion of buildings or structures - levy limitations
- Exemption for Business Incubators
- Industrial Parks
- Historic Properties
- Local Economic Development Organization
- Suspension, Cancellation of Delinquent Taxes
- Value-Added Manufacturing



MT Tax Incentives – Natural Resources

- Coal Severance Tax Exemption
- Metal Mine License Tax Exemption
- Reduced Rate for Natural Resource Tax - New Oil Production
- Reduced Rate for New Horizontally Drilled Oil Production
- Reduced Rate for Oil Incremental Production
- Reduced Rate for Oil Stripper Production
- Reduced Rate for Post 1/1/99 Oil Production
- Reduced Rate for New Natural Gas Production
- Reduced Rate for Natural Gas Stripper Production
- Reduced Rate for Post 1/1/99 Natural Gas Production



Frequently Used, Broadly Associated MT Business Tax Incentives

Key Tax Incentives and Abatements

Property

New or Expanding Industries (15-24-1402 MCA)

Up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion

Reduced Rate for Remodeling of Building or Structures (15-24-1501 MCA)

Reduced tax rate for five years following construction (0, 20, 40, 60, 80, & 100% of value)

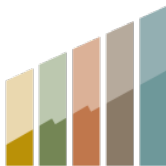
Value-Added Manufacturing (15-24-2401 MCA thru 15-24-2405 MCA)

Decrease in the tax rate for Class Eight Property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect

Corporate Income

New or Expanding Industry Wage Credit (15-31-124 MCA)

Corporation license tax credit of 1 percent of wages paid to new employees for the first three years of operation and expenses



Other

Recycling Property Credit

An individual, corporation, partnership, or small business corporation may receive a tax credit for investments in depreciable property used primarily to collect or process reclaimable material or to manufacture a product from reclaimed material according to the following schedule:

- 25% of the cost of the property on the first \$250,000 invested;
- 15% of the cost of the property on the next \$250,000 invested; and
- 5% of the cost of the property on the next \$500,000 invested.

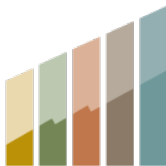
Taxpayers that purchase recycled material as a business-related expense can deduct 10% of the expense of these products from federal adjusted gross income in arriving at Montana adjusted gross income. Taxpayers may deduct expenditures for organic fertilizer, such as compost, that is produced in Montana and used in Montana. The deduction is allowed if the expenditure was not otherwise deducted in computing taxable income.

The credit may be claimed for glass used in recycled material in the calendar year prior to that which the applicant is paying fees under 75-2-220.

The amount of the credit is:

- \$7 for each ton of post-consumer glass used as a substitute for non-recycled materials;
- with a maximum allowable credit in any calendar year of \$1,500 or the total amount of fees due, whichever is less.

The post-consumer glass used in recycled material may not be an industrial waste generated by the person claiming the credit unless the person generating the waste historically has disposed of the waste onsite or in a licensed landfill; and standard industrial practice has not generally included the reuse of the waste in the manufacturing process

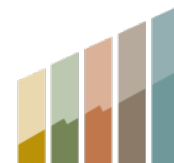


Next Session

How Can Montana Be More Competitive?

Suggestions we have heard so far:

- Adopt an Investment Tax Credit Similar to CA's
- Drop Business Equipment tax on R&D companies not yet profitable
- Enterprise Zone Credit – establish variable tax abatement based on the level of investment and the poverty and unemployment of the area
- Full discussion at next KIN meeting



State Taxes Sources and Resources:

Montana Department of Revenue – 2012-2014 Biennial Report:

<http://revenue.mt.gov/>

Montana Department of Revenue – Forms

<http://revenue.mt.gov/home/businesses>

Governing Tax Data: <http://www.governing.com/gov-data/state-tax-revenue-data.html>

State Business Incentives Database: <http://apps.csg.org/BusinessIncentives/>

Tax Foundation – State Taxes: <http://taxfoundation.org/tax-topics/state-taxes>

