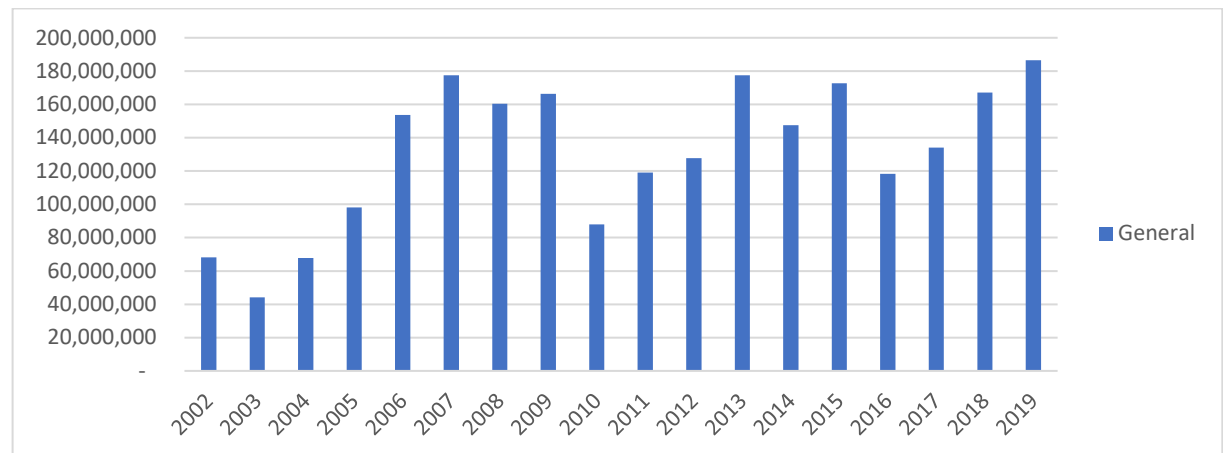


HJ 35: CORPORATE INCOME TAX

GENERAL FUND RANK: #3

REVENUE COLLECTION HISTORY



CORPORATE INCOME TAX OVERVIEW

- Levied on corporations engaged in business in Montana for the privilege of carrying on business in the state.
- Based on federal total net income in the previous year and Montana-specific additions, subtractions, and credits.
 - 24 corporate income tax credits
- Combined reporting: corporation reports income and pays taxes based on the income of all entities in a unitary business, including subsidiaries and other related corporations with common ownership. Income for the combined group is apportioned to the states in which the group does business.
 - Required unless a water's-edge election is made to include only U.S. affiliates: higher tax rate and the corporation must include certain foreign source income from tax havens listed in statute.
- 6.75% tax rate in effect since 1971. 7% tax rate if a water's-edge election is made. Water's-edge election provision enacted in 1987.
- \$50 minimum tax for each corporation subject to tax, in effect since 1969.

DISTRIBUTION OF CORPORATE INCOME TAX REVENUE

Account	Amount
General Fund	100%

MAJOR LEGISLATIVE ACTIONS, 2001-2019

Year	Bill	Description	Estimated General Fund Impact*
2003	HB 721	Requires taxpayer that makes a water's-edge election to include income and apportionment factors for a corporation in a unitary relationship with the taxpayer that is incorporated in an enumerated tax haven	\$0 (\$375,000 estimated revenue distributed to SSR in FY2005)
2005	SB 323	Provides 5-year carryforward for contractor's gross receipts tax credit	(\$350,000)**
2009	SB 43	Revises list of tax haven countries	\$0
2015	SB 410	Non-refundable credits for donations to public schools for innovative programs and for donations to student scholarship organizations	(\$5,641,659)**
2017	HB 511	Revises Multistate Tax Compact as recommended by Multistate Tax Commission, provides for market sourcing of sales for apportionment purposes	\$1,500,000
2017	HB 550	Revises net operating loss carryforward period from 7 years to 10 years and limits net operating loss carryback to \$500,000 per tax period	\$1,691,000
2019	HB 293	Transferrable credit for media production expenses, separate credit for postproduction wages, total credits limited to \$10 million	(\$2,244,843)**
2019	SB 111	Extends qualified endowment tax credit (also extended in 2001/2007/2013 and amended to increase credit in 2001 and to repeal increase in 2003)	(\$3,246,000)**

*General fund fiscal impact is from fiscal note and is for first year in which legislation is fully implemented.

**Credit may also be taken against corporate income tax. Fiscal note does not estimate individual income tax and corporate income tax impact separately.

COMPARISON TO OTHER STATES

Tax Foundation

- Table 16: State Corporate Income Tax Collections per Capita, 2017: \$119, Rank 27
- Table 17: State & Local Corporate Income Tax Collections per Capita, 2016: \$115, Rank 26