

MT S 326, Enacted

Montana

SUMMARY: Revises State Economic Development Industry Advancement Act film tax credits; revises eligible productions and postproduction activity; provides an increased credit for hiring veterans and enrolled tribal members; extends the credits; allocates the credit to certain entities; provides that unused allocated credits may be claimed by other entities for a fee; designates the fee for film industry workforce training; establishes the Film Industry Workforce Training Account.~SAME AS:

Changes in Bill text reflected as:

~~Text Deleted~~

Text Added

~~Text Vetoed~~

Current Legislative Status

02/13/2025 INTRODUCED.

02/13/2025 Filed as Draft 1012

02/14/2025 To SENATE Committee on TAXATION.

03/12/2025 Public Hearing held.

03/21/2025 Public Hearing held.

03/31/2025 From SENATE Committee on TAXATION: Do pass as amended.

04/02/2025 In SENATE. 2nd Reading Passed.

04/02/2025 Rereferred to SENATE Committee on FINANCE AND CLAIMS.

04/02/2025 Public Hearing Scheduled. (S) Finance and Claims - 04/03/2025 09:00 am, Room 317.

04/03/2025 From SENATE Committee on FINANCE AND CLAIMS: Do pass.

04/04/2025 In SENATE. 3rd Reading Passed.

04/04/2025 Passed SENATE. *****To HOUSE.

04/07/2025 To HOUSE Committee on TAXATION.

04/09/2025 Public Hearing Scheduled. (H) Taxation - 04/15/2025 08:00 am, Room 152.

04/16/2025 From HOUSE Committee on TAXATION: Do pass as amended.

04/18/2025 Reconsidered Previous Action; Remains in Committee

04/18/2025 Reconsidered Previous Action; Remains in Committee

04/22/2025 In HOUSE. 2nd Reading Passed.

04/22/2025 Rereferred to HOUSE Committee on APPROPRIATIONS.

04/22/2025 Public Hearing Scheduled. (H) Appropriations - 04/22/2025 11:30 am, Room 102.

04/23/2025 From HOUSE Committee on APPROPRIATIONS: Do pass as amended.

04/24/2025 In HOUSE. 2nd Reading Passed.

04/25/2025 In HOUSE. 3rd Reading Passed.

04/25/2025 Passed HOUSE. *****To SENATE for concurrence.

04/29/2025 SENATE concurred in HOUSE amendments.

04/30/2025 Returned from Enrolling.

05/05/2025 *****To GOVERNOR.

05/12/2025 Signed by GOVERNOR.

05/16/2025 Chaptered. Chapter No. 598

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session: Montana 69th Regular Session

cite: 2025 MT S 326

Enacted

May 12, 2025

Hertz

2025 Montana Legislature

SENATE BILL NO. 326

INTRODUCED BY G. HERTZ, W. GALT, M. LEE, R. GREGG, C. NEUMANN, J. WEBER, C. SCHOMER, E. TILLEMANN, E. BUTTREY, W. CURDY, W. MCKAMEY, T. RUNNING WOLF, C. SPRUNGER, D. FERN, D. HARVEY, J. KASSMIER, G. LAMMERS, M. YAKAWICH, E. BOLDMAN, B. CARTER, J. COHENOUR, P. FLOWERS, D. HAWK, G. NIKOLAKAKOS, S. MORIGEAU, M. ROMANO, M. THANE, J. DARLING, J. LYNCH, V. MOORE

AN ACT REVISING THE MONTANA ECONOMIC DEVELOPMENT INDUSTRY ADVANCEMENT ACT FILM TAX CREDITS; REVISING ELIGIBLE PRODUCTIONS AND POSTPRODUCTION ACTIVITY; PROVIDING AN INCREASED CREDIT FOR HIRING VETERANS AND ENROLLED TRIBAL MEMBERS; EXTENDING THE CREDITS THROUGH 2045; ~~INCREASING THE AGGREGATE CREDIT LIMIT~~; ALLOCATING THE CREDIT TO CERTAIN ENTITIES; PROVIDING THAT UNUSED ALLOCATED CREDITS MAY BE CLAIMED BY OTHER ENTITIES FOR A FEE; DESIGNATING THE FEE FOR FILM INDUSTRY WORKFORCE TRAINING; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-31-1002, 15-31-1003, 15-31-1004, 15-31-1007, 15-31-1009, AND 15-31-1010, MCA; REPEALING SECTIONS 1 THROUGH 9, CHAPTER 509, LAWS OF 2021; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.”

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

Section 1. Media manufacturing industry workforce training account. (1) There is an account in the state special revenue fund provided for in 17-2-102 known as the film industry workforce training account.

(2) The fee collected under 15-31-1010(2)(c) must be deposited in the account.

(3) The department of labor and industry shall use money in the account to provide workforce training for the film industry.

Section 2. Section 15-31-1002, MCA, is amended to read:

" 15-31-1002. Purpose. ~~(1) The purpose of this part is to enhance Montana's economy by expanding film and related media production in the state, by increasing job opportunities for a broad array of workers, and by promoting the growth of small businesses. The objectives of this part are to:~~

~~(a) advertise Montana as open for business to qualifying projects;~~

~~(b) develop a broad spectrum of high-paying jobs in the state;~~

~~(c) encourage investment of funds to finance media production in the state;~~

~~(d) expand opportunities for existing Montana small businesses and for new small businesses that provide goods and services to qualified projects; and~~

~~(e) promote tourism in the state.~~

~~(2) The objectives in subsection (1) will best be achieved by offering tax incentives as provided in this part~~ *create a more resilient Montana economy by diversifying and driving local growth in the media manufacturing sector and ancillary supporting sectors by:*

(1) creating tax credit reservation allocations that put Montana businesses first;

(2) driving brick and mortar investment into permanent infrastructure in the state;

(3) increasing career pathway training and full-time equivalent jobs for a broad array of

Montana resident workers;

(4) expanding a sustainable media manufacturing sector through film and related media production in the state; and

(5) limiting liability to the state."

Section 3. Section 15-31-1003, MCA, is amended to read:

" 15-31-1003. Definitions. As used in this part, unless the context requires otherwise, the following definitions apply:

(1) "Affiliate" means a subsidiary of which more than 50% of the voting stock is owned directly by the parent corporation or another member of the Montana combined group.

(2) "Base investment" means the amount expended by a production company as production expenditures and compensation incurred in this state that are directly used in a state-certified production.

(3) (a) "Compensation" means Montana wages, salaries, commissions, payments to a loan-out company subject to the provisions of subsection (3)(c), union benefits, fringe benefits, and any other form of remuneration paid to employees for personal services performed in this state.

(b) The term does not include compensation paid that is less than the minimum wage described in 39-3-409.

(c) The term includes payments to a loan-out company by a production company if the production company withheld and remitted Montana income tax at the highest marginal rate in effect under 15-30-2103 on all payments to the loan-out company for services performed in this state. The amount withheld is considered to have been withheld by the loan-out company on wages paid to its employees for services performed in this state. The amounts withheld must be allocated to the loan-out company's employees based on the payments made to the loan-out company's employees for services performed in Montana. For purposes of this chapter, loan-out company nonresident employees performing services in this state must be considered taxable nonresidents and the loan-out company is subject to income taxation in the tax year in which the loan-out company's employees perform services in this state, notwithstanding any other provisions of Title 15. The withholding liability is subject to penalties and interest as provided in 15-1-216.

(d) With respect to a single crew member or production staff member, excluding an actor, director, producer, or writer, the portion of any compensation that exceeds \$500,000 for a single production is not included when calculating the base investment.

(e) All payments to a single employee and any legal entity in which the employee has any direct or indirect ownership interest are considered as having been paid to the employee and must be aggregated regardless of the means of payment or distribution.

(4) "Domiciled company" means a corporation incorporated in the state or a partnership, limited liability company, or other business entity subject to tax under Title 15, chapter 30 or 31:

(a) domiciled and headquartered in the state for a minimum of 1 year for the purpose of performing qualified production activities or qualified postproduction activities; and

(b) that maintains a minimum of 15 resident full-time equivalent jobs that pay wages above the state average median income and for which Montana income tax is withheld.

~~(4)~~ **(5) "Game platform" means the electronic delivery system used to launch or play an interactive game.**

~~(5)~~ **(6) "Game sequel" means an interactive game that builds on the theme of a previously released interactive game, is distinguished by a new title, and features objectives or characters that are recognizably different from those in the original game.**

(7) "Independent film production" means a state-certified production with a production budget approved by the department of commerce of \$3 million or less.

~~(6)~~ **(8) (a) "Loan-out company" means a personal service company contracted with and retained by a production company to provide individual personnel who are not employees of the production company, including actors, directors, producers, writers, production designers, production managers, costume designers, directors of photography, editors, casting directors, first assistant directors, second unit directors, stunt coordinators, and similar personnel, for performance of services used directly in a qualified production activity.**

(b) The term does not include persons retained by a production company to provide tangible property or outside independent contractor services, such as catering, construction, trailers, equipment, and transportation.

~~(7)~~ **(9)** "Multimarket commercial distribution" means paid commercial distribution that extends to markets outside the state.

~~(8)~~ **(10)** (a) "Postproduction company" means a company that:

(i) maintains a business location physically located in this state;

(ii) is engaged in qualified postproduction activities;

(iii) meets the requirements of 15-31-1005(4); and

(iv) has been approved by the department of commerce to claim the credit provided for in 15-31-1009.

(b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part, by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan guaranteed by the state.

~~(9)~~ **(11)** "Prereleased interactive game" means a new game, the offering of an existing game on a new game platform, or a game sequel that is in the developmental stages of production and that may be available to individuals for testing purposes but is not generally made available or distributed to consumers or to the general public.

~~(10)~~ **(12)**(a) "Production company" means a company primarily engaged in qualified production activities that have been approved by the department of commerce.

(b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part, by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan guaranteed by the state.

~~(11)~~ **(13)**(a) "Production expenditure" means a preproduction or production expenditure incurred in Montana that is directly used for a qualified production activity including:

(i) set construction and operation;

(ii) wardrobes, makeup, accessories, and related services;

(iii) costs associated with photography and sound synchronization expenditures, excluding license fees, incurred with Montana companies for sound recordings and musical compositions, lighting, or related services and materials;

(iv) editing and related services;

(v) rental of facilities and equipment;

(vi) leasing of vehicles, whether to be photographed or to transport people, equipment, or materials;

(vii) lodging costs, including hotel rooms and private housing rentals paid for by the production company;

(viii) per diem and living allowance paid to staff, cast, and crew members;

(ix) digital, film, or tape editing, film processing, transfers of film to tape or digital format, sound mixing, computer graphics services, special effects services, visual effects services, and animation services;

(x) airfare, if purchased through a Montana travel agency or travel company;

(xi) insurance costs and bonding, if purchased through a Montana insurance agency; and

(xii) other direct costs of producing the project in accordance with generally accepted entertainment industry practices and generally accepted accounting principles.

(b) The term does not include:

(i) compensation, which qualifies for the credit provided for in 15-31-1007(3)(b)(i) through ~~(3)(b)(iv)~~ **(3)(b)(v)**;

(ii) production expenditures for footage shot outside the state;

(iii) marketing;

(iv) story rights;

(v) distribution; or

(vi) postproduction expenditures.

(14) "Qualified Montana facility" means a media manufacturing facility of 10,000 or more square feet and measuring at least 25 feet from floor to truss that was constructed or renovated in the state on or after January 1, 2025, at a minimum capital expenditure of \$10 million for the primary purpose of engaging in the development of qualified production or postproduction activities and or which the owner is subject to tax under Title 15, chapter 30 or 31.

(12) (15)"Qualified Montana promotion" means a promotion of this state approved by the department of commerce and consisting of:

(a) a qualified movie production that includes a 5-second static or animated logo that promotes Montana in the end credits for the life of the project and that includes a link to the official state of Montana website on the project's website;

(b) a qualified television production that includes an embedded 5-second Montana promotion during each broadcast worldwide for the life of the project and that includes a link to the official state of Montana website on the project's website;

(c) a qualified music video that includes the Montana logo at the end of each video and within online promotions;

(d) a qualified interactive game that includes a 15-second Montana advertisement in units sold and embedded in online promotions; or

(e) a qualified television special or sports event for which the network provides complimentary placement of two 30-second spots per 30 minutes of qualifying television special or sports event programming promoting Montana destinations and provided by the department of commerce as provided for in 15-31-1004(7).

(13) (16)"Qualified postproduction activity" means an activity performed in this state on a qualified production employing traditional, emerging, and new workflow techniques used in postproduction for picture, sound, and music editing, rerecording and mixing, visual effects, graphic design, original scoring, animation, musical composition, and other activities performed after initial production and including activities performed on previously produced and edited content.

(14) (17)"Qualified postproduction wage" means wages incurred in this state directly in qualified postproduction activities for footage shot inside or outside this state.

(15) (18)(a) "Qualified production" means a **production, for which a minimum of 60% of principal photography time was completed in the state or the base investment exceeded \$5 million, that is a new film, video, or digital project including only feature films, series for theaters, television, or streaming, pilots, movies and scripted shows made for television or streaming, *nonscripted television programs, documentaries*, televised commercial advertisements, music videos, corporate videos, industrial films, production for website creation, television specials, sports events, video games, interactive entertainment, prereleased interactive games, and sound recording projects used in a feature film, series, pilot, or movie for television.**

(b) The term includes projects shot, recorded, or originally created in short or long form, animation, and music, fixed on a delivery system, including film, videotape, computer disc, laser disc, and any element of the digital domain, from which the program is viewed or reproduced and which is intended for multimarket commercial distribution via a theater, video on demand, digital or fiber optic distribution platforms, digital video recording, a digital platform designed for distribution of interactive games, licensing for exhibition by individual television stations, groups of stations, networks, advertiser-supported sites, cable television stations, streaming services, or public broadcasting stations.

(c) The term does not include the coverage of news, local interest programming, instructional videos, commercials distributed only on the internet, infomercials, solicitation-based productions, ~~nonscripted television programs~~, feature films consisting primarily of stock footage not originally recorded in Montana, or projects containing obscenity as defined in 45-8-201(2).

(16) (19)(a) "Qualified production activity" means **a production, for which a minimum of 60% of principal photography time was completed in the state or the base investment exceeded \$5**

million, that is the production of a new film, video, or digital project in this state and approved by the department of commerce, including only feature films, series for theaters, television, or streaming, pilots, movies and scripted shows made for television or streaming, **nonscripted television programs, documentaries**, televised commercial advertisements, music videos, corporate videos, industrial films, production for website creation, television specials, sports events, video games, interactive entertainment, prereleased interactive games, and sound recording projects used in a feature film, series, pilot, or movie for television.

(b) The term includes the production of projects filmed or recorded in this state, in whole or in part and in short or long form, animation and music, fixed on a delivery system, including film, videotape, computer disc, laser disc, and any element of the digital domain, from which the program is viewed or reproduced and which is intended for multimarket commercial distribution via a theater, video on demand, digital or fiber optic distribution platforms, digital video recording, a digital platform designed for distribution of interactive games, licensing for exhibition by individual television stations, groups of stations, networks, advertiser-supported sites, cable television stations, streaming services, or public broadcasting stations.

(c) The term does not include the coverage of news, local interest programming, instructional videos, commercials distributed only on the internet, infomercials, solicitation-based productions, ~~nonscripted television programs~~, or feature films consisting primarily of stock footage not originally recorded in Montana, projects containing obscenity as defined in 45-8-201(2), or projects not shot, recorded, or originally created in Montana.

~~(17)~~ **(20)**"Resident" has the meaning provided in 15-30-2101.

~~(18)~~ **(21)**"State-certified production" means a production engaged in qualified production activities and certified by the department of commerce as provided in 15-31-1004.

~~(19)~~ **(22)**"Underserved area" means a county in this state in which 14% or more people of all ages are in poverty as determined by the U.S. bureau of the census estimates for the most current year available."

Section 4. Section 15-31-1004, MCA, is amended to read:

" **15-31-1004. Application for state certification.** (1) (a) A production company may not receive the tax credit provided for in 15-31-1007 unless the production has been certified by the department of commerce as provided in this section.

(b) A postproduction company may not receive the tax credit provided for in 15-31-1009 unless the postproduction company has been certified by the department of commerce. The postproduction company shall submit an application that includes the information provided for in subsection (2)(a) for the postproduction company. The application must be submitted in the year in which the postproduction plans to claim the credit and must be accompanied by a \$500 application fee. For the purposes of allocating the credit pursuant to 15-31-1010, the application must contain an estimate of the amount of credit the postproduction company will claim. A postproduction company that plans to claim the credit in more than 1 tax year must apply for the credit each year, but the application fee is only required in the first year of application. The department of commerce shall notify the applicant whether the postproduction company qualifies for the credit within 30 days of receipt of the application.

(2) An application, on a form provided by the department of commerce, must be submitted by the production company to the department of commerce before the start of principal photography. The application must be accompanied by a \$500 fee and must include:

(a) the production company's name, primary business address, telephone and fax numbers, incorporation information, federal tax identification number, and the name of at least one principal company officer or manager;

(b) the address and telephone and fax numbers of the production company's Montana office;

(c) the name of the line producer, unit production manager, or production accountant;

(d) a statement that the applicant meets the definition of production company in 15-31-1003;

(e) the title of the production;

(f) the type of production;

(g) the proposed dates of production from preproduction to the start and completion of principal photography;

- (h) a copy or synopsis of the production script;
 - (i) a list of production locations;
 - (j) a statement that the proposed production does not contain any material or performance that would be considered obscene under 45-8-201(2);
 - (k) a statement that the production will include a qualified Montana promotion; and
 - (l) a statement that the production company plans to make a base investment of \$350,000 or more or, if subsection (5) applies, that the production company plans to make a base investment of \$50,000 or more.
- (3) The application must be signed by the manager, agent, president, vice president, or other person authorized to represent the production company.
- (4) (a) The department of commerce shall notify the applicant within 30 days of receipt of the application as to whether the production qualifies as a state-certified production.
- (b) If the department of commerce approves the application, the department of commerce shall provide a certification number to the applicant.
- (5) The department of commerce may approve on a case-by-case basis an application for a commercial, music video, production for website creation, video game, interactive entertainment, or experimental or low-budget project that plans a base investment of less than \$350,000 but more than \$50,000.
- (6) (a) If the department of commerce determines that the production company has violated the provisions of subsection (2)(j) or (2)(k), the department of commerce may revoke the state certification of the production. If the department of commerce revokes the state certification, the department of commerce shall notify the department of revenue. The production company has the right to a hearing before the department of commerce on the revocation of the state certification as provided in Title 2, chapter 4, part 6.
- (b) The department of revenue shall recapture any tax credit claimed by a production company for which the state certification has been revoked. The recapture is subject to penalties and interest as provided in 15-1-216.
- (c) If the production company transferred the tax credit, the recapture provisions of 15-31-1008(7) apply.
- (7) The department of commerce shall design and furnish the Montana screen credit needed to qualify for the additional tax credit provided for in ~~15-31-1007(3)(b)(viii)~~ 15-31-1007(3)(b)(ix) and the programming promoting Montana destinations provided for in 15-31-1003 ~~(12)(e)~~ (15)(e).
- (8) The application fee must be deposited in an account in the state special revenue fund. The fee is statutorily appropriated to the department of commerce, as provided in 17-7-502, to administer the provisions of 15-31-1004 through 15-31-1012.
- (9) The department of commerce shall prescribe rules necessary to carry out the provisions of this section, including a procedure for review of the department of commerce's denial or revocation of state certification, the department's policies on the types of productions that may include the Montana screen credit, and the criteria for approving projects with a base investment of less than \$350,000."

Section 5. Section 15-31-1007, MCA, is amended to read:

" **15-31-1007. Tax credit for media production.** (1) Subject to 15-31-1010 and through the tax year ending December 31, ~~2029~~ 2045, a production company and its affiliates are allowed a credit against the taxes imposed by chapter 30 and this chapter for investments in a state-certified production approved by the department of commerce as provided in 15-31-1004 and 15-31-1005. The credit is for the base investment made up to 6 months before state certification through completion of the project. ~~The credit must be claimed for the period July 1, 2019, through December 31, 2020, in which the production expenditures were incurred or the compensation was paid unless the credit is transferred to the next tax year because the limits provided for in 15-31-1010 have been met. For periods after December 31, 2020, the~~ Subject to 15-31-1010(3), the credit must be claimed for the year in which the production expenditures were incurred or the compensation was paid ~~unless the credit is transferred to the next tax year because the limits provided for in 15-31-1010 have been met.~~

(2) To claim the credit provided for in this section:

- (a) the production company or its affiliate must have applied to the department of commerce as provided in 15-31-

1005 and been approved to claim or transfer the credit; or

(b) the taxpayer must be the entity to which a credit approved pursuant to 15-31-1005 and this section was transferred.

(3) (a) The credit is equal to 20% of the production expenditures in the state in the tax year, plus the additional amounts provided for in subsection (3)(b), but may not in the aggregate exceed 35% of the production company's base investment in the tax year.

(b) Additional amounts for which the credit may be claimed are:

(i) 25% of the compensation paid per production or season of a television series to each crew member or production staff member who is a resident, not to exceed a \$150,000 credit per person;

(ii) 15% of the compensation paid per production or season of a television series to each crew member or production staff member who is not a resident but for whom Montana income taxes have been withheld, not to exceed a \$150,000 credit per person;

(iii) 20% of the first \$7.5 million of compensation paid per production or season of a television series to each actor, director, producer, or writer for whom Montana income taxes have been withheld;

(iv) 30% of compensation paid per production or season of a television series to a student enrolled in a Montana college or university who works on the production **as a paid intern or as a bona fide employee and** for college credit. The credit may not exceed \$50,000 per student. If a credit provided for in this subsection (3)(b)(iv) is claimed for an enrolled student, the credits provided for in subsections (3)(b)(i) through (3)(b)(iii) **and (3)(b)(v)** may not be claimed for the same enrolled student.

(v) 30% of the compensation paid per production or season of a television series to each crew member or production staff member who is a Montana resident veteran of the armed forces of the United States or an enrolled member or descendant of an Indian tribe recognized by the state, not to exceed a \$150,000 credit for each person. If a credit provided for in this subsection (3)(b)(v) is claimed, the credits provided for in subsections (3)(b)(i) through (3)(b)(iv) may not be claimed for the same crew member or production staff.

~~(vi)~~ **(vi)** an additional 10% of payments made to a Montana college or university for stage rentals, equipment rentals, or location fees for filming on campus;

~~(vii)~~ **(vii)** an additional 10% of all in-studio facility and equipment rental expenditures incurred in this state for a production that rents a studio for 20 days or more;

~~(viii)~~ **(viii)** an additional 5% for production expenditures made in an underserved area; and

~~(ix)~~ **(ix)** an additional 5% of the base investment in the state if the state-certified production includes a Montana screen credit furnished by the state as provided in 15-31-1004(7).

(4) If one production company makes a production expenditure to hire another production company to produce a project or contribute elements of a project for pay, the hired production company is considered a service provider for the hiring company and the hiring company is entitled to claim the credit for all expenditures that are incurred in the state.

(5) Any unused credit may be carried forward for 5 years or may be transferred as provided in 15-31-1008. The credit allowed by this section, including a transferred credit, may not be refunded if the taxpayer has a tax liability less than the amount of the credit.

(6) A taxpayer claiming a credit shall include with the tax return the following information:

(a) the amount of tax credit claimed and transferred for the tax year;

(b) the amount of the tax credit previously claimed or transferred;

(c) the amount of the tax credit carried over from a previous tax year; and

(d) the amount of the tax credit to be carried over to a subsequent tax year.

(7) (a) A taxpayer claiming the credit provided for in this section must claim the credit as provided in subsection (7)(b).

(b) (i) An entity taxed as a corporation for Montana income tax purposes shall claim the credit on its corporate income tax return.

(ii) Individuals, estates, and trusts shall claim a credit allowed under this section on their individual income tax return.

(iii) An entity not taxed as a corporation shall claim the credit allowed under this section on member or partner returns as follows:

(A) corporate partners or members shall claim their share of the credit on their corporate income tax returns;

(B) individual partners or members shall claim their share of the credit on their individual income tax returns; and

(C) partners or members that are estates or trusts shall claim their share of the credit on their fiduciary income tax returns.

(c) In order to prevent disguised sales of the credit provided for in this section, allocations of credits through partnership and membership agreements may not be recognized unless they have a substantial economic effect as that term is defined in 26 U.S.C. 704 and applicable federal regulations.

(8) The credit allowed under this section may not be claimed by a taxpayer if the taxpayer has included the amount of the production expenditure or compensation on which the amount of the credit was computed in determining Montana taxable income under 15-30-2120 or as a deduction under 15-31-114."

Section 6. Section 15-31-1009, MCA, is amended to read:

" **15-31-1009. Tax credit for postproduction wages.** (1) ~~Through~~ **Subject to 15-31-1010 and through** the tax year ending December 31, ~~2029~~ **2045**, a postproduction company that has incurred qualified postproduction wages in the tax year is allowed a credit against the taxes imposed by chapter 30 and this chapter if the taxpayer applies to the department of commerce as provided in 15-31-1004 and to the department of revenue as provided in 15-31-1005 and is approved to claim the credit.

(2) The tax credit is equal to 25% of qualified postproduction wages incurred in the state.

(3) A tax credit claimed under this section may not exceed the postproduction company's total compensation paid to employees working in this state for the tax year in which the credit is claimed.

(4) The tax credit allowed by this section may not be refunded if the taxpayer has no tax liability. Any unused credit may be carried forward for 5 years.

(5) A taxpayer claiming a credit shall include with the tax return the following information:

(a) the amount of tax credit claimed for the tax year;

(b) the amount of the tax credit previously claimed;

(c) the amount of the tax credit carried over from a previous tax year; and

(d) the amount of the tax credit to be carried over to a subsequent tax year.

(6) (a) A taxpayer claiming the credit provided for in this section must claim the credit as provided in subsection (6)(b).

(b) (i) An entity taxed as a corporation for Montana income tax purposes shall claim the credit on its corporate income tax return.

(ii) Individuals, estates, and trusts shall claim a credit allowed under this section on their individual income tax return.

(iii) An entity not taxed as a corporation shall claim the credit allowed under this section on member or partner returns as follows:

(A) corporate partners or members shall claim their share of the credit on their corporate income tax returns;

(B) individual partners or members shall claim their share of the credit on their individual income tax returns; and

(C) partners or members that are estates or trusts shall claim their share of the credit on their fiduciary income tax returns.

(c) In order to prevent disguised sales of the credit provided for in this section, allocations of credits through

partnership and membership agreements may not be recognized unless they have a substantial economic effect as that term is defined in 26 U.S.C. 704 and applicable federal regulations.

(7) A postproduction company may not claim a credit under this section for production expenditures for which the media production credit provided for in 15-31-1007 is claimed."

Section 7. Section 15-31-1010, MCA, is amended to read:

~~" 15-31-1010. (Temporary) Limitation of tax credits. (1) (a) The department of commerce may grant to applicants pursuant to 15-31-1004 the authority to apply for the tax credits provided for in 15-31-1007 and 15-31-1009.~~

~~(b) The authorization by the department of commerce to apply for a credit does not guarantee the credit. A taxpayer authorized to apply for a credit pursuant to 15-31-1004 and this section must meet the requirements of 15-31-1005 through 15-31-1009 and subsection (2) of this section.~~

~~(c) The department of commerce shall make reasonable efforts to post on its website the amount of tax credits available and not yet allocated.~~

~~(2) (a) Total claims for the tax credits provided for in 15-31-1007 and 15-31-1009 may not exceed [\$12 million] per calendar year.~~

~~(b) Claims must be allowed on a first-come, first-served basis. A taxpayer whose claim for a credit is disallowed because the calendar year limit has been reached may use the credit in the next calendar year but the transfer of the credit to the next calendar year does not extend the carry forward periods provided for in 15-31-1007(5) or 15-31-1009(4).~~

~~(c) If a claim is disallowed because the calendar year limit has been reached, the department of revenue may waive penalties and interest pursuant to 15-1-216.~~

~~(d) The department of revenue shall make reasonable efforts to post on its website the amount of credits available and not yet claimed. (Bracketed language is temporarily amended to "\$10 million" on occurrence of contingency for income tax years 2022, 2023, 2024, and 2025 until July 1, 2025—secs. 7(6), 9, Ch. 509, L. 2021—see compiler's comment.)~~

15-31-1010. (Effective July 1, 2025) Limitation of tax credits -- allocation -- fee. (1) (a) The department of commerce may grant to applicants pursuant to 15-31-1004 the authority to apply for the tax credits provided for in 15-31-1007 and 15-31-1009.

(b) The authorization by the department of commerce to apply for a credit does not guarantee the credit. A taxpayer authorized to apply for a credit pursuant to 15-31-1004 and this section must meet the requirements of 15-31-1005 through 15-31-1009 and **subsection subsections (2) and (3)** of this section.

(c) The department of commerce shall make reasonable efforts to post on its website the amount of tax credits available and not yet allocated.

(2) (a) Total claims for the tax credits provided for in 15-31-1007 and 15-31-1009 may not exceed ~~\$12~~ **\$12** million per calendar year **and must be allocated as provided in subsection (2)(b).**

~~(b) Claims must be allowed on a first-come, first-served basis within the allocations provided for in subsection (2)(b).~~

(b) Except as provided in subsection (2)(c), credits under 15-31-1007 and 15-31-1009 are allocated as follows:

(i) \$12 million is allocated annually for credits approved prior to December 31, 2024, until the year when all of the approved credits for productions that occurred in years before 2025 are claimed, and after all carry forward authority has expired; and

(ii) once the credits approved prior to December 31, 2024, are claimed, the remainder must be allocated as follows:

(A) 10% to any production company or postproduction company on a first-come, first-served basis;

(B) 10% for independent film productions;

(C) 40% for media production credits derived from any portion of base investment related to the rental cost of qualified Montana facilities; and

(D) 40% for domiciled companies.

(c) By April 1 of each year following the year the production expenditures were incurred or the compensation was paid, any balance not claimed under subsection (2)(b) for the prior year is available on a first-come, first-served basis in addition to the amount allocated under subsection (2)(b)(i). Any unclaimed credit balance that becomes available under this section is subject to a 2% fee.

(3) (a) A taxpayer whose claim for a credit ***from a production occurring prior to January 1, 2025***, is ***approved but*** is disallowed because the calendar year limit has been reached may use the credit in the next calendar year ***but the*** . ***The*** transfer of the credit to the next calendar year does not extend the carry forward periods provided for in 15-31-1007(5) or 15-31-1009(4).

(e) (b) If a claim is disallowed because the calendar year limit has been reached, the department of revenue may waive penalties and interest pursuant to 15-1-216.

(d) (c) The department of revenue shall make reasonable efforts to post on its website the amount of credits available and not yet claimed.

(4) The fee provided for in subsection (2)(c) must be deposited in the account provided for in [section 1] and used for film industry workforce training."

Section 8. Repealer. Sections 1, 2, 3, 4, 5, 6, 7, 8, and 9, Chapter 509, Laws of 2021, are repealed.

Section 9. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each federally recognized tribal government in Montana.

Section 10. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 15, chapter 31, part 10, and the provisions of Title 15, chapter 31, part 10, apply to [section 1].

Section 11. Effective date. [This act] is effective on passage and approval.

Section 12. Retroactive applicability. [This act] applies retroactively, within the meaning of 1-2-109, to income tax years beginning on or after January 1, 2025.