



MULTISTATE INCOME/FRANCHISE TAX

Montana enacted legislation creates employer job growth incentive tax credit

Tax Alert

Overview

Montana [House Bill 629](#) (“HB 629”) was signed into law by Montana Governor Greg Gianforte on May 14, 2021. The legislation creates a new Employer Job Growth Incentive Tax Credit. This Alert summarizes the new credit.

Employer job growth incentive tax credit

HB 629 creates a new non-refundable annual job growth incentive income tax credit to apply against Montana’s corporate income tax and individual income tax for tax years 2022 through 2028. Taxpayers eligible for this credit can apply for the credit by submitting an application to the Montana Department of Labor and Industry that includes items such as the number of qualified new employees hired, details about net employee growth, and the average yearly wage of each qualified new employees hired. The Department of Labor and Industry will review each application and, if approved, issue the taxpayer a credit certificate which the taxpayer must include with its Montana tax return.

To qualify for the credit, the taxpayer must establish that the net employee growth was associated with a project within Montana within one of nine specified sectors. These sectors are construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation. The taxpayer must also establish a net employee growth equal to at least 10 qualifying new employees for the first year of credit and at least 15 qualifying new employees for each subsequent year; provided, however that net employee growth must be equal to at least 5 qualifying new employees for the first year of credit and at least 7 qualifying new employees for each subsequent year in Montana counties with less than 20,000 in population. A qualifying new employee is one who meets the following requisites:

- Hired between calendar years 2022 and 2028,
- Employed for at least 6 months during the year the credit is granted,
- Yearly wage of at least \$50,000 and

- Not previously employed by taxpayer or a predecessor within previous 12 months or hired to replace an employee of a predecessor.

The credit “is equal to the number of qualifying new employees in the credit certificate multiplied by 50% of the taxpayer’s total estimated taxes imposed on the taxpayer each year for the Montana source wages paid to qualifying new employees under the Federal Insurance Contributions Act, 26 U.S.C. 3111(a) and (b).” The credit is non-refundable but can be carried forward 10 years. Additionally, if a taxpayer claims this credit for a given year, the taxpayer cannot claim the apprenticeship tax credit within the same tax year. Fiscal year filers can claim the applicable credit for the calendar year that ends within their fiscal tax year.

This bill contains a yearly contingent termination policy. The State will regularly evaluate if implementing this credit will have an impact on the amount of funds it receives federally from the American Rescue Plan Act. If the impact results in reductions of received federal funds or the requirement of the State to repay received federal funds, the State can choose to terminate this new credit.

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