

Corporate Income Tax Incentives

The following information provides the incentives classified under corporate income tax:

Alternative Energy Production Credit

15-32-402, MCA

ARM 42.4 Subchapter 41

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: Investment of \$5,000 or more in certain property depreciable under the Internal Revenue Code for a commercial or net metering system located in Montana which generates energy by means of an alternative renewable energy source.

Benefit: The credit is 35% of the eligible expenditures. Expenditures are reduced by the amount of any grants provided by the state or federal government for that system. The credit must first be claimed in the year in which the asset was placed in service; any excess credit may be carried over up to 7 years.

For wind energy investments 5 megawatts or larger, which are located within the exterior boundaries of a Montana Indian reservation, the credit may be carried over up to 15 years. (Please refer to MCA 15-32-402 and 404 for additional qualifications necessary regarding investments located on a Montana Indian reservation).

Form: AEPC

Alternative Fuel Credit

15-30-2320, MCA and 15-31-137, MCA

Eligibility: An individual, corporation, partnership or small business corporation as defined in MCA 15-30-3301 is allowed a tax credit against taxes imposed by MCA 15-30-2103 or MCA 15-31-101 for equipment and labor costs incurred to convert a motor vehicle licensed in Montana to operate on alternative fuel. A seller of alternative fuel may not receive a credit for converting its own vehicles to the alternative fuel that it sells.

Qualifying Expenditures: Equipment and labor costs incurred to convert a motor vehicle licensed in Montana to operate on alternative fuel.

Benefit: 50% of equipment and labor costs up to \$500 for a vehicle less than 10,000 pounds or \$1,000 for a vehicle weighing more than 10,000 pounds.

Form: AFCR

Biodiesel/Biolubricant Production Facilities Credit

15-32-702, MCA

ARM 42.4.2503

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: The cost of investments in depreciable property for constructing or equipping a facility, or both, in Montana incurred in the 2 tax years before the facility begins producing biodiesel or biolubricant or in any tax year in which the facility is producing biodiesel or biolubricant.

Benefit: The amount of the credit that may be claimed is 15% of the costs of the depreciable property. Any unused credit can be carried forward 7 tax years.

Form: OSC

Biodiesel Blending and Storage Credit

15-32-703, MCA
ARM 42.4.2504

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: The cost of investments in depreciable property for storing or blending biodiesel with petroleum diesel for sale.

Benefit: The amount of credit that may be claimed is 15% of the costs, up to a total of \$52,500 for special fuel distributors or up to a total of \$7,500 for owners or operators of a motor fuel outlet. Any unused credit can be carried forward 7 tax years.

Form: BBSC

Capital Gains and Dividends from Small Business Investment

Company Tax Exemption

15-33-101 through 15-33-106, MCA

Eligibility: Any capital gains or dividend income realized by an individual or corporation from an investment in a Small Business Investment Company (as defined by state law).

Benefit: The capital gains or dividend income is exempt from state individual and corporate income tax.

College Contribution Credit

15-30-2326, MCA, 15-31-135, MCA, 15-31-136, MCA

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: Contributions to general endowment funds of the Montana University System foundations or to the general endowment fund of a Montana private college or its foundation.

Benefit: The credit is equal to 10% of the aggregate amount of charitable contributions made by the taxpayer during the tax year. The maximum credit that a taxpayer may claim in a year is \$500. No carry back or carry forward is permitted.

Form: CC

Contractor's Gross Receipts Tax Credit

15-50-207, MCA
ARM 42.4.3103 and 42.31.2142

Eligibility: Contractors performing public construction work under any government contract.

Qualifying Expenditures: An additional license fee equal to 1% of the gross receipts for government contracts is paid.

Benefit: The credit can be used to offset the tax liability of corporate income or alternative corporate income taxes. Unused Contractor's Gross Receipts Tax Credit can be carried forward for up to five subsequent years.

Dependent Care Assistance Credit

15-31-131, MCA and 15-31-133, MCA

Eligibility: An employer carrying on a business, trade, occupation or profession in Montana.

Qualifying Expenditures: There are three sections concerning expenses paid or incurred for dependent care assistance actually provided to or on behalf of an employee. A registered or licensed day-care provider must have furnished the assistance.

Benefits: Day Care Facilities Credit is available for investments made between January 1, 2001 and December 31, 2005 related to acquiring, constructing, reconstructing, renovating, or improving property for the primary use of providing a day-care facility for your employees. The facility must have been placed in operation before January 1, 2006 and must have been in operation on the last day of the tax year the credit is claimed. You are allowed to claim one-tenth of the total amount of your credit determined in the first year you are eligible for the credit along with any day-care facility tax credit carryover. Any unused credit is carried forward 9 succeeding years.

Dependent Care Assistance Credit is 25% of the amount paid or incurred by the employer during the taxable year with a limit of \$1,575 per employee, or Dependent Care Information and Referral Service is 25% of the amount paid or incurred for providing day care information and referral services. Any unused credit may be carried forward five years.

Form: DCAC

Disability Insurance for Uninsured Montanans Credit

15-31-132, MCA

ARM 42.4.2802

Eligibility: Montana employers who:

- Have been in business in Montana for at least 12 months.
- Employ 20 or fewer employees working at least 20 hours per week.

Qualifying expenditures: Premiums for disability insurance on behalf of employees if at least 50% of each employee's premium is paid by the employer.

Benefit: The credit is equal to \$25 a month for each employee (up to 10 employees maximum) if the employer pays 100% of an employee's premium, or a proportionate amount of \$25 if the employer pays less than 100% of an employee's premium. The credit may not exceed 50% of the premium cost for each employer. The credit may not be claimed for a period of more than 36 consecutive months. A tax credit may not be granted to an employer or its successor within 10 years of the last consecutive credit claimed. The credit is nonrefundable and may not be carried forward or back.

Form: HI

Donation of Exploration Information Deduction

15-32-510, MCA

Eligibility: An individual or corporation may deduct documented expenses for the donation of mineral exploration information generated as part of the certified expenditures. The information must be donated to the Montana tech foundation to reside as part of the Montana tech research library.

Benefit: The documented expenses must be based on the cost of recreating the donated information. A deduction may not exceed 20% of the actual value of the data if a tax credit for the same exploration activity data is taken.

Empowerment Zone Tax Credit

15-31-134, MCA

Eligibility: Individual, corporations, small business corporations, pass-through entities and partnerships. Local governments can establish empowerment zones to encourage economic development. Among other criteria, unemployment within the empowerment zone area must be at least 150% of the statewide average unemployment or poverty rate in the 2 years prior to creation of the empowerment zone.

Qualifying Expenditures: Business must be located in a facility within the empowerment zone; Less than 10% of the business is from retail sales of tangible personal property, other than that manufactured in the facility;

Shall increase employment within the empowerment zone from employees who; work at least 1,750 hours per year in permanent employment intended to last at least 3 years; were not employed in the business within the 12 preceding months; at least 35% are residents of the county at the time of their employment are provided a health benefit plan of which at least 50% of the premium is paid by the business; and are paid for job duties performed at the empowerment zone location.

Benefit: For individuals or corporations meeting eligibility criteria, the credit against income tax liability for each qualifying employee is \$500 for the first year of employment; \$1,000 for the second year of employment and \$1,500 for the third year of employment. If the credit exceeds the taxpayers' income tax liability, the credit may be carried forward 7 years and carried back 3 years. In addition to the income tax credits, the employer is also entitled to a credit against the taxes imposed by 33-2-705, MCA, the insurance premium tax. The credits against the tax are the same as listed above.

Energy Conservation Investments Deduction

15-32-103 and 106, MCA

ARM 42.23.421 through 42.23.423

Eligibility: A corporation may deduct a portion of the taxpayer's expenditures for a capital investment in a building for an energy conservation purpose that is not financed by state, federal, or private grant funds for energy conservation.

Benefit: The taxpayer may deduct from gross corporate income up to \$1,800 for investment made in a residential building. Alternatively, \$3,600 may be deducted for building investment made in a building not used as a residence.

Film Employment Production Credit

15-31-901 through 911, MCA

ARM 42.4.3301 through 42.4.3306

You can claim a nonrefundable or refundable credit against your income tax liability for employing residents of Montana in a state-certified production. The credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production.

When you claim this credit, you should make a one-time election by either:

- Applying the credit against your income tax liability and carrying forward any unused credit to be applied against your income tax liability in subsequent years, or,
- Applying the credit against your income tax liability with any unused credit refunded to you.

Form: FPC, FPC-AF, FPC-PP, and FPC-RD

Film Qualified Expenditures Credit

15-31-901 through 911, MCA
ARM 42.4.3301 through 42.4.3306

You can receive a refundable film qualified expenditures credit for expenditures made in Montana in connection with a state-certified production. The credit is equal to 9% of the total qualified expenditures incurred in connection with the state-certified production. Expenditures that qualify are expenses that occurred in Montana and that are directly related to your production. These expenses include lodging expenses, restaurant and food expenses, location fees, lumber and construction materials, rental, or production equipment and vehicles and supplies and materials that are used in the production.

Form: FPC, FPC-AF, FPC-PP, and FPC-RD

Geothermal System Credit

15-32-115, MCA
ARM 42.4.104, 42.4.110, 42.4.118 and 42.4.121

Eligibility: A taxpayer constructing a new residence.

Qualifying Expenditures: Installation cost including such costs but not limited to, trenching, well drilling, casing, piping, ground source pumps, ductwork, and design and labor.

Benefit: The maximum credit for the installation of a geothermal system by a taxpayer constructing a new residence cannot exceed \$1,500. The unused amount may be carried forward for seven succeeding tax years.

Form: ENRG-A

Historic Buildings Preservation Credit

15-31-151, MCA
ARM 42.4.2902 through 42.4.2905

Eligibility: Corporations, small business corporations or partnerships.

Qualifying Expenditures: Qualified rehabilitation expenditures, as provided in 26 U.S.C 47 and as it may be amended.

Benefit: Twenty-five percent of the federal credit allowed. This is a non-refundable credit. Carry forward provisions for 7 years.

Form: Attach Federal Form 3468

Increase Research and Development Activities Credit

15-31-150, MCA
ARM 42.4.3202 and 3203

Eligibility: Individual, corporation, small business corporation, partnership, limited liability partnership or limited liability company. A credit may not be claimed in the current year after December 31, 2010.

Qualifying Expenditures: Increases in qualified research expense and basic research payments for research conducted in Montana. Credit is determined in accordance with section 41 of the Internal Revenue Code (IRC), 26 U.S.C. 41 and as it may be amended, with exception that the applicable rate is 5% for Montana purposes.

Benefit: The credit is equal to 5% of the increase in qualified research expense and basic research payments for research in Montana. The credit is nonrefundable but may be carried back two years and carried forward 15 years.

Form: RSCH

Infrastructure User Fee Credit

17-6-309(2), MCA and 17-6-316, MCA
ARM 42.4.3002 through 42.4.3004

Eligibility: Businesses using infrastructure improvements financed through Board of Investment grants to local government. The local government may charge a fee for use of the infrastructure.

Qualifying Expenditures: The business may take a credit for the fee charged by a local government unit.

Benefit: The total credit may not exceed the amount of the loan. The credit may be carried back 3 tax years and then carried forward 7 tax years.

Form: IUFC

Insure Montana Small Business Health Insurance Credit

33-22-2006 and 2007, MCA
ARM 42.4.2402 through 42.4.2404

Eligibility: A business that received a tax credit from the Insure Montana Small Business Health Insurance program.

Benefit: A credit may be claimed for the total credit amount issued to the business. If you are a pass-through entity, the credit amount is multiplied by your ownership percentage. Insurance premiums paid for these policies are not allowed as a deduction. These must be added back at two times your tax credit.

Form: Attach a copy of the most recent certificate from the State Auditor's Office providing the amount of tax credit the business received.

Mineral and Coal Exploration Incentive Credit

15-32-501 through 509, MCA

Eligibility: Individual, corporation, partnership, small business corporation or limited liability company engaged in mineral exploration in the state.

Qualifying Expenditures: Certified expenditures for mining exploration activities, which represent costs incurred for activities in direct support of exploration activity conducted at a specific exploration site for the purpose of determining the existence, location, extent or quality of a mineral or coal deposit. The credit applies to activities associated with both new mines and mines that are being reopened. These expenditures must receive prior certification by the department in order to qualify for the credit.

Benefit: A credit may be claimed for certified expenditures of mining exploration activities not to exceed 50% of the tax liability for the tax year that is related to production from the mining operation at which the exploration activities occurred. If a portion of the credit is not applied during a tax year, it may be carried forward for 15 tax years.

Forms: MINE-CERT and MINE-CRED

New/Expanded Industry Credit

15-31-124 through 127, MCA
ARM 42.4.1602 through 42.4.1612

Eligibility: Manufacturing companies

Qualifying Expenditures: Increase total full time employment by at least 30% in Montana.

Benefit: The total amount of the credit is 1% of the total wages paid to new employees. Credit is available during the first three years following initiation or expansion of the manufacturing operation. Credit limited to the year in which it is earned.

Oilseed Crushing Facility Credit

15-32-701, MCA
ARM 42.4.2501 through 42.4.2503

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: The cost of investments in depreciable property that is used primarily for crushing oilseed crops for purposes of producing biodiesel or biolubricant in Montana incurred in the 2 tax years before the facility begins crushing oilseed or in any tax year in which the facility is crushing oilseed.

Benefit: The amount of the credit that may be claimed is 15% of the costs of the depreciable property, up to the maximum credit of \$500,000. Any unused credit can be carried forward 7 tax years.

Form: OSC

Qualified Endowment Credit

15-31-161, MCA and 15-31-162, MCA
ARM 42.4.2701 through 42.4.2708 and 42.15.510

Eligibility: Individual, corporation, small business corporation, partnership, or a limited liability company.

Qualifying Expenditures: Gifts to a qualified charitable endowment, as defined in MCA 15-30-2327.

Benefit: The credit is 20% of a charitable gift made to qualified endowments and is not to exceed \$10,000. For a planned gift, the credit is 40% of the present value and is not to exceed \$10,000.

The credit is nonrefundable; may not exceed the taxpayer's tax liability and the credit is not subject to a carry back or carryforward. The credit cannot be claimed on any portion of the gift taken as a deduction under MCA 15-31-114 (deductions allowed in computing income).

Form: QEC

Recycle Credit

15-32-601 through 604, MCA
ARM 42.4.2601 through 42.4.2605

Eligibility: Individual, corporation, partnership or small business corporation.

Qualifying Expenditures: Investments in depreciable equipment or machinery used in Montana to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes.

Benefit: The amount of credit is determined with 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.

A credit may not be claimed for investments in depreciable property in excess of \$1 million. No carry forward or carry back is allowed.

Form: RCYL

Recycle Deduction

15-32-609, MCA and 15-32-610, MCA
ARM 42.4.2601 through 42.4.2602

Eligibility: Individual, corporation, partnership or small business corporations

Qualifying Expenditures: An additional tax deduction for the purchase of recycled material in Montana.

Benefit: The deduction is 10% of the expenditures for the purchase of recycled material.

Form: RCYL

Research and Development Firms Tax Exemption

15-31-103, MCA
ARM 42.23.112 through 42.23.116

Eligibility: Research and development firms organized to engage in the business in the state of Montana for the first time. Firms must file applications with the Department of Revenue before the end of the first calendar quarter during which the firm engages in business in Montana.

Benefit: All net income earned from research and development activities are exempt from corporate income tax during its first five taxable years of activity in Montana.

Form: RDF-CT

Temporary Emergency Lodging Credit

15-30-2381, MCA and 15-31-171, MCA
ARM 42.4.1702

Eligibility: Licensed establishments that provide short-term emergency lodging under the Temporary Emergency Lodging Program may claim a refundable tax credit. The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. For additional information about the temporary emergency lodging program, please visit their [website](#).

Benefit: The credit is \$30 for each day of lodging provided by the establishment with a maximum of five nights' lodging for each individual. No carry forward or carry back is allowed.

Form: TELC

Unlocking State Lands Credit

15-30-2380, MCA, 77-1-101, MCA and 87-1-294, MCA

Eligibility: For tax periods beginning on or after January 1, 2014, an access established through a taxpayer's property to a parcel of state land for recreational use and certified by the department of fish, wildlife, and parks may claim a refundable tax credit.

If the property through which the access is provided is owned by multiple taxpayers, the taxpayers may claim a proportionate share of the \$500 credit based on their respective ownership interests in that property.

If the qualified access to the same parcel of state land is provided through separate properties owned by different taxpayers, the taxpayer for each property may claim a \$500 credit.

Benefit: The credit is \$500 for each qualified access to state land with a maximum of \$2,000. Any unused credit will be refunded to you.