

17
1/29/79

HOUSE TAXATION COMMITTEE
46th Legislature

Representative Herb Huennekens, Chairman, called the committee to order at 8:30 a.m., January 29, 1979, in Room 434, Capitol Building. Rep. Fagg was absent; Representatives Robbins and Harrington and Lien were excused; all others were present.

House Bills 314, 319, 216 were to be heard.

Rep. Hirsch, District #52, Miles City, explained HB 319 would change the date for snowmobile assessment from July 1 to January 1. As sponsor, he requested that this bill be killed. This bill was introduced at the request of the Department of Revenue.

HOUSE BILL

319

Ken Hoovestel, representing snowmobile association, polled association people and the majority do not want the date changed back.

Dennis Burr, Department of Revenue, said complaints from snowmobile owners because they were required to get licenses in July was the reason for introduction of this bill. There is no penalty in July. If the machine is not registered when it is being used, the owner is liable for a ticket. The county assessors requested the change. Other assessments are based on January 1 prices. There is overtaxation because of declaring the value each month.

Opponents:

Ray White, Gallatin County Assessor told the committee if the date is changed, they will have to license renters in the fall since 400 machines are brought in from his office for the convenience of snowmobilers and his office would like to see this bill killed.

Rep. Hirsch didn't care to close - no questions from the committee.

Rep. Arlyne Reichert introduced HB 314 at the request of the Department of Revenue. HB 314 revises and clarifies deductions allowed for improvements made for the purpose of conserving energy. The bill specifically defines types of improvements qualifying for the deduction. It also redefines "nonfossil form of energy generation" as "alternative energy source" for purposes of the tax credit provided for in 15-32-201. The new definition excludes wind from alternative energy sources for which a credit may be claimed. She supports the bill if it is amended.

HOUSE BILL

314

She thinks conservation improvements should be listed. Two are in federal law that are not included in HB 314. There are several other differences between federal and state law. Cut-off date to have had practice built was extended to April 1977, so this gave a few more taxpayers credit. 1985 is the cut-off date for federal credit. 14-15,000 people have requested deductions.

She feels the bill should have a catch-all phrase to include future improvements. There is the question of including woodburning stoves. Wind has been excluded and passive energy conservation has been excluded.

Ronald Pogue, Alternative Energy Resources Organization, Helena, supports HB 314 only if attached amendment proposals are adopted - otherwise opposes if amendments are not adopted.

Diane McIntyre, Department of Natural Resources, and Gary Knudsen, Energy Department, think there should be amendments. They have looked at a list of suggested amendments and believe that all are energy conservation measurements which should be included in this bill. They believe there is a danger that this may not still be open-ended enough. Think there should be an open-ended clause allowing for new innovations. Suggested that in Section 4, 15-32-105 should read 'such rules should be based on current housing standards.' HUD has adopted rules and have a concrete handle on which to deal.

Howard O. Vralsted, Department of Revenue, Administrator of Income Tax Division, supports HB 314. There is a listing of all qualifying practices. All the amendments proposed are acceptable to him as an administrator.

There were no opponents.

Rep. Reichert closed asking why a separate bill has been proposed regarding woodburning stoves. Why wasn't that included under this proposal?

Questions from the committee:

Rep. Nordtvedt asked Mr. Pogue about the proposed amendment requiring proof. Enumeration of anything that could be shown cost effective? An investment that proved cost effective would be the criteria.

Rep. Fabrega recommends 24 square feet for a two-door "small space".

Rep. Vinger is against the part about water heaters and furnaces - get installation costs plus cost of lighter. Mr. Pogue said only the cost of the intermittent ignition systems would be allowed.

Rep. Huennekens asked if a possible approach would be for the Department of Natural Resources to provide a list of current recommended conservation practices and work with the Department of Revenue. The Department of Natural Resources has a particular department dealing with such matters. He sees no reason why the department could not do this. Could proposed Department of Natural Resources recommendations be reworded each year? Department of Natural Resources advised there might be a three-months' lag.

Rep. Reichert recommended dates be made to coincide.

Rep. Sivertsen questioned if this is going to cause problems in overseeing later on. Mr. Vralsted remarked they are having quite a problem now. Rep. Sivertsen asked when someone puts in for this deduction, how do you go along with allowing or disallowing? Mr. Vralsted said they have no resources to put personnel in the field and are making desk decisions.

In answer to Rep. Sivertsen, Rep. Vincent recommends specifically having a list.

Rep. Sivertsen asked cost of administering this program. Mr. Vralsted didn't know. Would represent quite a percentage of audit costs under the law as it reads at the present time. Might make it simpler.

Rep. Underdal asked how figures of administration cost would be compared to tax savings.

Rep. Fabrega asked how much energy was saved? Might base credit on amount of KW hours or cubic feet of gas used in comparison to what was previously used. There ought to be a performance record.

Rep. Huennekens remarked general weather conditions vary.

Rep. Underdal thinks it would be mighty difficult to ascertain.

In answer to Rep. Fabrega, Mr. Pogue would allow the most cost effective measures to rise to the top. Impossible to administer.

Rep. Sivertsen asked if they had any idea of the total dollar deductions on income tax because of this? Mr. Vralsted said he will get this information.

Rep. Fabrega said there will be improvements in the solar systems. Mr. Pogue feels first have to consider conservation - reduce energy needs, then look to conservation methods. Will take a few years before and after energy conservation procedure was installed.

Rep. John Vincent, District #78, Bozeman, sponsor of HB 216, thought HB 216 could be incorporated into HB 314 because it preceeded HB 314. The question is still a valid one. It was thought woodburning stoves had been included but it was not included. Results of a poll were not conclusive.

HOUSE BILL

216 The tax credit allows 10% of the first \$1,000. Standards for efficiency should be established. Fireplaces are relatively inefficient. Must be an efficient woodburning stove. He has no qualms about HB 216 being included in HB 314. Air pollution problems might make woodburning stoves an air pollution question - might leave it up to the discretion of the local government

A fiscal note would probably be inconclusive at this time.

Mr. Pogue reluctantly supports HB 216. He questions long scale effect on forests, air pollution, etc. Should encourage installation of only very efficient stoves. Suggests changing the word "reasonable" - should be changed to "strict". With more efficient woodburning stoves there is less air pollution.

Rep. Reichert supports the concept of woodburning stoves that are efficient.

There were no opponents.

In closing Rep. Vincent said most families would consider the extra cost of gas and a chain saw in accordance with their own circumstances. He has no answer to the air pollution question. It is a problem and have to take that into consideration - governing body could perhaps regulate it to some extent. Need to recognize we are in essence adding an incentive. The question is whether we need an added incentive. He doesn't agree with Mr. Pogue's proposed qualifying that an efficient woodburning stove restrictions be included.

Questions from the committee:

Rep. Nordvedt asked if there might be an impact on insurance costs if a wood-burning stove is installed. Mr. Vralsted thought this committee would look at this aspect.

Rep. Dozier said most of the flues that are installed are "bootlegged". They are having trouble with flues fires in Billings.

Rep. Vinger asked if coal can be burned in a woodburning stove. Coal can be burned in a woodburning stove, but it is a fossil fuel.

EXECUTIVE SESSION:

Rep. Huennekens said there will be a subcommittee which will deal with the entire spectrum of energy conservation. Whether to use a tax credit approach or deduction approach will be considered.

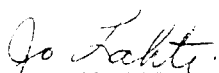
HOUSE BILL 141 - Rep. Nordtvedt moved amendments be adopted as proposed. Rep. Fabrega moved to change Class C - on line 13 amend \$50 to \$75. This was unanimously adopted by members present. Reps. Lien, Harrington, Robbins, Fagg, Bertelsen were absent. Rep. Nordtvedt moved that first three amendments be adopted. Unanimously adopted by members present. He then moved that HB 141 DO PASS AS AMENDED. Unanimously adopted by members present. (Same as for first amendment).

HOUSE BILL 319 - Rep. Hirsch moved that HB 319 DO NOT PASS. Motion carried with No Noes - Rep. Nordtvedt abstained because he was absent when the bill was discussed in committee. The same five were absent.

Meeting adjourned at 10:45 a.m.



REP. HERB HUENNEKENS, Chairman



Josephine Lahti, Secretary