

HOUSE BILL NO. 338

INTRODUCED BY REAM, HALLIGAN
BY REQUEST OF THE DEPARTMENT OF
HEALTH AND ENVIRONMENTAL SCIENCES

IN THE HOUSE

JANUARY 22, 1991 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

 FIRST READING.

FEBRUARY 1, 1991 COMMITTEE RECOMMEND BILL
 DO PASS AS AMENDED. REPORT ADOPTED.

FEBRUARY 2, 1991 PRINTING REPORT.

FEBRUARY 4, 1991 ON MOTION, CONSIDERATION PASSED.

FEBRUARY 5, 1991 SECOND READING, DO PASS AS AMENDED.

FEBRUARY 6, 1991 ENGROSSING REPORT.

FEBRUARY 7, 1991 THIRD READING, PASSED.
 AYES, 92; NOES, 7.

 TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 8, 1991 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

 FIRST READING.

MARCH 27, 1991 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN AS AMENDED. REPORT
 ADOPTED.

APRIL 1, 1991 SECOND READING, CONCURRED IN.

APRIL 2, 1991 THIRD READING, CONCURRED IN.
 AYES, 37; NOES, 13.

 RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 8, 1991 RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 9, 1991

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 338
 2 INTRODUCED BY Ream Hallya
 3 BY REQUEST OF THE DEPARTMENT OF
 4 HEALTH AND ENVIRONMENTAL SCIENCES

5
 6 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE LAWS
 7 RELATING TO TAX CREDIT FOR THE PURCHASE AND INSTALLATION OF
 8 LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICES; INCREASING
 9 THE ALTERNATIVE ENERGY TAX CREDIT FOR CERTAIN TAXPAYERS;
 10 REDEFINING A LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICE;
 11 EXTENDING THE DATE FOR CERTAIN TAXPAYERS FOR WHICH THE
 12 ALTERNATIVE ENERGY TAX CREDIT MAY BE TAKEN TO DECEMBER 31,
 13 1996; REDEFINING THE TAX-EXEMPT STATUS OF LOW EMISSION WOOD
 14 OR BIOMASS COMBUSTION DEVICES; REDEFINING THE INVESTMENTS
 15 THAT QUALIFY FOR VENTURE CAPITAL AND OTHER INCENTIVES FOR
 16 BUSINESSES INVOLVED WITH NONFOSSIL FORMS OF ENERGY
 17 GENERATION TO INCLUDE LOW EMISSION WOOD OR BIOMASS
 18 COMBUSTION DEVICES; AMENDING SECTIONS 15-6-201, 15-32-102,
 19 15-32-201, AND 90-8-104, MCA; AND PROVIDING AN IMMEDIATE
 20 EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

21
 22
 23 A statement of intent is required for this bill because
 24 it is anticipated that rulemaking proceedings will be
 25 required for implementation.

1 Montana currently has nine communities that exceed the
 2 state and federal ambient air quality standards for
 3 particulate matter smaller than 10 microns in diameter
 4 (PM-10) and two communities that exceed carbon monoxide
 5 standards. Several other communities have PM-10
 6 concentrations approaching the ambient standards.

7 It is the intention of the legislature that the tax
 8 credit available for the cost of purchasing and installing a
 9 low emission wood or biomass combustion device be restricted
 10 to only the most efficient devices available on the market.
 11 While replacing older wood stoves with newer low-emission
 12 wood stoves may reduce ambient levels of PM-10, carbon
 13 monoxide, and other pollutants, the legislature finds that
 14 the current tax incentives do not encourage the improvements
 15 in efficiency and reductions in pollutants that will be
 16 required in the future to improve air quality.

17 While it restricts the availability of these tax
 18 incentives, the legislature finds it appropriate to increase
 19 the amount of the incentive available for those devices that
 20 qualify. This action is intended to stimulate the
 21 availability of the more efficient devices and further
 22 promote their use. Changes are also being made, as
 23 appropriate, to preserve the application of other incentives
 24 to the installation and production of these devices.
 25



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

2 **Section 1.** Section 15-6-201, MCA, is amended to read:

3 **"15-6-201. Exempt categories.** (1) The following
4 categories of property are exempt from taxation:

5 (a) the property of:

6 (i) the United States, the state, counties, cities,
7 towns, school districts, except, if congress passes
8 legislation that allows the state to tax property owned by
9 an agency created by congress to transmit or distribute
10 electrical energy, the property constructed, owned, or
11 operated by a public agency created by the congress to
12 transmit or distribute electric energy produced at privately
13 owned generating facilities (not including rural electric
14 cooperatives);

15 (ii) irrigation districts organized under the laws of
16 Montana and not operating for profit;

17 (iii) municipal corporations; and

18 (iv) public libraries;

19 (b) buildings, with land they occupy and furnishings
20 therein, owned by a church and used for actual religious
21 worship or for residences of the clergy, together with
22 adjacent land reasonably necessary for convenient use of the
23 buildings;

24 (c) property used exclusively for agricultural and
25 horticultural societies, for educational purposes, and for

1 nonprofit health care facilities, as defined in 50-5-101,
2 licensed by the department of health and environmental
3 sciences and organized under Title 35, chapter 2 or 3. A
4 health care facility that is not licensed by the department
5 of health and environmental sciences and organized under
6 Title 35, chapter 2 or 3, is not exempt.

7 (d) property that meets the following conditions:

8 (i) is owned and held by any association or corporation
9 organized under Title 35, chapter 2, 3, 20, or 21;

10 (ii) is devoted exclusively to use in connection with a
11 cemetery or cemeteries for which a permanent care and
12 improvement fund has been established as provided for in
13 Title 35, chapter 20, part 3; and

14 (iii) is not maintained and operated for private or
15 corporate profit;

16 (e) institutions of purely public charity;

17 (f) evidence of debt secured by mortgages of record
18 upon real or personal property in the state of Montana;

19 (g) public art galleries and public observatories not
20 used or held for private or corporate profit;

21 (h) all household goods and furniture, including but
22 not limited to clocks, musical instruments, sewing machines,
23 and wearing apparel of members of the family, used by the
24 owner for personal and domestic purposes or for furnishing
25 or equipping the family residence;

1 (i) a truck canopy cover or topper weighing less than
2 300 pounds and having no accommodations attached. This
3 property is also exempt from taxation under 61-3-504(2) and
4 61-3-537.

5 (j) a bicycle, as defined in 61-1-123, used by the
6 owner for personal transportation purposes;

7 (k) motor homes, travel trailers, and campers;

8 (l) all watercraft;

9 (m) land, fixtures, buildings, and improvements owned
10 by a cooperative association or nonprofit corporation
11 organized to furnish potable water to its members or
12 customers for uses other than the irrigation of agricultural
13 land;

14 (n) the right of entry that is a property right
15 reserved in land or received by mesne conveyance (exclusive
16 of leasehold interests), devise, or succession to enter land
17 whose surface title is held by another to explore, prospect,
18 or dig for oil, gas, coal, or minerals;

19 (o) property owned and used by a corporation or
20 association organized and operated exclusively for the care
21 of the developmentally disabled, mentally ill, or
22 vocationally handicapped as defined in 18-5-101, which is
23 not operated for gain or profit;

24 (p) all farm buildings with a market value of less than
25 \$500 and all agricultural implements and machinery with a

1 market value of less than \$100;

2 (q) property owned by a nonprofit corporation organized
3 to provide facilities primarily for training and practice
4 for or competition in international sports and athletic
5 events and not held or used for private or corporate gain or
6 profit. For purposes of this subsection (q), "nonprofit
7 corporation" means an organization exempt from taxation
8 under section 501(c) of the Internal Revenue Code and
9 incorporated and admitted under the Montana Nonprofit
10 Corporation Act.

11 (r) provided the tools are owned by the taxpayer, the
12 first \$15,000 or less of market value of tools that are
13 customarily hand-held and that are used to:

14 (i) construct, repair, and maintain improvements to
15 real property; or

16 (ii) repair and maintain machinery, equipment,
17 appliances, or other personal property;

18 (s) harness, saddlery, and other tack equipment; and

19 (t) a title plant owned by a title insurer or a title
20 insurance producer, as those terms are defined in 33-25-105.

21 (2) (a) The term "institutions of purely public
22 charity" includes organizations owning and operating
23 facilities for the care of the retired or aged or
24 chronically ill, which are not operated for gain or profit.

25 (b) The terms "public art galleries" and "public

1 observatories" include only those art galleries and
2 observatories, whether of public or private ownership, that
3 are open to the public without charge at all reasonable
4 hours and are used for the purpose of education only.

5 (3) The following portions of the appraised value of a
6 capital investment made after January 1, 1979, in a
7 recognized nonfossil form of energy generation or low
8 emission wood or biomass combustion devices, as defined in
9 15-32-102, are exempt from taxation for a period of 10 years
10 following installation of the property:

11 (a) \$20,000 in the case of a single-family residential
12 dwelling;

13 (b) \$100,000 in the case of a multifamily residential
14 dwelling or a nonresidential structure."

15 **Section 2.** Section 15-32-102, MCA, is amended to read:

16 "15-32-102. **Definitions.** As used in this part, the
17 following definitions apply:

18 (1) "Building" means a single or multiple dwelling,
19 including a mobile home, or a building used for commercial,
20 industrial, or agricultural purposes, which is enclosed with
21 walls and a roof.

22 (2) "Capital investment" means any material or
23 equipment purchased and installed in a building or land with
24 or without improvements.

25 (3) "Energy conservation purpose" means one or more of

1 the following results of an investment: reducing the waste
2 or dissipation of energy or reducing the amount of energy
3 required to accomplish a given quantity of work.

4 (4) "Passive solar system" means a direct thermal
5 energy system that uses the structure of a building and its
6 operable components to provide heating or cooling during the
7 appropriate times of the year by using the climate resources
8 available at the site. It includes only those portions and
9 components of a building that are expressly designed and
10 required for the collection, storage, and distribution of
11 solar energy and that are not standard components of a
12 conventional building.

13 (5) "Low emission wood or biomass combustion device"
14 means a stove or furnace ~~or a catalytic converter added to a~~
15 ~~stove or furnace which that:~~

16 (a) is specifically designed to burn burns wood pellets
17 or other nonfossil biomass pellets;

18 (b) utilizes an automatic pellet feed system; and

19 (c) which has an a particulate emission rate of less
20 than 6 2.5 grams per hour when tested in conformance with
21 the standard method for measuring the emissions and
22 efficiencies of residential wood stoves as adopted by the
23 department of health and environmental sciences pursuant to
24 15-32-203.

25 (6) "Recognized nonfossil forms of energy generation"

1 means:

2 (a) a system for the utilization of solar energy
3 including passive solar systems, wind, solid wastes, or the
4 decomposition of organic wastes for capturing energy or
5 converting energy sources into usable sources;

6 (b) a system for the production of electric power from
7 solid wood wastes; or

8 (c) ~~a--low-emission--wood-or-biomass-combustion-device;~~
9 or

10 {d} a small system for the utilization of water power
11 by means of an impoundment not over 20 acres in surface
12 area."

13 **Section 3.** Section 15-32-201, MCA, is amended to read:

14 "15-32-201. Amount of credit -- to whom available. (1)
15 A resident individual taxpayer who completes installation of
16 an energy system using a recognized nonfossil form of energy
17 generation, as defined in 15-32-102, in such taxpayer's
18 principal dwelling prior to January 1, 1993, or who acquires
19 title to a dwelling prior to January 1, 1993, that is to be
20 used as the taxpayer's principal dwelling and is equipped
21 with an energy system for which the credit allowed by this
22 part has never been claimed, is entitled to claim a tax
23 credit in an amount equal to 10% of the first \$1,000 and 5%
24 of the next \$3,000 of the cost of such system, including
25 installation costs, less grants received or, if the federal

1 government provides for a tax credit substantially similar
2 in kind (not in amount), then a tax credit in an amount
3 equal to 5% of the first \$1,000 and 2 1/2% of the next
4 \$3,000 of the cost of such system, including installation
5 costs, less grants received, against the income tax
6 liability imposed against such taxpayer pursuant to chapter
7 30.

8 (2) A resident individual taxpayer who completes
9 installation of an energy system using a low emission wood
10 or biomass combustion device, as defined in 15-32-102, in
11 the taxpayer's principal dwelling prior to January 1, 1996,
12 is entitled to claim a tax credit in an amount equal to 20%
13 of the first \$1,000 and 10% of the next \$3,000 of the cost
14 of the system, including the installation costs, against the
15 income tax liability imposed against the taxpayer pursuant
16 to Title 15, chapter 30."

17 **Section 4.** Section 90-8-104, MCA, is amended to read:

18 "90-8-104. Definitions. As used in this chapter, unless
19 the context requires otherwise, the following definitions
20 apply:

21 (1) "Board" means the board of investments provided for
22 in 2-15-1808.

23 (2) "Capital base" means equity capital raised by a
24 certified Montana capital company for which tax credits were
25 claimed under this chapter.

1 (3) "Certified Montana capital company" means:
 2 (a) a development credit corporation created pursuant
 3 to Title 32, chapter 4; or
 4 (b) a profit or nonprofit entity organized and existing
 5 under the laws of Montana, created for the purpose of making
 6 venture or risk capital available for qualified investments
 7 and that has been certified by the board.
 8 (4) "Montana business" means a business which is
 9 located or principally based within Montana.
 10 (5) "Qualified investment" means:
 11 (a) a debt or equity financing of a Montana business
 12 that meets both of the following criteria:
 13 (i) the business is engaged in one or more of the
 14 following activities:
 15 (A) manufacturing;
 16 (B) agricultural, fishery, or forestry production and
 17 processing;
 18 (C) mineral production and processing, except for
 19 conventional oil and gas exploration;
 20 (D) recognized nonfossil forms of energy generation or
 21 the manufacture of low emission wood or biomass combustion
 22 devices as defined in 15-32-102;
 23 (E) transportation;
 24 (F) research and development of products or processes
 25 associated with any of the activities enumerated in (A)

1 through (E) above;
 2 (G) wholesale or retail distribution activities for
 3 which products produced in Montana comprise 50% or more of
 4 the gross sales receipts;
 5 (H) any activity conducted in the state for which 50%
 6 or more of the gross receipts are derived from the sale of
 7 products or services outside Montana; and
 8 (I) tourism; and
 9 (ii) the business is a small business as defined in
 10 rules adopted by the board; or
 11 (b) a debt or equity financing of a business outside
 12 Montana if such investment is likely to produce a qualified
 13 investment in Montana, as long as such investment does not
 14 exceed 25% of the capital base of the capital company.
 15 (6) "Qualified Montana capital company" means a
 16 certified Montana capital company that has been designated a
 17 qualified capital company under the provisions of 90-8-202
 18 so that investors in the company may receive the tax credits
 19 authorized in 90-8-202."

20 NEW SECTION. Section 5. Applicability. [This act]
 21 applies to taxable years beginning after December 31, 1991,
 22 and before January 1, 1996.

23 NEW SECTION. Section 6. Effective date. [This act] is
 24 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0338, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending the laws relating to the tax credit for purchase and installation of low emission wood or biomass combustion devices; increasing the alternative energy tax credit for certain taxpayers; redefining a low emission wood or biomass combustion device; extending the date for certain taxpayers for which the alternative energy tax credit may be taken to December 31, 1996; redefining the tax-exempt status of low emission wood or biomass combustion devices; and redefining the investments that qualify for venture capital and other incentives for businesses involved with nonfossil forms of energy generation to include low emission wood or biomass combustion devices.

REVENUE ASSUMPTIONS:


1. No impact on capital company tax credits since the proposed inclusion of the manufacture of low emission wood or biomass combustion devices as a qualified investment is redundant. The manufacture of all products is a qualified investment under current law.
2. Minimal increase in property tax revenue as a result of a more restrictive definition of tax exempt low emission wood or biomass combustion devices.
3. The increase in the amount of the tax credit per combustion device will be compensated for by the more restrictive definition of qualified low emission wood or biomass combustion devices.
4. The revenue loss due to extending the tax credit through calendar year (CY) 1995 as compared with CY 1992 under present law, will be 25% of the estimated revenue loss for FY 1992 of the overall credit for the installation of non-fossil energy systems.
5. All taxpayers file on a calendar year basis for income tax purposes.
6. All tax credits for a given calendar (tax) year, e.g., CY 1993, result in a revenue loss in the next fiscal year, e.g. FY 1994.

FISCAL IMPACT:

This bill has no impact on state expenditures or revenues for FY92 and FY93.



ROD SUNDSTED, BUDGET DIRECTOR 1-25-91 DATE
Office of Budget and Program Planning



ROBERT R. (BOB) REAM, PRIMARY SPONSOR 1-28-91 DATE
Fiscal Note for HB0338, as introduced **HB 338**

Fiscal Note Request HB0338, as introduced
Form BD-15
page 2

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The decrease in revenue for FY94 through FY96 would be \$13,750 each year, because of the tax credit time extension.

TECHNICAL NOTE:

Given the language of the bill in section 5, the date in the bill's title should be December 31, 1995.

HB 338

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 338
INTRODUCED BY REAM, HALLIGAN
BY REQUEST OF THE DEPARTMENT OF
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A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE LAWS
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LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICES; INCREASING
THE ALTERNATIVE ENERGY TAX CREDIT FOR CERTAIN TAXPAYERS;
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INVESTMENTS THAT QUALIFY FOR VENTURE CAPITAL AND OTHER
INCENTIVES FOR BUSINESSES INVOLVED WITH NONFOSSIL FORMS OF
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COMBUSTION DEVICES; AMENDING SECTIONS 15-6-201, 15-32-102,
15-32-201, AND 90-8-104, MCA; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because
it is anticipated that rulemaking proceedings will be
required for implementation.

Montana currently has nine communities that exceed the
state and federal ambient air quality standards for
particulate matter smaller than 10 microns in diameter
(PM-10) and two communities that exceed carbon monoxide
standards. Several other communities have PM-10
concentrations approaching the ambient standards.

It is the intention of the legislature that the tax
credit available for the cost of purchasing and installing a
low emission wood or biomass combustion device be restricted
to only the most efficient devices available on the market.
While replacing older wood stoves with newer low-emission
wood stoves may reduce ambient levels of PM-10, carbon
monoxide, and other pollutants, the legislature finds that
the current tax incentives do not encourage the improvements
in efficiency and reductions in pollutants that will be
required in the future to improve air quality.

While it restricts the availability of these tax
incentives, the legislature finds it appropriate to increase
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qualify. This action is intended to stimulate the
availability of the more efficient devices and further
promote their use. Changes are also being made, as
appropriate, to preserve the application of other incentives
to the installation and production of these devices.

SECOND READING



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

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4 categories of property are exempt from taxation:

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16 Montana and not operating for profit;

17 (iii) municipal corporations; and

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21 worship or for residences of the clergy, together with
22 adjacent land reasonably necessary for convenient use of the
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24 (c) property used exclusively for agricultural and
25 horticultural societies, for educational purposes, and for

1 nonprofit health care facilities, as defined in 50-5-101,
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3 sciences and organized under Title 35, chapter 2 or 3. A
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15 corporate profit;

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19 (g) public art galleries and public observatories not
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23 and wearing apparel of members of the family, used by the
24 owner for personal and domestic purposes or for furnishing
25 or equipping the family residence;

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2 300 pounds and having no accommodations attached. This
3 property is also exempt from taxation under 61-3-504(2) and
4 61-3-537.

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6 owner for personal transportation purposes;

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10 by a cooperative association or nonprofit corporation
11 organized to furnish potable water to its members or
12 customers for uses other than the irrigation of agricultural
13 land;

14 (n) the right of entry that is a property right
15 reserved in land or received by mesne conveyance (exclusive
16 of leasehold interests), devise, or succession to enter land
17 whose surface title is held by another to explore, prospect,
18 or dig for oil, gas, coal, or minerals;

19 (o) property owned and used by a corporation or
20 association organized and operated exclusively for the care
21 of the developmentally disabled, mentally ill, or
22 vocationally handicapped as defined in 18-5-101, which is
23 not operated for gain or profit;

24 (p) all farm buildings with a market value of less than
25 \$500 and all agricultural implements and machinery with a

1 market value of less than \$100;

2 (q) property owned by a nonprofit corporation organized
3 to provide facilities primarily for training and practice
4 for or competition in international sports and athletic
5 events and not held or used for private or corporate gain or
6 profit. For purposes of this subsection (q), "nonprofit
7 corporation" means an organization exempt from taxation
8 under section 501(c) of the Internal Revenue Code and
9 incorporated and admitted under the Montana Nonprofit
10 Corporation Act.

11 (r) provided the tools are owned by the taxpayer, the
12 first \$15,000 or less of market value of tools that are
13 customarily hand-held and that are used to:

14 (i) construct, repair, and maintain improvements to
15 real property; or

16 (ii) repair and maintain machinery, equipment,
17 appliances, or other personal property;

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19 (t) a title plant owned by a title insurer or a title
20 insurance producer, as those terms are defined in 33-25-105.

21 (2) (a) The term "institutions of purely public
22 charity" includes organizations owning and operating
23 facilities for the care of the retired or aged or
24 chronically ill, which are not operated for gain or profit.

25 (b) The terms "public art galleries" and "public

1 observatories" include only those art galleries and
2 observatories, whether of public or private ownership, that
3 are open to the public without charge at all reasonable
4 hours and are used for the purpose of education only.

5 (3) The following portions of the appraised value of a
6 capital investment made after January 1, 1979, in a
7 recognized nonfossil form of energy generation or low
8 emission wood or biomass combustion devices, as defined in
9 15-32-102, are exempt from taxation for a period of 10 years
10 following installation of the property:

11 (a) \$20,000 in the case of a single-family residential
12 dwelling;

13 (b) \$100,000 in the case of a multifamily residential
14 dwelling or a nonresidential structure."

15 **Section 2.** Section 15-32-102, MCA, is amended to read:

16 "15-32-102. **Definitions.** As used in this part, the
17 following definitions apply:

18 (1) "Building" means a single or multiple dwelling,
19 including a mobile home, or a building used for commercial,
20 industrial, or agricultural purposes, which is enclosed with
21 walls and a roof.

22 (2) "Capital investment" means any material or
23 equipment purchased and installed in a building or land with
24 or without improvements.

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2 or dissipation of energy or reducing the amount of energy
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5 energy system that uses the structure of a building and its
6 operable components to provide heating or cooling during the
7 appropriate times of the year by using the climate resources
8 available at the site. It includes only those portions and
9 components of a building that are expressly designed and
10 required for the collection, storage, and distribution of
11 solar energy and that are not standard components of a
12 conventional building.

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14 means a stove or furnace ~~or a catalytic converter added to a~~
15 ~~stove or furnace which that:~~

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17 or other nonfossil biomass pellets;

18 (b) utilizes an automatic pellet feed system; and

19 (c) which has an a particulate emission rate of less
20 than 6 2.5 grams per hour when tested in conformance with
21 the standard method for measuring the emissions and
22 efficiencies of residential wood stoves as adopted by the
23 department of health and environmental sciences pursuant to
24 15-32-203.

25 (6) "Recognized nonfossil forms of energy generation"

1 means:

2 (a) a system for the utilization of solar energy
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4 decomposition of organic wastes for capturing energy or
5 converting energy sources into usable sources;

6 (b) a system for the production of electric power from
7 solid wood wastes; or

8 (c) ~~a--low-emission--wood-or-biomass-combustion-device;~~
9 or

10 ~~(d)~~ a small system for the utilization of water power
11 by means of an impoundment not over 20 acres in surface
12 area."

13 **Section 3.** Section 15-32-201, MCA, is amended to read:

14 "15-32-201. Amount of credit -- to whom available. (1)

15 A resident individual taxpayer who completes installation of
16 an energy system using a recognized nonfossil form of energy
17 generation, as defined in 15-32-102, in such taxpayer's
18 principal dwelling prior to January 1, 1993, or who acquires
19 title to a dwelling prior to January 1, 1993, that is to be
20 used as the taxpayer's principal dwelling and is equipped
21 with an energy system for which the credit allowed by this
22 part has never been claimed, is entitled to claim a tax
23 credit in an amount equal to 10% of the first \$1,000 and 5%
24 of the next \$3,000 of the cost of such system, including
25 installation costs, less grants received or, if the federal

1 government provides for a tax credit substantially similar
2 in kind (not in amount), then a tax credit in an amount
3 equal to 5% of the first \$1,000 and 2 1/2% of the next
4 \$3,000 of the cost of such system, including installation
5 costs, less grants received, against the income tax
6 liability imposed against such taxpayer pursuant to chapter
7 30.

8 (2) A resident individual taxpayer who completes
9 installation of an energy system using a low emission wood
10 or biomass combustion device, as defined in 15-32-102, in
11 the taxpayer's principal dwelling prior to January 1, 1996,
12 is entitled to claim a tax credit in an amount equal to 20%
13 of the first \$1,000 and 10% of the next \$3,000 of the cost
14 of the system, including the installation costs, against the
15 income tax liability imposed against the taxpayer pursuant
16 to Title 15, chapter 30."

17 **Section 4.** Section 90-8-104, MCA, is amended to read:

18 "**90-8-104. Definitions.** As used in this chapter, unless
19 the context requires otherwise, the following definitions
20 apply:

21 (1) "Board" means the board of investments provided for
22 in 2-15-1808.

23 (2) "Capital base" means equity capital raised by a
24 certified Montana capital company for which tax credits were
25 claimed under this chapter.

1 (3) "Certified Montana capital company" means:
 2 (a) a development credit corporation created pursuant
 3 to Title 32, chapter 4; or
 4 (b) a profit or nonprofit entity organized and existing
 5 under the laws of Montana, created for the purpose of making
 6 venture or risk capital available for qualified investments
 7 and that has been certified by the board.
 8 (4) "Montana business" means a business which is
 9 located or principally based within Montana.
 10 (5) "Qualified investment" means:
 11 (a) a debt or equity financing of a Montana business
 12 that meets both of the following criteria:
 13 (i) the business is engaged in one or more of the
 14 following activities:
 15 (A) manufacturing;
 16 (B) agricultural, fishery, or forestry production and
 17 processing;
 18 (C) mineral production and processing, except for
 19 conventional oil and gas exploration;
 20 (D) recognized nonfossil forms of energy generation or
 21 the manufacture of low emission wood or biomass combustion
 22 devices as defined in 15-32-102;
 23 (E) transportation;
 24 (F) research and development of products or processes
 25 associated with any of the activities enumerated in (A)

1 through (E) above;
 2 (G) wholesale or retail distribution activities for
 3 which products produced in Montana comprise 50% or more of
 4 the gross sales receipts;
 5 (H) any activity conducted in the state for which 50%
 6 or more of the gross receipts are derived from the sale of
 7 products or services outside Montana; and
 8 (I) tourism; and
 9 (ii) the business is a small business as defined in
 10 rules adopted by the board; or
 11 (b) a debt or equity financing of a business outside
 12 Montana if such investment is likely to produce a qualified
 13 investment in Montana, as long as such investment does not
 14 exceed 25% of the capital base of the capital company.
 15 (6) "Qualified Montana capital company" means a
 16 certified Montana capital company that has been designated a
 17 qualified capital company under the provisions of 90-8-202
 18 so that investors in the company may receive the tax credits
 19 authorized in 90-8-202."

20 NEW SECTION. Section 5. Applicability. [This act]
 21 applies to taxable years beginning after December 31, 1991,
 22 and before January 1, 1996.

23 NEW SECTION. Section 6. Effective date. [This act] is
 24 effective on passage and approval.

-End-

1 HOUSE BILL NO. 338

2 INTRODUCED BY REAM, HALLIGAN

3 BY REQUEST OF THE DEPARTMENT OF

4 HEALTH AND ENVIRONMENTAL SCIENCES

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE LAWS
7 RELATING TO TAX CREDIT FOR THE PURCHASE AND INSTALLATION OF
8 LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICES; INCREASING
9 THE ALTERNATIVE ENERGY TAX CREDIT FOR CERTAIN TAXPAYERS;
10 REDEFINING A LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICE;
11 EXTENDING THE DATE FOR CERTAIN TAXPAYERS FOR WHICH THE
12 ALTERNATIVE ENERGY TAX CREDIT MAY BE TAKEN TO DECEMBER 31,
13 ~~1996~~ 1995; REDEFINING THE TAX-EXEMPT STATUS OF LOW EMISSION
14 WOOD OR BIOMASS COMBUSTION DEVICES; REDEFINING THE
15 INVESTMENTS THAT QUALIFY FOR VENTURE CAPITAL AND OTHER
16 INCENTIVES FOR BUSINESSES INVOLVED WITH NONFOSSIL FORMS OF
17 ENERGY GENERATION TO INCLUDE LOW EMISSION WOOD OR BIOMASS
18 COMBUSTION DEVICES; AMENDING SECTIONS 15-6-201, 15-32-102,
19 15-32-201, AND 90-8-104, MCA; AND PROVIDING AN IMMEDIATE
20 EFFECTIVE DATE AND AN APPLICABILITY DATE."

21 . STATEMENT OF INTENT

22
23 A statement of intent is required for this bill because
24 it is anticipated that rulemaking proceedings will be
25 required for implementation.

1 Montana currently has nine communities that exceed the
2 state and federal ambient air quality standards for
3 particulate matter smaller than 10 microns in diameter
4 (PM-10) and two communities that exceed carbon monoxide
5 standards. Several other communities have PM-10
6 concentrations approaching the ambient standards.

7 It is the intention of the legislature that the tax
8 credit available for the cost of purchasing and installing a
9 low emission wood or biomass combustion device be restricted
10 to only the most efficient devices available on the market.
11 While replacing older wood stoves with newer low-emission
12 wood stoves may reduce ambient levels of PM-10, carbon
13 monoxide, and other pollutants, the legislature finds that
14 the current tax incentives do not encourage the improvements
15 in efficiency and reductions in pollutants that will be
16 required in the future to improve air quality.

17 While it restricts the availability of these tax
18 incentives, the legislature finds it appropriate to increase
19 the amount of the incentive available for those devices that
20 qualify. This action is intended to stimulate the
21 availability of the more efficient devices and further
22 promote their use. Changes are also being made, as
23 appropriate, to preserve the application of other incentives
24 to the installation and production of these devices.

25 THIRD READING

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

2 **Section 1.** Section 15-6-201, MCA, is amended to read:

3 "15-6-201. **Exempt categories.** (1) The following
4 categories of property are exempt from taxation:

5 (a) the property of:

6 (i) the United States, the state, counties, cities,
7 towns, school districts, except, if congress passes
8 legislation that allows the state to tax property owned by
9 an agency created by congress to transmit or distribute
10 electrical energy, the property constructed, owned, or
11 operated by a public agency created by the congress to
12 transmit or distribute electric energy produced at privately
13 owned generating facilities (not including rural electric
14 cooperatives);

15 (ii) irrigation districts organized under the laws of
16 Montana and not operating for profit;

17 (iii) municipal corporations; and

18 (iv) public libraries;

19 (b) buildings, with land they occupy and furnishings
20 therein, owned by a church and used for actual religious
21 worship or for residences of the clergy, together with
22 adjacent land reasonably necessary for convenient use of the
23 buildings;

24 (c) property used exclusively for agricultural and
25 horticultural societies, for educational purposes, and for

1 nonprofit health care facilities, as defined in 50-5-101,
2 licensed by the department of health and environmental
3 sciences and organized under Title 35, chapter 2 or 3. A
4 health care facility that is not licensed by the department
5 of health and environmental sciences and organized under
6 Title 35, chapter 2 or 3, is not exempt.

7 (d) property that meets the following conditions:

8 (i) is owned and held by any association or corporation
9 organized under Title 35, chapter 2, 3, 20, or 21;

10 (ii) is devoted exclusively to use in connection with a
11 cemetery or cemeteries for which a permanent care and
12 improvement fund has been established as provided for in
13 Title 35, chapter 20, part 3; and

14 (iii) is not maintained and operated for private or
15 corporate profit;

16 (e) institutions of purely public charity;

17 (f) evidence of debt secured by mortgages of record
18 upon real or personal property in the state of Montana;

19 (g) public art galleries and public observatories not
20 used or held for private or corporate profit;

21 (h) all household goods and furniture, including but
22 not limited to clocks, musical instruments, sewing machines,
23 and wearing apparel of members of the family, used by the
24 owner for personal and domestic purposes or for furnishing
25 or equipping the family residence;

1 (i) a truck canopy cover or topper weighing less than
2 300 pounds and having no accommodations attached. This
3 property is also exempt from taxation under 61-3-504(2) and
4 61-3-537.

5 (j) a bicycle, as defined in 61-1-123, used by the
6 owner for personal transportation purposes;

7 (k) motor homes, travel trailers, and campers;

8 (l) all watercraft;

9 (m) land, fixtures, buildings, and improvements owned
10 by a cooperative association or nonprofit corporation
11 organized to furnish potable water to its members or
12 customers for uses other than the irrigation of agricultural
13 land;

14 (n) the right of entry that is a property right
15 reserved in land or received by mesne conveyance (exclusive
16 of leasehold interests), devise, or succession to enter land
17 whose surface title is held by another to explore, prospect,
18 or dig for oil, gas, coal, or minerals;

19 (o) property owned and used by a corporation or
20 association organized and operated exclusively for the care
21 of the developmentally disabled, mentally ill, or
22 vocationally handicapped as defined in 18-5-101, which is
23 not operated for gain or profit;

24 (p) all farm buildings with a market value of less than
25 \$500 and all agricultural implements and machinery with a

1 market value of less than \$100;

2 (q) property owned by a nonprofit corporation organized
3 to provide facilities primarily for training and practice
4 for or competition in international sports and athletic
5 events and not held or used for private or corporate gain or
6 profit. For purposes of this subsection (q), "nonprofit
7 corporation" means an organization exempt from taxation
8 under section 501(c) of the Internal Revenue Code and
9 incorporated and admitted under the Montana Nonprofit
10 Corporation Act.

11 (r) provided the tools are owned by the taxpayer, the
12 first \$15,000 or less of market value of tools that are
13 customarily hand-held and that are used to:

14 (i) construct, repair, and maintain improvements to
15 real property; or

16 (ii) repair and maintain machinery, equipment,
17 appliances, or other personal property;

18 (s) harness, saddlery, and other tack equipment; and

19 (t) a title plant owned by a title insurer or a title
20 insurance producer, as those terms are defined in 33-25-105.

21 (2) (a) The term "institutions of purely public
22 charity" includes organizations owning and operating
23 facilities for the care of the retired or aged or
24 chronically ill, which are not operated for gain or profit.

25 (b) The terms "public art galleries" and "public

1 observatories" include only those art galleries and
 2 observatories, whether of public or private ownership, that
 3 are open to the public without charge at all reasonable
 4 hours and are used for the purpose of education only.

5 (3) The following portions of the appraised value of a
 6 capital investment made after January 1, 1979, in a
 7 recognized nonfossil form of energy generation or low
 8 emission wood or biomass combustion devices, as defined in
 9 15-32-102, are exempt from taxation for a period of 10 years
 10 following installation of the property:

11 (a) \$20,000 in the case of a single-family residential
 12 dwelling,

13 (b) \$100,000 in the case of a multifamily residential
 14 dwelling or a nonresidential structure."

15 **Section 2.** Section 15-32-102, MCA, is amended to read:

16 "15-32-102. **Definitions.** As used in this part, the
 17 following definitions apply:

18 (1) "Building" means a single or multiple dwelling,
 19 including a mobile home, or a building used for commercial,
 20 industrial, or agricultural purposes, which is enclosed with
 21 walls and a roof.

22 (2) "Capital investment" means any material or
 23 equipment purchased and installed in a building or land with
 24 or without improvements.

25 (3) "Energy conservation purpose" means one or more of

1 the following results of an investment: reducing the waste
 2 or dissipation of energy or reducing the amount of energy
 3 required to accomplish a given quantity of work.

4 (4) "Passive solar system" means a direct thermal
 5 energy system that uses the structure of a building and its
 6 operable components to provide heating or cooling during the
 7 appropriate times of the year by using the climate resources
 8 available at the site. It includes only those portions and
 9 components of a building that are expressly designed and
 10 required for the collection, storage, and distribution of
 11 solar energy and that are not standard components of a
 12 conventional building.

13 (5) "Low emission wood or biomass combustion device"
 14 means ~~a stove or furnace or a catalytic converter added to a~~
 15 ~~stove or furnace which that:~~

16 ~~(a) is specifically designed to burn~~ A NONCATALYTIC
 17 ~~STOVE OR FURNACE THAT BURNS WOOD,~~ burns wood pellets, or
 18 other nonfossil biomass pellets;

19 ~~(b) utilizes an automatic pellet feed system; and~~

20 ~~(c) AND~~ which has an a particulate emission rate of
 21 less than 6 2.5 grams per hour when tested in conformance
 22 with the standard method for measuring the emissions and
 23 efficiencies of residential wood stoves as adopted by the
 24 department of health and environmental sciences pursuant to
 25 15-32-203.

1 (6) "Recognized nonfossil forms of energy generation"
2 means:

3 (a) a system for the utilization of solar energy
4 including passive solar systems, wind, solid wastes, or the
5 decomposition of organic wastes for capturing energy or
6 converting energy sources into usable sources;

7 (b) a system for the production of electric power from
8 solid wood wastes; or

9 (c) ~~a--low-emission--wood-or-biomass-combustion-device;~~
10 or

11 (d) a small system for the utilization of water power
12 by means of an impoundment not over 20 acres in surface
13 area."

14 **Section 3.** Section 15-32-201, MCA, is amended to read:

15 "15-32-201. Amount of credit -- to whom available. (1)
16 A resident individual taxpayer who completes installation of
17 an energy system using a recognized nonfossil form of energy
18 generation, as defined in 15-32-102, in such taxpayer's
19 principal dwelling prior to January 1, 1993, or who acquires
20 title to a dwelling prior to January 1, 1993, that is to be
21 used as the taxpayer's principal dwelling and is equipped
22 with an energy system for which the credit allowed by this
23 part has never been claimed, is entitled to claim a tax
24 credit in an amount equal to 10% of the first \$1,000 and 5%
25 of the next \$3,000 of the cost of such system, including

1 installation costs, less grants received or, if the federal
2 government provides for a tax credit substantially similar
3 in kind (not in amount), then a tax credit in an amount
4 equal to 5% of the first \$1,000 and 2 1/2% of the next
5 \$3,000 of the cost of such system, including installation
6 costs, less grants received, against the income tax
7 liability imposed against such taxpayer pursuant to chapter
8 30.

9 (2) A resident individual taxpayer who completes
10 installation of an energy system using a low emission wood
11 or biomass combustion device, as defined in 15-32-102, in
12 the taxpayer's principal dwelling prior to January 1, 1996,
13 is entitled to claim a tax credit in an amount equal to 20%
14 of the first \$1,000 and 10% of the next \$3,000 of the cost
15 of the system, including the installation costs, against the
16 income tax liability imposed against the taxpayer pursuant
17 to Title 15, chapter 30."

18 **Section 4.** Section 90-8-104, MCA, is amended to read:

19 "90-8-104. Definitions. As used in this chapter, unless
20 the context requires otherwise, the following definitions
21 apply:

22 (1) "Board" means the board of investments provided for
23 in 2-15-1808.

24 (2) "Capital base" means equity capital raised by a
25 certified Montana capital company for which tax credits were

1 claimed under this chapter.

2 (3) "Certified Montana capital company" means:

3 (a) a development credit corporation created pursuant
4 to Title 32, chapter 4; or

5 (b) a profit or nonprofit entity organized and existing
6 under the laws of Montana, created for the purpose of making
7 venture or risk capital available for qualified investments
8 and that has been certified by the board.

9 (4) "Montana business" means a business which is
10 located or principally based within Montana.

11 (5) "Qualified investment" means:

12 (a) a debt or equity financing of a Montana business
13 that meets both of the following criteria:

14 (i) the business is engaged in one or more of the
15 following activities:

16 (A) manufacturing;

17 (B) agricultural, fishery, or forestry production and
18 processing;

19 (C) mineral production and processing, except for
20 conventional oil and gas exploration;

21 (D) recognized nonfossil forms of energy generation or
22 the manufacture of low emission wood or biomass combustion
23 devices as defined in 15-32-102;

24 (E) transportation;

25 (F) research and development of products or processes

1 associated with any of the activities enumerated in (A)
2 through (E) above;

3 (G) wholesale or retail distribution activities for
4 which products produced in Montana comprise 50% or more of
5 the gross sales receipts;

6 (H) any activity conducted in the state for which 50%
7 or more of the gross receipts are derived from the sale of
8 products or services outside Montana; and

9 (I) tourism; and

10 (ii) the business is a small business as defined in
11 rules adopted by the board; or

12 (b) a debt or equity financing of a business outside
13 Montana if such investment is likely to produce a qualified
14 investment in Montana, as long as such investment does not
15 exceed 25% of the capital base of the capital company.

16 (6) "Qualified Montana capital company" means a
17 certified Montana capital company that has been designated a
18 qualified capital company under the provisions of 90-8-202
19 so that investors in the company may receive the tax credits
20 authorized in 90-8-202."

21 NEW SECTION. Section 5. Applicability. [This act]
22 applies to taxable years beginning after December 31, 1991,
23 and before January 1, 1996.

24 NEW SECTION. Section 6. Effective date. [This act] is
25 effective on passage and approval.

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
March 26, 1991

Page 2 of 2
March 26, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 338 (third reading copy as amended -- blue), respectfully report that House Bill No. 338 be amended and as so amended be concurred in:

1. Page 8, line 17.
Following: "THAT"
Insert: ","
Strike: "BURNS WOOD."
Following: "burns"
Insert: "
(a)(i) is specifically designed to burn"
Following: "pellets"
Strike: ",""

2. Page 8, line 18.
Following: "pellets,"
Insert: "pellets; and"

3. Page 8, line 20.
Following: "et"
Insert: "(ii)"
Strike: "AND"

4. Page 8, line 21.
Strike: "2.5"
Insert: "4.1"

5. Page 8, line 23.
Following: "stoves"
Insert: ","

6. Page 8, line 25.
Following: "15-32-203"
Insert: " ; or

(iii) has an air-to-fuel ratio of 35 to 1 or greater when tested in conformance with the standard method for measuring the air-to-fuel ratio and minimum achievable burn rates for wood-fired appliances, as adopted by the department of health and environmental sciences pursuant to 15-32-203; or

(b) burns wood or other nonfossil biomass and has a particulate emission rate of less than 4.1 grams per hour

when tested in conformance with the standard method for measuring the emissions and efficiencies of residential wood stoves, as adopted by the department of health and environmental sciences pursuant to 15-32-203"

7. Page 10, line 11.
Following: "15-32-102"
Insert: "(5)(a)"

8. Page 10.
Following: line 17
Insert: "(3) A resident individual taxpayer who completes installation of an energy system that uses a low emission wood or biomass combustion device, as defined in 15-32-102(5)(b), in the taxpayer's principal dwelling prior to January 1, 1996, is entitled to claim a tax credit in an amount equal to 10% of the first \$1,000 and 5% of the next \$3,000 of the cost of the system, including the installation costs, against the income tax liability imposed against the taxpayer pursuant to Title 15, chapter 30."

Signed:


Mike Halligan, Chairman

MA 3-26-91
Asst. Coord.

SB 3-27 8:15
Sec. of Senate

1 HOUSE BILL NO. 338

2 INTRODUCED BY REAM, HALLIGAN

3 BY REQUEST OF THE DEPARTMENT OF

4 HEALTH AND ENVIRONMENTAL SCIENCES

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE LAWS
7 RELATING TO TAX CREDIT FOR THE PURCHASE AND INSTALLATION OF
8 LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICES; INCREASING
9 THE ALTERNATIVE ENERGY TAX CREDIT FOR CERTAIN TAXPAYERS;
10 REDEFINING A LOW EMISSION WOOD OR BIOMASS COMBUSTION DEVICE;
11 EXTENDING THE DATE FOR CERTAIN TAXPAYERS FOR WHICH THE
12 ALTERNATIVE ENERGY TAX CREDIT MAY BE TAKEN TO DECEMBER 31,
13 ~~1996~~ 1995; REDEFINING THE TAX-EXEMPT STATUS OF LOW EMISSION
14 WOOD OR BIOMASS COMBUSTION DEVICES; REDEFINING THE
15 INVESTMENTS THAT QUALIFY FOR VENTURE CAPITAL AND OTHER
16 INCENTIVES FOR BUSINESSES INVOLVED WITH NONFOSSIL FORMS OF
17 ENERGY GENERATION TO INCLUDE LOW EMISSION WOOD OR BIOMASS
18 COMBUSTION DEVICES; AMENDING SECTIONS 15-6-201, 15-32-102,
19 15-32-201, AND 90-8-104, MCA; AND PROVIDING AN IMMEDIATE
20 EFFECTIVE DATE AND AN APPLICABILITY DATE."

21 STATEMENT OF INTENT

22
23 A statement of intent is required for this bill because
24 it is anticipated that rulemaking proceedings will be
25 required for implementation.

1 Montana currently has nine communities that exceed the
2 state and federal ambient air quality standards for
3 particulate matter smaller than 10 microns in diameter
4 (PM-10) and two communities that exceed carbon monoxide
5 standards. Several other communities have PM-10
6 concentrations approaching the ambient standards.

7 It is the intention of the legislature that the tax
8 credit available for the cost of purchasing and installing a
9 low emission wood or biomass combustion device be restricted
10 to only the most efficient devices available on the market.
11 While replacing older wood stoves with newer low-emission
12 wood stoves may reduce ambient levels of PM-10, carbon
13 monoxide, and other pollutants, the legislature finds that
14 the current tax incentives do not encourage the improvements
15 in efficiency and reductions in pollutants that will be
16 required in the future to improve air quality.

17 While it restricts the availability of these tax
18 incentives, the legislature finds it appropriate to increase
19 the amount of the incentive available for those devices that
20 qualify. This action is intended to stimulate the
21 availability of the more efficient devices and further
22 promote their use. Changes are also being made, as
23 appropriate, to preserve the application of other incentives
24 to the installation and production of these devices.
25

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

2 **Section 1.** Section 15-6-201, MCA, is amended to read:

3 *15-6-201. **Exempt categories.** (1) The following
4 categories of property are exempt from taxation:

5 (a) the property of:

6 (i) the United States, the state, counties, cities,
7 towns, school districts, except, if congress passes
8 legislation that allows the state to tax property owned by
9 an agency created by congress to transmit or distribute
10 electrical energy, the property constructed, owned, or
11 operated by a public agency created by the congress to
12 transmit or distribute electric energy produced at privately
13 owned generating facilities (not including rural electric
14 cooperatives);

15 (ii) irrigation districts organized under the laws of
16 Montana and not operating for profit;

17 (iii) municipal corporations; and

18 (iv) public libraries;

19 (b) buildings, with land they occupy and furnishings
20 therein, owned by a church and used for actual religious
21 worship or for residences of the clergy, together with
22 adjacent land reasonably necessary for convenient use of the
23 buildings;

24 (c) property used exclusively for agricultural and
25 horticultural societies, for educational purposes, and for

1 nonprofit health care facilities, as defined in 50-5-101,
2 licensed by the department of health and environmental
3 sciences and organized under Title 35, chapter 2 or 3. A
4 health care facility that is not licensed by the department
5 of health and environmental sciences and organized under
6 Title 35, chapter 2 or 3, is not exempt.

7 (d) property that meets the following conditions:

8 (i) is owned and held by any association or corporation
9 organized under Title 35, chapter 2, 3, 20, or 21;

10 (ii) is devoted exclusively to use in connection with a
11 cemetery or cemeteries for which a permanent care and
12 improvement fund has been established as provided for in
13 Title 35, chapter 20, part 3; and

14 (iii) is not maintained and operated for private or
15 corporate profit;

16 (e) institutions of purely public charity;

17 (f) evidence of debt secured by mortgages of record
18 upon real or personal property in the state of Montana;

19 (g) public art galleries and public observatories not
20 used or held for private or corporate profit;

21 (h) all household goods and furniture, including but
22 not limited to clocks, musical instruments, sewing machines,
23 and wearing apparel of members of the family, used by the
24 owner for personal and domestic purposes or for furnishing
25 or equipping the family residence;

1 (i) a truck canopy cover or topper weighing less than
2 300 pounds and having no accommodations attached. This
3 property is also exempt from taxation under 61-3-504(2) and
4 61-3-537.

5 (j) a bicycle, as defined in 61-1-123, used by the
6 owner for personal transportation purposes;

7 (k) motor homes, travel trailers, and campers;

8 (l) all watercraft;

9 (m) land, fixtures, buildings, and improvements owned
10 by a cooperative association or nonprofit corporation
11 organized to furnish potable water to its members or
12 customers for uses other than the irrigation of agricultural
13 land;

14 (n) the right of entry that is a property right
15 reserved in land or received by mesne conveyance (exclusive
16 of leasehold interests), devise, or succession to enter land
17 whose surface title is held by another to explore, prospect,
18 or dig for oil, gas, coal, or minerals;

19 (o) property owned and used by a corporation or
20 association organized and operated exclusively for the care
21 of the developmentally disabled, mentally ill, or
22 vocationally handicapped as defined in 18-5-101, which is
23 not operated for gain or profit;

24 (p) all farm buildings with a market value of less than
25 \$500 and all agricultural implements and machinery with a

1 market value of less than \$100;

2 (q) property owned by a nonprofit corporation organized
3 to provide facilities primarily for training and practice
4 for or competition in international sports and athletic
5 events and not held or used for private or corporate gain or
6 profit. For purposes of this subsection (q), "nonprofit
7 corporation" means an organization exempt from taxation
8 under section 501(c) of the Internal Revenue Code and
9 incorporated and admitted under the Montana Nonprofit
10 Corporation Act.

11 (r) provided the tools are owned by the taxpayer, the
12 first \$15,000 or less of market value of tools that are
13 customarily hand-held and that are used to:

14 (i) construct, repair, and maintain improvements to
15 real property; or

16 (ii) repair and maintain machinery, equipment,
17 appliances, or other personal property;

18 (s) harness, saddlery, and other tack equipment; and

19 (t) a title plant owned by a title insurer or a title
20 insurance producer, as those terms are defined in 33-25-105.

21 (2) (a) The term "institutions of purely public
22 charity" includes organizations owning and operating
23 facilities for the care of the retired or aged or
24 chronically ill, which are not operated for gain or profit.

25 (b) The terms "public art galleries" and "public

1 observatories" include only those art galleries and
 2 observatories, whether of public or private ownership, that
 3 are open to the public without charge at all reasonable
 4 hours and are used for the purpose of education only.

5 (3) The following portions of the appraised value of a
 6 capital investment made after January 1, 1979, in a
 7 recognized nonfossil form of energy generation or low
 8 emission wood or biomass combustion devices, as defined in
 9 15-32-102, are exempt from taxation for a period of 10 years
 10 following installation of the property:

11 (a) \$20,000 in the case of a single-family residential
 12 dwelling;

13 (b) \$100,000 in the case of a multifamily residential
 14 dwelling or a nonresidential structure."

15 **Section 2.** Section 15-32-102, MCA, is amended to read:

16 "15-32-102. Definitions. As used in this part, the
 17 following definitions apply:

18 (1) "Building" means a single or multiple dwelling,
 19 including a mobile home, or a building used for commercial,
 20 industrial, or agricultural purposes, which is enclosed with
 21 walls and a roof.

22 (2) "Capital investment" means any material or
 23 equipment purchased and installed in a building or land with
 24 or without improvements.

25 (3) "Energy conservation purpose" means one or more of

1 the following results of an investment: reducing the waste
 2 or dissipation of energy or reducing the amount of energy
 3 required to accomplish a given quantity of work.

4 (4) "Passive solar system" means a direct thermal
 5 energy system that uses the structure of a building and its
 6 operable components to provide heating or cooling during the
 7 appropriate times of the year by using the climate resources
 8 available at the site. It includes only those portions and
 9 components of a building that are expressly designed and
 10 required for the collection, storage, and distribution of
 11 solar energy and that are not standard components of a
 12 conventional building.

13 (5) "Low emission wood or biomass combustion device"
 14 means ~~a stove or furnace or a catalytic converter added to a~~
 15 ~~stove or furnace which that:~~

16 ~~(a) is specifically designed to burn~~ A NONCATALYTIC
 17 ~~STOVE OR FURNACE THAT: BURNS WOOD,~~ burns

18 (A) (I) IS SPECIFICALLY DESIGNED TO BURN wood pellets,
 19 or other nonfossil biomass ~~pellets,~~ PELLETS; AND

20 ~~(b) utilizes an automatic pellet feed system, and~~

21 ~~(c) (II) AND~~ which has an particulate emission rate of
 22 less than 6 ~~2.5~~ 4.1 grams per hour when tested in
 23 conformance with the standard method for measuring the
 24 emissions and efficiencies of residential wood stoves, as
 25 adopted by the department of health and environmental

1 sciences pursuant to 15-32-203; OR

2 (III) HAS AN AIR-TO-FUEL RATIO OF 35 TO 1 OR GREATER
 3 WHEN TESTED IN CONFORMANCE WITH THE STANDARD METHOD FOR
 4 MEASURING THE AIR-TO-FUEL RATIO AND MINIMUM ACHIEVABLE BURN
 5 RATES FOR WOOD-FIRED APPLIANCES, AS ADOPTED BY THE
 6 DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES PURSUANT TO
 7 15-32-203; OR

8 (B) BURNS WOOD OR OTHER NONFOSSIL BIOMASS AND HAS A
 9 PARTICULATE EMISSION RATE OF LESS THAN 4.1 GRAMS PER HOUR
 10 WHEN TESTED IN CONFORMANCE WITH THE STANDARD METHOD FOR
 11 MEASURING THE EMISSIONS AND EFFICIENCIES OF RESIDENTIAL WOOD
 12 STOVES, AS ADOPTED BY THE DEPARTMENT OF HEALTH AND
 13 ENVIRONMENTAL SCIENCES PURSUANT TO 15-32-203.

14 (6) "Recognized nonfossil forms of energy generation"
 15 means:

16 (a) a system for the utilization of solar energy
 17 including passive solar systems, wind, solid wastes, or the
 18 decomposition of organic wastes for capturing energy or
 19 converting energy sources into usable sources;

20 (b) a system for the production of electric power from
 21 solid wood wastes; or

22 (c) ~~a low-emission-wood-or-biomass-combustion-device;~~
 23 or

24 (d) a small system for the utilization of water power
 25 by means of an impoundment not over 20 acres in surface

1 area."

2 **Section 3.** Section 15-32-201, MCA, is amended to read:

3 **"15-32-201. Amount of credit -- to whom available. (1)**

4 A resident individual taxpayer who completes installation of
 5 an energy system using a recognized nonfossil form of energy
 6 generation, as defined in 15-32-102, in such taxpayer's
 7 principal dwelling prior to January 1, 1993, or who acquires
 8 title to a dwelling prior to January 1, 1993, that is to be
 9 used as the taxpayer's principal dwelling and is equipped
 10 with an energy system for which the credit allowed by this
 11 part has never been claimed, is entitled to claim a tax
 12 credit in an amount equal to 10% of the first \$1,000 and 5%
 13 of the next \$3,000 of the cost of such system, including
 14 installation costs, less grants received or, if the federal
 15 government provides for a tax credit substantially similar
 16 in kind (not in amount), then a tax credit in an amount
 17 equal to 5% of the first \$1,000 and 2 1/2% of the next
 18 \$3,000 of the cost of such system, including installation
 19 costs, less grants received, against the income tax
 20 liability imposed against such taxpayer pursuant to chapter
 21 30.

22 **(2) A resident individual taxpayer who completes**
 23 **installation of an energy system using a low emission wood**
 24 **or biomass combustion device, as defined in 15-32-102(5)(A),**
 25 **in the taxpayer's principal dwelling prior to January 1,**

1 1996, is entitled to claim a tax credit in an amount equal
 2 to 20% of the first \$1,000 and 10% of the next \$3,000 of the
 3 cost of the system, including the installation costs,
 4 against the income tax liability imposed against the
 5 taxpayer pursuant to Title 15, chapter 30.

6 (3) A RESIDENT INDIVIDUAL TAXPAYER WHO COMPLETES
 7 INSTALLATION OF AN ENERGY SYSTEM THAT USES A LOW EMISSION
 8 WOOD OR BIOMASS COMBUSTION DEVICE, AS DEFINED IN
 9 15-32-102(5)(B), IN THE TAXPAYER'S PRINCIPAL DWELLING PRIOR
 10 TO JANUARY 1, 1996, IS ENTITLED TO CLAIM A TAX CREDIT IN AN
 11 AMOUNT EQUAL TO 10% OF THE FIRST \$1,000 AND 5% OF THE NEXT
 12 \$3,000 OF THE COST OF THE SYSTEM, INCLUDING THE INSTALLATION
 13 COSTS, AGAINST THE INCOME TAX LIABILITY IMPOSED AGAINST THE
 14 TAXPAYER PURSUANT TO TITLE 15, CHAPTER 30."

15 **Section 4.** Section 90-8-104, MCA, is amended to read:

16 **"90-8-104. Definitions.** As used in this chapter, unless
 17 the context requires otherwise, the following definitions
 18 apply:

19 (1) "Board" means the board of investments provided for
 20 in 2-15-1808.

21 (2) "Capital base" means equity capital raised by a
 22 certified Montana capital company for which tax credits were
 23 claimed under this chapter.

24 (3) "Certified Montana capital company" means:

25 (a) a development credit corporation created pursuant

1 to Title 32, chapter 4; or

2 (b) a profit or nonprofit entity organized and existing
 3 under the laws of Montana, created for the purpose of making
 4 venture or risk capital available for qualified investments
 5 and that has been certified by the board.

6 (4) "Montana business" means a business which is
 7 located or principally based within Montana.

8 (5) "Qualified investment" means:

9 (a) a debt or equity financing of a Montana business
 10 that meets both of the following criteria:

11 (i) the business is engaged in one or more of the
 12 following activities:

13 (A) manufacturing;

14 (B) agricultural, fishery, or forestry production and
 15 processing;

16 (C) mineral production and processing, except for
 17 conventional oil and gas exploration;

18 (D) recognized nonfossil forms of energy generation or
 19 the manufacture of low emission wood or biomass combustion
 20 devices as defined in 15-32-102;

21 (E) transportation;

22 (F) research and development of products or processes
 23 associated with any of the activities enumerated in (A)
 24 through (E) above;

25 (G) wholesale or retail distribution activities for

1 which products produced in Montana comprise 50% or more of
2 the gross sales receipts;

3 (H) any activity conducted in the state for which 50%
4 or more of the gross receipts are derived from the sale of
5 products or services outside Montana; and

6 (I) tourism; and

7 (ii) the business is a small business as defined in
8 rules adopted by the board; or

9 (b) a debt or equity financing of a business outside
10 Montana if such investment is likely to produce a qualified
11 investment in Montana, as long as such investment does not
12 exceed 25% of the capital base of the capital company.

13 (6) "Qualified Montana capital company" means a
14 certified Montana capital company that has been designated a
15 qualified capital company under the provisions of 90-8-202
16 so that investors in the company may receive the tax credits
17 authorized in 90-8-202."

18 NEW SECTION. **Section 5. Applicability.** [This act]
19 applies to taxable years beginning after December 31, 1991,
20 and before January 1, 1996.

21 NEW SECTION. **Section 6. Effective date.** [This act] is
22 effective on passage and approval.

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