GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0016: Revise infrastructure loan program and tax credit**

Primary Sponsor: Larry Brewster Status: As Introduced

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$0	$0	$0
Revenues				
General Fund (01)	$18,000	$18,000	$18,000	$18,000
Net Impact General Fund Balance	$18,000	$18,000	$18,000	$18,000

Description of fiscal impact

HB 16 revises the infrastructure loan program and prohibits taxpayers from claiming infrastructure loan fees as both a tax credit and deduction. This bill is estimated to potentially increase general fund revenue by up to $18,000 a year through increased corporate income tax collections

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. HB 16 revises the infrastructure loan program and infrastructure use fee tax credit. The primary changes to the credit are removing eligibility for increasing wages of existing employees and prohibiting the infrastructure use fee from being claimed as a tax credit and a deduction.
2. It is assumed that removing the eligibility for only increasing wages and salaries of existing employees will have a minimal revenue impact, but prohibiting the infrastructure use fee from being claimed as a credit and a deduction is expected to increase income tax collections.
3. Individual income taxpayers are already prohibited from claiming a deduction and credit (15-30-2120, MCA) so this bill just adds that restriction for corporate income taxpayers claiming the credit. That is the general practice for other tax credits to not be able to claim them as both a credit and deduction.
4. For Tax Year 2022, corporate income taxpayers claimed $263,474 in infrastructure use fee credits. Assuming those taxpayers were also claiming those infrastructure use fees as a deduction, they would have reduced their Montana taxable income by an equal amount and their resulting tax liabilities by approximately $18,000 ($263,474 x 6.75% tax rate). Under this bill, those taxpayers would not claim that deduction, so total corporate income tax liabilities increase by up to $18,000. If some of those taxpayers

were already not claiming the deduction in addition to the credit, as is common practice for most tax credits, then the revenue impact would be smaller.

5. This bill applies to credits claimed after December 31, 2025, so it is assumed taxpayers claiming the credit will stop claiming the deduction as well at the same time, which is assumed to begin impacting tax collections in FY 2026. General fund revenues may increase by up to approximately $18,000 per year, as a result of the increase in corporate income tax liabilities.
6. This department does not expect to incur significant additional administrative costs as a result of this bill.

Department of Commerce

7. The removal of the provision allowing loans for the purpose of increased wages, salaries and income of existing employees will have no impact on the overall investments of the Board.
8. The changes to the provisions relating to the infrastructure tax credit will have no impact on the overall investments the Board.

Secretary of State's Office

9. This bill requires the Office of the Secretary of State to notify each federally recognized tribal government in Montana. While there may be a minimal fiscal impact, the Office of the Secretary of State will absorb the costs associated with implementing this bill within its existing operating budget.

Fiscal Analysis Table

Department of Revenue	**FY 2026 Difference**	**FY 2027 Difference**	**FY 2028 Difference**	**FY 2029 Difference**
Fiscal Impact				
Expenditures				
Funding of Expenditures				
Revenues				
General Fund (01)	$18,000	$18,000	$18,000	$18,000
TOTAL Revenues	**$18,000**	**$18,000**	**$18,000**	**$18,000**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	$18,000	$18,000	$18,000	$18,000

Technical Concerns

1. Section 5. Applicability states that this bill applies to tax credits claimed after December 31, 2025 but it is unclear if this means it applies to all returns filed after that date or for Tax Years beginning after that date. The estimates in this fiscal note assume it applies to all returns filed after December 31, 2025 which would include TY 2025 tax returns. There also is not an effective date specified in the bill.

1-7-25

Sponsor's Initials | Date | Budget Director's Initials | 1/7/2025 Date