

June  
2021



# MONTANA NEXT GENERATION REPORT UPDATE - Supplement



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DRAFT

*Modernize Montana's programs and tools.*

1.1. Establish specific strategies to target emerging industry clusters for growth and expansion beyond tourism, such as agriculture, forestry & wood products, advanced manufacturing, technology, and energy.

**NEXT STEPS**

1.1.1. Establish industry task forces with public and private partners to analyze the industry data and trends; identify Montana's competitive advantages; create a workforce strategy, potential target incentives, site readiness initiatives, and promotional materials. Identify key performance indicators (KPIs) and metrics to evaluate the program's effectiveness.

**WORK SUGGESTED FOR EACH COMMITTEE:**

- Analysis of industry data and trends
- Assessment of Montana's competitive advantages
- Creation of a workforce strategy, potential target incentives, site readiness initiatives, and promotional materials
- Identification of key performance indicators (KPIs) and metrics to evaluate the program's effectiveness.

# MEDA WORKING GROUPS

## VALUE-ADDED AGRICULTURE WORKING GROUP

**MEMBERS:** Paddy Fleming, MMEC Chair; Gloria O'Rourke, MEDA Organizer; Tami Burke, FADC/GNDC; Sarah Converse, Sweetgrass Development; Brett Doney, Great Falls Development Authority; Courtney Edwards, Headwaters RC&D; Erin Farris-Olsen, Heart of the Rockies; Davey Madison, MCDC; Dale Mahugh, NorthWestern Energy; Abigail Majerus, FDI for MWTC; Tori Matejovsky, GNDC, Rodney Miller, Fort Peck Tribes; Michael Peter, FADC Director, Bear Paw Development; Eric Seidensticker, Jefferson Local Development; Jan Tusick, Mission Mountain Food Enterprise Cr.; Julie Foster, Ravalli County EDA; Taylor Lyon, Mission Mountain Food Enterprise Cr.; Alissa Miller, Eastern Plains.

**FORMED:** September 2020

**MISSION:** Increase the value-added agricultural industries in the state and expand higher value agriculture production.

### GOALS:

- Foster teamwork between MEDA members and other stakeholders on Value-Added Agriculture issues and projects in Montana.
- Provide recommendations to the MEDA Board regarding state funding, federal funding and state policies that affect Value-Added Agriculture in Montana.
- Educate and promote the importance of value-added agriculture in Montana.
- Analysis of industry data and trends
- Assessment of Montana's competitive advantages
- Creation of a workforce strategy, potential target incentives, site readiness initiatives, and promotional materials
- Identification of key performance indicators (KPIs) and metrics to evaluate the program's effectiveness.

### VALUE-ADDED AG RESOURCES AND STAKEHOLDERS IN MONTANA

- Food & Ag Development Centers
  - Montana Department of Agriculture
- Growth Through Agriculture Program - MT Dept of Ag
- MSU Extension
- Montana Cooperative Development Center
- Montana Manufacturing Extension Center
- Montana SBDC Network
- CRDC with FADC - Lake County Community Development
- USDA Rural Development Value Added Producer Grants
- National Center for Appropriate Technology

## VALUE-ADDED AGRICULTURE WORKING GROUP- *Continued*

### RECENT ACCOMPLISHMENTS

1. **Established Mission, Goals, Composed [Situation Paper](#), and set the following Key Theme areas:**
  - a. Higher value production opportunities, i.e. hops, organics, etc.
  - b. Processing and products – take what is grown and add value before it leaves the state
  - c. Local food – grow and raise and use here
  - d. Add value to by-products produced as well
  - e. Continue funding for our key programs
  - f. Business attraction in this sector
  - g. Consider using BOI for this purpose of value-added ag
  - h. Foster impact investing and angel networks
2. Identified Value-Added Agricultural Funding Sources
  - a. MT Legislature
  - b. SBA
  - c. USDA
  - d. NIST-MEP
  - e. EDA
  - f. EPA
3. Established committee area on the MEDA website <https://www.medamembers.org/working-groups/value-added-agriculture>

### CURRENT EFFORTS UNDERWAY:

## BROADBAND COMMITTEE

**MEMBERS:** Tracy McIntyre, MT Cooperative Development, Co-Chair; Brian Obert, MBAC Co-Chair; Gloria O'Rourke Organizer, MEDA; Brit Fontenot, City of Bozeman EDO; Paul Tuss, Bear Paw Development; Adam Vauthier, Anaconda Local Development; Mehmet Casey, Downtown Billings Alliance; Jerry Meerkatz, Montana West; Tom Kaiserski, Dept. of Commerce, Geoff Feiss, MT Telecommunications Assoc.; Allison Corbyn, Big Sky EDA; Diane Smith, American Rural, Entrepreneur; Jason Williams, Blackfoot Communications; Chris Manos, MBAC; Steve Simonson, Beartooth RC&D; Russ Fletcher, MATR.net; Jason Moothart, Interbel Telephone, Anne Boothe, Rural Montana Freelance; Paul Gladen, Accelerate MT and Blackstone Launchpad; Karl Unterschuetz, Accelerate Montana Rural Innovation Initiative; Mary Roehr, Charter Communications, Bethany Chinadle, Triangle Communications, Michael Mattmiller, Microsoft; Aimee Grmoljez, MT Chamber Foundation; Paul DeWolfe, Access Consulting; Stephen Walter, MWED; Andy Shirtliff, SBA; Corey Hageman, Sweetgrass Development.

**FORMED:** August 2020

**MISSION:** Encourage Montana to develop a bold strategy for broadband and 5G deployment statewide

### KEY THEMES:

1. Mapping Coordination and Integration
2. Defining Sufficient Level of Connectivity
3. Encouraging investment in high-performance broadband by providers in unserved and underserved locations with a series of policy elements to be considered
4. Focus on closing Montana's Digital Divide

### BROADBAND RESOURCES AND STAKEHOLDERS IN MONTANA

- MT Telecommunications Association
- Blackfoot Communications
- Charter Communications
- Triangle Communications
- Interbel Telephone
- MT League of Cities and Towns
- MT Association of Counties
- IBEW 206
- MT Legislative Energy & Telecommunications Interim Committee
- MT Departments of Commerce and Administration
- MT State Library
- MT Certified Regional Development Centers

### RECENT ACCOMPLISHMENTS

1. Identified key themes to address with legislation and in general (above)
2. Supported [SB 297](#) and HB 632 (ARPA \$150 million in funding for broadband)
3. Identified key legislation during 2021 MT Legislative Session
4. Established committee area on the MEDA website <https://www.medamembers.org/mt-next-generation-of-tools/broadband-committee>
5. Press release on the committee and

**CURRENT EFFORTS:** Work to support ARPA funded Broadband expansion efforts.

## WORKFORCE WORKING GROUP

**MEMBERS:** Nicole Rush, Missoula MEP, Co-Chair; Mary Craigle, MDOC, Co-Chair; Gloria O'Rourke, MEDA, Organizer; Jennifer Rose, Ray Brown, Sanders County Community Development; Christopher Facundo, MTDLI; Tracy McIntyre, MT Cooperative Development; Kathleen O'Leary, MTDLI; Brett Doney, Great Falls Development Authority; Webb Brown, Consulting; Nisan Burbridge, MTDLI; Russ Fletcher, MATR; Austin Trunkle, Big Sky Economic Development; Shannon Lewis, MTDLI; Kelly Cresswell, Kim Amelea, Anne Booth, Andy Shirliff, Rick Edwards, Reach Higher MT; Davey Madison, MCDC; Allison Corbyn, Big Sky Economic Development; Liz Ching, MTDLI; McKinley Winkle, Helena WINS; Rodney Miller, Fort Peck Tribes; Brian Obert, MBAC; Sarah Converse, Sweetgrass Development; Diane Smith, American Rural, Entrepreneur; Jason Williams, Blackfoot Communications; Casey Mehmet, Downtown Billings Alliance; Brit Fontenot, City of Bozeman EDO;.

**FORMED:** December 2021

**MISSION:** Montana's employers continue to report difficulties finding skilled workers, a problem that has been exacerbated by the COVID-19 pandemic and is expected to continue. Montana's working age population is aging, and the cohort of Montana workers expected to replace those who will retire over the next decade is too small to meet predicted needs.

Montana's workforce depends on its population, their skills and overall participation. Thus, growing the state's labor pool requires population growth, skill growth and/or increased participation. Stakeholders must make workforce development a top priority, dedicating leadership, and resources to the effort at a strategic level.

### DRAFT POLICY GOALS:

1. Centralize statewide workforce development programs under a single vision and brand. Create an integrated, systemwide view of agencies involved in workforce development and establish concrete goals. Workforce programs and initiatives are dispersed through multiple organizations and institutions at the state and local levels. The current system can be challenging to navigate and confusing for economic developers and businesses. Expanding and formalizing the partnership between these essential fields will create greater efficiencies and establish connections to better serve industry and job seekers.
2. Create a "central hub" to convene and coordinate the economic development, workforce, and talent development organizations across the state for greater effectiveness. Develop metrics and a feedback mechanism to evaluate the effectiveness of programs. The hub should be focused effective communication of what programs are available in Montana, and on creating opportunities for industry feedback and collaboration. Identify and prioritize growth sectors, the skills needed now and in the next three to five years, and the expected impact of broader industry changes.
3. Create new/expand existing resources for skill growth at the employer level. Focus on developing flexible recruitment and training programs and tools that are competitive and meet industry needs.
4. Effective business attraction requires talent attraction. MEDA supports expanded resources to attract skilled talent to Montana. Leverage Montana's tourism marketing and advertising campaign for talent recruitment.
5. Rising housing costs in Montana are impacting talent attraction and talent retention. MEDA supports policy agenda of statewide partners working to increase workforce housing in Montana.

### **WORKFORCE WORKING GROUP - Continued**

6. Lack of affordable, quality childcare in Montana is affecting parents' ability to participate in the workforce. MEDA supports programs to expand childcare access for Montanans. Access to high-quality childcare is identified as a top need and consideration for working parents in urban and rural communities across the state. Explore programs and incentives to encourage the development of new high-quality childcare facilities.

### **WORKFORCE WORKING GROUP RESOURCES AND STAKEHOLDERS IN MONTANA**

- State Workforce Investment Board (SWIB)
- Montana Departments of Labor and the Montana Job Service Offices
- Montana University System
- Other Institutions of Higher Education in Montana
- Montana Department of Commerce

### **RECENT ACCOMPLISHMENTS**

1. Established committee area on the MEDA website <https://www.medamembers.org/mt-next-generation-of-tools/workforce-committee>
2. Started PowerPoint presentation series on factors impacting workforce recruiting

**CURRENT EFFORTS:** Finalize Policy Objectives, continue presentations on key industry data and trends.



## REMOTE WORKING GROUP

**MEMBERS:** Anne Boothe Chair; Gloria O'Rourke, MEDA Organizer; Abby Majerus, MWTC; Annmarie Robinson, MT Dept. of Commerce; Barbara Stiffarm, Opportunity Link; Betty Jo Wood, Work Wherever Consulting; Brad Comer, Remote Worker; Brenda Schilling, Glacier County Regional Port Authority; Brenna Fulks, Mission West CDP; Brent Donnelly, SBA; Brian Obert, MBAC; Bum Stiffarm, Island Mtn Development; Carol Lamey, MT DLI Havre; Chancey Parker, Rocky Boy Veterans; Chris Manos, MBAC; Christie Williams, Dakota Business Lending; Christin Hileman, Newfields (remote worker); Christina Henderson, MT High Tech Alliance; Dara Deines, EPEDC; Deanna Morrow, WavTeq; Diane Smith, DSmith & Associates; Erin Fisk, Wheatland County Chamber of Commerce; ; Erin Lutts, MidRivers; Erin Weisgerber, MDLI; Geoff Feiss, MTA; Harold Heppner, ANC; Jasmine Carbajal, MSU Extension, Hill Co; Jayne Morrow, MSU Bozeman - VP Economic Development & Research; Joel Krautter, MT Legislator HB405; Joel Schumacher, MSU; Julianne Snedigar, MSU Extension, Blaine Co; Julie Emmons, SEMDC; Karl Unterschuetz, AMRII; Kathleen O'Leary, MT DLI; Kerry Racine, Opportunity Link; Lance Robbins, Consultant; Laurel Farrer, ROI; Leonard Malin, LCCDC; Lisa Haas, CAPA Board, Choteau, MT; Liz Ching, MT Dept. of Labor & Industry; Liz Marchi, MT Chamber Foundation; Liz Moore, MT Nonprofit Association; ; Mandie Reed, MSU Extension, Wheatland County; Mark Davis, Juggling Wolves; Martina Pansze, MT High Tech Al.; Mary Craigle, MT Dept. of Commerce; Melissa Higbee, Eastern Plains; Natalie Flores; Pam Smith Worsley, PhillCo; Paul Tuss, Bear Paw Development Corp.; Robyn Madison, Sen. Tester; Rodney Miller, Fort Peck Assiniboine & Sioux Tribes; Roger Fleming, Northfork; Russ Fletcher, MATR; Sara Hudson, Snowy Mtn Development; Sarah Calhoun, Red Ants Pants; Sarah McKinney, Havre; Scott Eychner, MT DLI; Shanny Spang Gion, SMART; Soren Chargois, Grow Great Falls; Tara Mastel, MSU; Tina Oliphant, KRDC; Tori Matejovsky, GNDC.

**FORMED:** Ad Hoc April 2018, Formalized April 2019

### WORKFORCE WORKING GROUP RESOURCES AND STAKEHOLDERS IN MONTANA

#### RECENT ACCOMPLISHMENTS

1. Master Remote Work Professional Certification program offered through MSU Extension
2. Established committee area on the MEDA website <https://www.medamembers.org/working-groups/remote-work/?cat=Remote+Work>

#### CURRENT EFFORTS





Montana		
	Rank	Score
Overall Rank	5 (+0)	6.07
Corporate Taxes	21 (+0)	5.33
Individual Taxes	25 (+0)	5.02
Sales Taxes	3 (+0)	8.96
Property Taxes	28 (-2)	5.15
Unemp. Insur. Taxes	20 (+0)	5.10

Neighboring States
#1 Wyoming
#2 South Dakota
#5 Montana
#17 North Dakota
#20 Idaho

Top States
#1 Wyoming
#2 South Dakota
#3 Alaska
#4 Florida
#5 Montana

**Spread the Word!**  
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[Print!](#)

Bottom States
#50 New Jersey
#49 California
#48 New York
#47 Connecticut
#46 Minnesota

**Sources**

Tax Foundation <https://taxfoundation.org/2021-state-business-tax-climate-index/>

## One Median Wage Earners and Housing Costs

State	Total Income One Median Wage Earner	Average Home Price	Annual Payment	House Payment % Total Median Wage Income
AZ	\$44,816	\$283,623	\$12,972	<b>29%</b>
CA	\$52,683	\$579,332	\$26,268	<b>50%</b>
CO	\$52,122	\$412,819	\$19,008	<b>36%</b>
ID	\$42,417	\$303,606	\$13,728	<b>32%</b>
MT	\$42,697	\$293,685	\$13,476	<b>32%</b>
ND	\$49,190	\$236,405	\$10,836	<b>22%</b>
OR	\$49,064	\$374,604	\$17,124	<b>35%</b>
SD	\$42,733	\$217,215	\$9,972	<b>23%</b>
TX	\$46,073	\$213,036	\$9,876	<b>21%</b>
UT	\$48,055	\$360,044	\$16,260	34%
WA	\$55,975	\$431,487	\$19,752	35%
WY	\$48,707	\$254,753	\$11,820	<b>24%</b>

**Housing Cost Assumptions:** 20% Down, Excludes Property Mortgage Insurance Fee, Interest Ranges from 3.88% to 4.1% Among Selected States, 30 Year Fixed Rate

### Sources:

Median Earnings: U.S. Census Bureau <https://data.census.gov/>

Average House Price: National Association of Realtors <https://www.nar.realtor/research-and-statistics/housing-statistics>

## Two Median Wages, Housing and Childcare Costs

State	Total Income <u>TWO Median Wage</u> Earners	Average Home Price	Annual Payment	Annual Cost Per Child	House & Childcare % of Two Incomes
AZ	\$89,632	\$283,623	\$12,972	\$10,948	27%
CA	\$105,366	\$579,332	\$26,268	\$16,945	41%
CO	\$104,244	\$412,819	\$19,008	\$15,325	33%
ID	\$84,834	\$303,606	\$13,728	\$7,474	25%
MT	\$85,394	\$293,685	\$13,476	\$9,518	27%
ND	\$98,380	\$236,405	\$10,836	\$9,091	20%
OR	\$98,128	\$374,604	\$17,124	\$13,616	31%
SD	\$85,466	\$217,215	\$9,972	\$6,511	19%
TX	\$92,146	\$213,036	\$9,876	\$9,324	21%
UT	\$96,110	\$360,044	\$16,260	\$9,945	27%
WA	\$111,950	\$431,487	\$19,752	\$14,554	31%
WY	\$97,414	\$254,753	\$11,820	\$10,647	23%

### SOURCES

Annual Child Care Costs: Economic Policy Institute <https://www.epi.org/child-care-costs-in-the-united-states/>

# SELECT TAX INCENTIVES AND FINANCIAL ASSISTANCE PROGRAMS FOR BUSINESS DEVELOPMENT IN MONTANA

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Developed by:  
INDUSTRY DEVELOPMENT PROGRAM  
**MONTANA DEPARTMENT OF COMMERCE**  
[WWW.MARKETMT.COM/RIS/IDP](http://WWW.MARKETMT.COM/RIS/IDP)

## Introduction

Montana was ranked 5th in Tax Foundation's 2020 State Business Tax Climate Index for its low property taxes and lack of a sales tax. Additionally, the State of Montana offers a host of tax incentives and financial assistance programs designed to attract investment and create good paying jobs. These offerings, along with similar programs available from the federal government, can significantly benefit business growth and prosperity in Montana. This document has been prepared by the Industry Development Program (IDP) that resides in the Research and Information Services Bureau of the Montana Department of Commerce. It is not a comprehensive, exhaustive list of all available incentives, rather this document presents information about a select number of incentives the IDP has identified as potentially good fits for a number of business development projects the program works with. Some of these programs and incentives are commonly used by businesses, while others are accessed to a lesser degree depending on the nature of the business development, the level of investment and the number of jobs created.

## Grants and Loans

Montana Board of Investments

### Direct Loan Participation Program

*Fixed rate financing up to 25 years, as of Nov. 27, 2020:*

Term	Current Rate	Rate Reduction	Final Rate
5	2.650%	2.5%	0.150%
10	2.950%	2.5%	0.450%
15	3.220%	2.5%	0.720%
20	3.710%	2.5%	1.210%
25	4.155%	2.5%	1.655%

*\*Current rates are subject to change and can be found on the MT Board of Investments website.*

*For a list of current Commercial Rates, visit*

*<https://investmentmt.com/Portals/96/shared/LoanPrograms/docs/rates/ratewebdoc.pdf>*

*\*Please also keep in mind that the final rate may be 25 to 50 basis points higher (or higher, this is set by the lender) due to fees charged by the financial institution.*

MDOC Finance Assistance Bureau

The Finance Assistance Bureau houses a variety of financing programs that provide businesses with grants and loans to help create good-paying jobs for Montanans. Activities eligible for funding include job training, working capital, equipment purchases, or construction materials. Below is information on key programs relevant to your project:

#### Primary Sector Workforce Training Grant Program (WTG)

This program can provide training reimbursement for the direct training cost. The employee in the newly created job must be making a minimum of \$14.70/hour (including benefits). There is a match requirement of \$1 of for every \$3 of WTG funds.

WTG Example:	
Maximum award per net new FT job	\$5,000
Maximum award per net new PT job	\$2,500
<u>Net new jobs</u>	<u>250</u>
Grant award	\$625,000 - \$1,250,000

*\* This program is offered at the discretion of the state legislature and is “one time only”. The availability of funds is uncertain but reviewed on a biannual basis.*

#### Big Sky Economic Development Trust Fund (BSTF) Planning Project Program

BSTF can assist with Preliminary Architectural Reports (structural analysis & cost proposals), schematic designs, construction documents, and other planning activities. Typical awards are \$25,000 with a \$1 for \$1 match.

#### Big Sky Economic Development Trust Fund (BSTF) Job Creation Program

Typical eligible use of BSTF funds include the reimbursement for the following: purchase of land, building, equipment; wages of new workers; lease rate reduction and construction materials. The program requires a match of \$1 for \$1. Jobs paying at or above the average wage in the county where your project is located (can include ERISA eligible benefits) are more likely to receive the full award amount. Depending on the county in which a project locates, the average wage paid by the business to qualify for BSTF job creation funds is between \$14.70 and \$18.88 per hour.

Example:	
Dollars per net new job created	\$7,500 (high poverty county)
<u>Net new jobs</u>	<u>40</u>
Grant award	\$300,000

## Opportunity Zones

The Tax Cuts and Jobs Act of 2017 created a section of the Tax Code that allows taxpayers to take advantage of an new investment vehicle called Opportunity Funds. The purpose of this new investment vehicle is to help direct resources to low-income communities, known as Qualified Opportunity Zones.

#### Opportunity Zones Tax Incentives

- Deferral of capital gain
- Possible reduction of the amount of gain realized through a basis adjustment
- Possible permanent exclusion of gain on the appreciation for the interest in a Qualified Opportunity Fund
- There is no cap on the amount of money that can be invested in Qualified Opportunity Funds

The U.S. Treasury Department has approved Montana's 25 Opportunity Zones. A list of these zones can be found at <http://comdev.mt.gov/programs/opportunityzones>.

## Understanding the Opportunity Zone Tax Policy

This is a very powerful development tool that can greatly reduce capital gains and income tax. The federal government will be issuing a form to allow taxpayers to self-certify as a Qualified Opportunity Fund. It is imperative that any investing entity fully understand the federal requirements necessary to realize the benefits of Opportunity Zones and Funds. The links below provide guidance and an overview.

*Opportunity zones: An innovative investment vehicle created by the TCJA – Accounting Today, June 6, 2018*  
<https://www.accountingtoday.com/opinion/opportunity-zones-an-innovative-investment-vehicle-created-by-the-tax-cuts-and-jobs-act>

*Opportunity Zones: The Largest Community Investment Program in a Generation – VentureBeat YouTube Channel, March 7, 2018 (video: scroll to 6-minute mark to skip to explanation of Opportunity Zones)*  
<https://www.youtube.com/watch?v=gmn19vSE-V4>

*Economic Innovation Group website*  
<http://comdev.mt.gov/programs/opportunityzones>

## Taxes

### Corporate Income Tax Summary

**MT corporate income tax rate is 6.75% and is calculated on net income earned in Montana.**

Calculation of Net Montana Corporate Income:

Example:      \$50 million gross revenue \* 10% profit = \$5 million net revenue  
                   \$5 million \* 67% apportionment factor\* = \$3.35 million net revenue  
                   \$3.35 million \* 6.75% corporate tax rate = **\$226,125 tax annually**

*\* Multi-state corporations are required to apportion income to Montana based on an equally weighted, three-factor apportionment formula (payroll, property, sales). For general purposes, this assessment assumes only 1% of sales to in-state, thus attributing a 67% apportionment factor.*

### Corporate Income Tax Mitigation

New or Expanding Industry Wage Credit  
 15-31-124 - 15-31-127, MCA, ARM 42.6.16

A new or expanding manufacturing corporation in Montana may receive a corporation license tax credit applied to their corporate income tax liability of 1 percent of wages paid to new employees for the first three years of operation and expenses. This tax credit only applies to C Corps registered in the State of Montana.



Montana Board of Investments Infrastructure Loan Program

In addition to the Participation Loan previously mentioned, the Montana Board of Investments Infrastructure Loan Program is designed to help finance public infrastructure improvements and offset corporate income tax liability for projects that create at least 15 jobs. This program’s low interest loans are available to local governments to finance public infrastructure improvements with the debt service essentially being a grant to the business as a direct, dollar for dollar reduction of its Montana income tax liability.

The loan amount is based on the number of new qualifying jobs created times \$16,666 and is used to finance public infrastructure improvements used by the business. The business pays the local government a use fee (monthly P&I on the infrastructure loan) and the business may reduce their Montana state income tax liability by the amount of the fee. Should the operating business lease a publicly owned building this could be considered public infrastructure. Businesses creating equal to or greater than 50 jobs qualify for a 2.5% rate reduction.

Example:

Qualifying job credit	\$16,666
Qualifying jobs	50
<hr/>	
Infrastructure loan	\$833,300

*Fixed rate financing up to 25 years:*

Term	Current Rate	Rate Reduction	Final Rate	Annual Corporate Income Tax Reduction
5	2.65	2.5%	0.15 %	\$167,411.24
10	2.95%	2.5%	0.45%	\$85,410.62
15	3.22%	2.5%	0.72%	\$58,817.69
20	3.71%	2.5%	1.21%	\$47,191.65
25	4.155%	2.5%	1.655%	\$41,034.70

*\*Annual corporate income tax reduction is equal to total payments made toward the infrastructure loan to the local government within a calendar year. Total credit may not exceed the amount of the loan.*

*\*Current rates are subject to change and can be found on the MT Board of Investments website. For a list of current Commercial Rates, visit <https://investmentmt.com/Portals/96/shared/LoanPrograms/docs/rates/ratewebdoc.pdf>*

Property Tax

Class 4 – Commercial Property – 1.89%

This property tax rate is based off the residential property tax rate set by the legislature. The majority of Montana’s non-residential properties, commercial and industrial, fall under this tax classification. Personal property associated with this tax classification is taxed at a different rate. See Personal Property section below.

## Personal Property Tax

Personal property tax rates in the state of Montana are tiered in the following manner.

*The first \$300,000 of aggregate taxable market value of class eight property is exempt. The next \$6 million in taxable market value is calculated at 1.5% of market value.*

*Any taxable market value in excess of \$6,100,000 is calculated at 3% of market value.*

## Property Tax Mitigation

### New or Expanding Industries

#### 15-24-1402 MCA

This is a locally approved property tax abatement which applies a declining abatement over 10 years and is applicable to both real and personal property. Qualifying facilities may be taxed at 25% or 50% of their taxable value in the first 5 years after a construction permit is issued. Each year thereafter, the percentage must increase by equal percentages until the full taxable value is attained in the 10th year. State mills are exempt from this tax abatement, effectively decreasing the abatement rate slightly on the full taxable value.

## Other Incentives and Programs

### Programs

#### Community Development Block Grant (CDBG) Program

Montana's CDBG Economic Development program is designed to stimulate economic development activity by assisting Montana's private sector to create or retain jobs for low- to moderate-income (LMI) Montanans, i.e. individuals earning less than 80% of the area median income. The program can assist businesses by making fixed-rate financing available to them at low interest rates, and can offer payment deferrals, lower payments in the first year, and interest-only payments. CDBG-ED funds are intended to be used in situations where a funding gap exists, and alternative sources of public and private financing are not adequate.

The focus of the program is full-time permanent positions for Montanans. Loan amounts are based on the number of employees a business will retain or the number of new positions to be created. Loan terms are determined according to the use of funds and the businesses financial position. The business must ensure that at least 51% of the jobs are made available to, or held by, LMI persons.

CDBG Economic Development (ED) 2017 funding is available for both loan and planning grants. Loan maximum is \$400,000 with an interest rate of 2%. CDBG planning grants are also available and may be used for the preparation of plans, studies, training, or research including business plans. Applications for CDBG ED loans or grants are processed in coordination with the local government. Gus Byrom is the state contact for the CDBG program and is available at 841-2777 or gbyrom@mt.gov.

## Rural Energy for America Program Guaranteed Loan and Grant

REAP aims to encourage the commercial financing of renewable energy (bioenergy, geothermal, hydrogen, solar, wind and hydro power) and energy efficiency projects. Under the program, project developers work with local lenders, who in turn can apply to USDA Rural Development for a loan guarantee up to 85 percent of the loan amount. Applications for Grants of \$20,000 or Less and Loan/Grant of \$20,000 or Less Combo Applications due by Nov. 2, 2020, or March 31, 2021. Applications for Unrestricted Grants or Loan/Unrestricted Grant Combo Applications due by March 31, 2021. Guaranteed Loans are accepted on a continuous application cycle. For more details on this program please visit: <https://www.rd.usda.gov/programs-services/rural-energy-america-program-renewable-energy-systems-energy-efficiency>

## Tax Incentives & Benefits

### New Markets Tax Credits

The New Markets Tax Credit program is a federally funded program providing subsidy financing to a wide variety of projects in low-income communities. The NMTC program gives taxpayers an aggregate 39 percent federal income tax credit over seven years against equity investments made in designated community development entities. In Montana, New Markets Tax Credits are administered by Montana Community Development Corporation in Missoula. In 2011, it received an allocation of more than \$56 million. <https://www.mofi.org/new-markets-tax-credit/>

### 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.

### 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

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.*

### 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.

#### 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.

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