

SENATE BILL NO. 321

INTRODUCED BY J. KASSMIER, S. NOVAK, L. SCHUBERT, B. EDWARDS, P. STRAND, E. ALBUS, J. SECKINGER, J. WEBER, E. BUTTREY, B. GILLESPIE, G. HUNTER, E. MATTHEWS, C. SPRUNGER, D. HARVEY, G. LAMMERS, L. SMITH, M. YAKAWICH, B. BARKER, P. FLOWERS, T. FRANCE, D. HAWK, G. NIKOLAKAKOS, C. POPE, E. STAFMAN, J. LYNCH

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING TAX CREDITS FOR CHILDREN AND CHILD CARE; PROVIDING FOR A CHILD TAX CREDIT; PROVIDING FOR AN INCOME TAX CREDIT FOR CHILD-CARE WORKERS; PROVIDING FOR AN EMPLOYER TAX CREDIT FOR DEPENDENT CARE ASSISTANCE; PROVIDING THAT THE CREDITS ARE ADJUSTED FOR INFLATION; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-30-2303, MCA; AND PROVIDING AN APPLICABILITY DATE."

WHEREAS, nearly 60% of Montana's counties are classified as child-care deserts; and

WHEREAS, Montana's total child care capacity meets only 44% of the estimated demand, and infant capacity meets only 34% of the estimated demand; and

WHEREAS, the average cost of child care for children under 5 years of age in Montana is approximately \$20,000 a year; and

WHEREAS, Montana's child care crisis is preventing thousands of Montanans from entering or returning to the workforce.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Child tax credit. (1) Except as provided in subsection (3), a resident taxpayer who is permitted a child tax credit under section 24 of the Internal Revenue Code, 26 U.S.C. 24, is allowed a credit against the taxes imposed by this chapter for each qualifying child of the taxpayer.

(2) Subject to subsection (5), the amount of the credit is ~~\$1,200~~ \$600 for each qualifying child.

(3) To claim the credit, a taxpayer must have:

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(a) proof of earned income; and

~~(b) investment of income of less than \$10,300; and~~

~~(e)(b)~~ a valid social security number for each child claimed.

(4) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the taxpayer's tax liability or, if the taxpayer has no tax liability under this chapter, a refund equal to the amount of the credit. The credit may be claimed by filing a Montana income tax return.

(5) The credit in subsection (2) is reduced at a rate of \$50 for each \$1,000 of the taxpayer's federal adjusted gross income in excess of:

(a) \$40,000 for a single or head of household taxpayer; and

(b) \$80,000 for a married taxpayer filing jointly.

(6) The department shall annually adjust the credit amount in subsection (2) and the adjusted gross income amounts in subsections (5)(a) and (5)(b) by the inflation factor for the following tax year and round to the nearest \$100.

(7) For the purposes of this section, the following definitions apply:

(a) "Earned income" means earned income as defined in section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(b) "Inflation factor" means a number determined for each tax year by dividing the consumer price index for June of the previous tax year by the consumer price index for June 2025.

~~(c) "Investment income" means "disqualified income" as defined in section 32 of the Internal Revenue Code, 26 U.S.C. 32.~~

~~(d)(c)~~ "Qualifying child" means a child of the taxpayer who is 5 years of age or younger as of the close of the calendar year in which the taxpayer's tax year begins.

NEW SECTION. Section 2. Credit for child-care workers -- rulemaking. (1) A resident taxpayer is allowed a credit against the tax imposed by this chapter for employment as a child-care worker.

(2) The amount of the credit is equal to \$1,600.

(3) To be eligible for the credit under this section, a child-care worker must have been employed for at least 6 months of the tax year and worked a minimum of 20 hours a week.

NEW SECTION. Section 4. Business-supported dependent care credit. There is a credit against the taxes otherwise due under this chapter for an employer for amounts paid or incurred during the tax year by the employer for dependent care assistance actually provided to or on behalf of an employee as provided in [section 3].

Section 5. Section 15-30-2303, MCA, is amended to read:

"15-30-2303. Tax credits subject to review by interim committee. (1) The following tax credits must be reviewed during the biennium commencing July 1, 2021, and during each biennium commencing 8 years thereafter:

(a) the credit for donations to innovative educational programs provided for in 15-30-2334, 15-30-3110, and 15-31-158;

(b) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-30-3111, and 15-31-159; ~~and~~ and

(c) the adoption tax credit provided for in 15-30-2321; ~~and~~

~~(d) the child tax credit provided for in [section 1];~~

~~(e) the credit for child care workers provided for in [section 2]; and~~

~~(f) the business-supported dependent care credit provided for in [sections 3 and 4].~~

(2) The following tax credits must be reviewed during the biennium commencing July 1, 2023, and during each biennium commencing 8 years thereafter:

(a) the credit for infrastructure use fees provided for in 17-6-316;

(b) the credit for contributions to a qualified endowment provided for in 15-30-2327 through 15-30-2329, 15-31-161, and 15-31-162;

(c) the credit for property to recycle or manufacture using recycled material provided for in Title 15, chapter 32, part 6; and

(d) the credit for preservation of historic buildings provided for in 15-30-2342 and 15-31-151.

(3) The following tax credits must be reviewed during the biennium commencing July 1, 2025, and during each biennium commencing 8 years thereafter:

(a) the residential property tax credit for the elderly provided for in 15-30-2337 through 15-30-

1 2341;

2 (b) the credit for unlocking state lands provided for in 15-30-2380;

3 (c) the job growth incentive tax credit provided for in 15-30-2361 and 15-31-175; and

4 (d) the credit for trades education and training provided for in 15-30-2359 and 15-31-174.

5 (4) The following tax credits must be reviewed during the biennium commencing July 1, 2027, and
6 during each biennium commencing 8 years thereafter:

7 (a) the credit for hiring a registered apprentice or veteran apprentice provided for in 15-30-2357
8 and 15-31-173;

9 (b) the earned income tax credit provided for in 15-30-2318;

10 (c) the media production and postproduction credits provided for in 15-31-1007 and 15-31-1009;

11 and

12 (d) the credit for contractor's gross receipts provided for in 15-50-207;

13 (e) the child tax credit provided for in [section 1];

14 (f) the credit for child-care workers provided for in [section 2]; and

15 (g) the business-supported dependent care credit provided for in [sections 3 and 4].

16 (5) The revenue interim committee shall review the tax credits scheduled for review and make
17 recommendations in accordance with 5-11-210 at the conclusion of the full review to the legislature about
18 whether to eliminate or revise the credits. The committee shall also review any tax credit with an expiration date
19 or termination date that is not listed in this section in the biennium before the credit is scheduled to expire or
20 terminate.

21 (6) The revenue interim committee shall review the credits using the following criteria:

22 (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions
23 that may have been made regardless of the existence of the tax credit;

24 (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;

25 (c) whether the credit has out-of-state beneficiaries;

26 (d) the timing of costs and benefits of the credit and how long the credit is effective;

27 (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or
28 elimination outweigh adverse impacts; and

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1 (f) the extent to which benefits of the credit affect the larger economy. (Subsection (3)(c)
2 terminates December 31, 2028--sec. 4, Ch. 391, L. 2023; subsection (3)(d) terminates December 31, 2028--
3 sec. 2, Ch. 576, L. 2023; subsection (1)(c) terminates December 31, 2031--sec. 6, Ch. 493, L. 2023.)"

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5 NEW SECTION. Section 6. Codification instruction. (1) [Sections 1 through 3] are intended to be
6 codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [sections
7 1 through 3].

8 (2) [Section 4] is intended to be codified as an integral part of Title 15, chapter 31, part 1, and the
9 provisions of Title 15, chapter 31, part 1, apply to [section 4].

10
11 NEW SECTION. Section 7. Applicability. [This act] applies to income tax years beginning after
12 December 31, 2025.

13 - END -