

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 24, 1981

A meeting of the House Taxation Committee was held on Tuesday, March 24, 1981 at 8:00 a.m. in Room 102 of the State Capitol. Rep. Asay brought the meeting to order; all members were present except Rep. Sivertsen, who was excused and Rep. Nordtvedt who was excused for the first part of the meeting.

HOUSE BILL 707, sponsored by Rep. Harrison Fagg, was presented. There isn't enough money to put solar energy into new buildings. The ones being built are being done through the use of grants or experimental government programs. Montana needs a comprehensive energy conservation act. This bill, patterned after California law, passed the House in 1979; however it was perhaps ahead of its time in the Senate. The bill works in two ways to provide tax savings. (1) Basically, there is a tax credit for using renewable energy systems. 55% of the cost on the larger systems is allowed and this is the percentage that would make these systems economical. (2) The other benefit is for people who use prudent judgment in the insulation for heat loss in their homes. Problems in this area were the cause of the bill being killed in the Senate in 1979. However, the bill is now workable. A typical month is used and by taking norms and standards, the energy use is determined; see Exhibit "A." He explained that in order to administer the bill, the Department of Administration was going to provide amendments which will provide for a private consultant, and the Department of Revenue would submit standards. He added, however, that the Department of Revenue would rather see federal government standards. With the two amendments, effectively, State government has been taken out of the bill.

He went through the bill in its entirety. Existing law is eliminated and he said he thought it was a weak one. He submitted that the effective date could be taken off.

Paul Bessler, on behalf of himself and others interested in energy conservation, then rose in support of the bill. He expressed the belief that the bill was good, although it needed amending. He suggested some amendments; see Exhibit "B." The amendments take the Department of Administration out of the bill because the original set-up was costly. Also, the amendments insert earth shelter systems, and the fee system is eliminated. He added that the last amendment could be made more specific.

Jim Kembel, Administrator, Building Codes Division, Department of Administration, also offered some amendments; see Exhibit "C." The present bill would be very expensive to the Department. He said that the amendments were similar to the other ones.

John Clark, Department of Revenue, then rose in support of the bill. The Department of Administration's amendments place the Department of Revenue in a unique position which they probably couldn't fulfill and they will submit some amendments to take away some of the burden they couldn't fulfill.

Karen Strickler, League of Women Voters, then rose in support of energy conservation and tax incentives in this area.

There were no OPPONENTS to the bill.

Margaret MacDonald, Northern Plains Resource Council, then spoke. Section 4 (3) concerns her; she doesn't know quite how this would interact with improving energy efficiency of an existing house structure that is not insulated or weatherized. She hoped that this wouldn't penalize some people. She pointed out that HB 237 also addressed these same sections of the law and would have to be coordinated with this bill.

Questions were then asked. Rep. Brand submitted that it seemed that State government was being bypassed if the federal government was used. Rep. Fagg rose in support of the standards the federal government had set up. He pointed out that both the Department of Revenue and the Department of Administration didn't want a part in the bill, but one of them needed to oversee the operation. His intention had been to have the bill self-supporting.

Rep. Brand wanted to know who would pay for the energy cost savings.

Rep. Fagg said the savings was never collected. The applicant would pay for the cost of the consulting.

Rep. Brand questioned whether the tax credit wouldn't take money from the General Fund. Rep. Fagg said the bulk of the program was geared at new construction and in all cases there would be an increase in value which would offset the use of the remodel construction. Once the device is installed, it would be taxed and this would help make up for the credit.

Rep. Nordtvedt wanted to know how this could be considered a gain. He submitted that it would take 75 years to get \$750 worth of tax credit back in the form of property taxes on the improvements.

Rep. Roth said, therefore, this would be more geared at larger commercial areas; she wanted to know if there wasn't already a tax credit system on private homes. Rep. Fagg said this particular law was repealed in the bill. There is nothing on commercial other than the federal credit. It was pointed out that Rep. McBride's bill provided a credit.

Rep. Harp wanted to know if residential people would still have a way of getting the tax breaks if this bill passed. Rep. Fagg said they would. Anything above the minimum standards would receive a tax credit.

Rep. Roth submitted that if it wasn't economically feasible for a private concern to do this, the State shouldn't be getting involved in it. Rep. Fagg replied that that was something the Committee needed to address. He submitted that many people thought it was an important issue. If the Committee doesn't believe in tax credits to help the private sector, then the bill shouldn't be passed.

Rep. Fagg said the bill would make earth shelters a very feasible way of construction.

Rep. Williams wanted to know, once the certification had been made, who would determine if it was correct. Rep. Fagg said that under the amendments he understood that the certification would be done by engineering firms qualified to do this. The amount of savings would be determined and this would go against taxes by the local assessor. All he does is transfer a percentage; there is no technical expertise required of the assessor. The responsibility goes to the private sector according to the amendments.

Rep. Neuman asked Rep. Fagg if he proposed to reduce depreciation by the amount of the tax credit. Rep. Fagg said the tax credit had nothing to do with the depreciation. The depreciation would be on top of the tax credit.

Rep. Asay wanted to know if the tax credit would be a one-time opportunity, and Rep. Fagg replied that there were two formulas: a one-time shot when the percentage reduction is gotten, that is basically for the cost of the source of producing energy; there is a second value which uses another approach.

Rep. Brand wanted to know about going too far on the "R" factor. Rep. Fagg said there was a limit set in the federal standards. Rep. Brand wanted to know if private industry was aware of all the federal standards. Rep. Fagg said they wouldn't be qualified if they didn't. The people should be qualified either by examination or Department approval. This factor is not in this bill. He suggested that a Subcommittee be formed to address this and other problems in the bill.

Rep. Vinger said there were now building codes on the State level as far as insulation, etc. He wanted to know if these codes or the federal regulations would be used. Rep. Fagg said that basically, present standards were from the Uniform Building Code. This bill picks up from the minimums which would be established.

Rep. Williams stated that the \$5,000 credit applied only be renewable energy. However, the Renewable Energy Program could take advantage of both this program and another. Rep. Fagg said this applies only to the portion of the structure that is the energy-saving device.

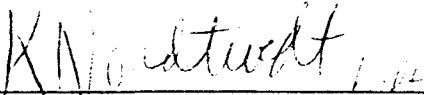
Rep. Devlin wanted to know how many people Rep. Fagg thought would qualify to be inspectors. Rep. Fagg said there were a substantial number. If there is a problem area in the bill, it is in describing who would become a qualified engineer so that a standard could be set in this area. He submitted that this wouldn't be that difficult.

Rep. Fagg then closed. The question is how to approach the field of energy conservation. Nationally, the approach has been towards tax savings or advantages to accommodate program costs. How much is the question; the norm was put in the bill. All the people who addressed the bill were in favor of the bill's approach, he submitted. He expressed hope that the bill could be put in Subcommittee to be further

analyzed.

He felt the bill was necessary. The public wants something like this because of higher energy costs but they aren't able to afford to do anything to conserve because of the cost of installation of these systems. Montana would be one of the most progressive States in the union with passage of the bill. The more affluent person is given some savings as well as the lower income person. The hearing on HOUSE BILL 707 was then closed.

The meeting was adjourned at 8:50 a.m.



Rep. Ken Nordtvedt, Chairman

da

VISITORS' REGISTER

HOUSE COMMITTEE

BILL 1970

Date : 11.11.2014

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ENERGY USE INDEX

ENERGY CONSERVATION CONSULTANT
1629 AVENUE D.
BILLINGS, MT 59102

BUILDING: [REDACTED] AREA: 4848. DATE: 1/22/198
LOCATION: [REDACTED] FUEL TYPE: GAS YEAR: 1980

FUEL - MCF

| MONTH | HEAT'G D.D. | COOL'G D.D. | QUANTITY | COST TOTAL(\$) | UNIT(\$/UNIT) | ! | TOTAL ENERGY COS |
|-----------|----------------|----------------|----------|-------------------|---------------|---|---------------------|
| JAN | 1566 | 0 | 105.6 | 310.54 | 2.94 | ! | 460.1 |
| FEB | 1148 | 0 | 86.6 | 252.61 | 2.92 | ! | 401.4 |
| MAR | 1039 | 0 | 55.9 | 179.81 | 3.22 | ! | 293.4 |
| APR | 473 | 0 | 28.0 | 83.61 | 2.99 | ! | 182.5 |
| MAY | 304 | 0 | 30.6 | 105.51 | 3.45 | ! | 211.6 |
| JUN | 164 | 14 | 1.9 | 6.55 | 3.45 | ! | 133.6 |
| JUL | 25 | 104 | 1.2 | 4.14 | 3.45 | ! | 153.0 |
| AUG | 81 | 25 | 2.7 | 9.31 | 3.45 | ! | 121.1 |
| SEP | 240 | 4 | 31.9 | 109.99 | 3.45 | ! | 212.7 |
| OCT | 602 | 0 | 68.7 | 236.88 | 3.45 | ! | 351.1 |
| NOV | 899 | 0 | 113.0 | 389.62 | 3.45 | ! | 531.1 |
| DEC | 1175 | 0 | 85.4 | 281.53 | 3.30 | ! | 401.4 |
| TOTAL | 7716 | 147 | 611.5 | 1970.10 | | ! | 3453.5 |
| 30 YR AVG | 8190 | 256 | | | | | |

ELECTRICITY

| MONTH | KWH | DEMAND KW | LOAD FACTOR | COST (\$) KWH | DEMAND | TOTAL | \$/KWH |
|-------|--------|--------------|----------------|------------------|--------|---------|--------|
| JAN | 3940. | 17 | 0.31 | 124.74 | 24.91 | 149.65 | 0.032 |
| FEB | 4020. | 15 | 0.40 | 126.83 | 21.98 | 148.81 | 0.032 |
| MAR | 3000. | 10 | 0.40 | 99.03 | 14.65 | 113.68 | 0.033 |
| APR | 2460. | 8 | 0.43 | 98.96 | 0.00 | 98.96 | 0.040 |
| MAY | 2560. | 13 | 0.26 | 87.04 | 19.05 | 106.09 | 0.034 |
| JUN | 2900. | 21 | 0.19 | 96.30 | 30.77 | 127.07 | 0.033 |
| JUL | 3540. | 24 | 0.20 | 113.75 | 35.17 | 148.92 | 0.032 |
| AUG | 2880. | 11 | 0.35 | 95.76 | 16.12 | 111.88 | 0.033 |
| SEP | 2600. | 10 | 0.36 | 88.13 | 14.65 | 102.78 | 0.034 |
| OCT | 3020. | 10 | 0.41 | 99.57 | 14.65 | 114.22 | 0.033 |
| NOV | 3860. | 13 | 0.41 | 122.47 | 19.05 | 141.52 | 0.032 |
| DEC | 3120. | 12 | 0.35 | 102.30 | 17.58 | 119.88 | 0.033 |
| TOTAL | 37900. | | | 1254.86 | 228.60 | 1483.46 | |

ANNUAL ENERGY CONSUMPTION:

*(CONVERSION FACTOR)

QUANTITY: 37900. KWH X 3413 * = 129.4 E+06 BTU'S/Y
611.5 MCF X 1030002.* = 629.8 E+06 BTU'S/Y
TOTAL = 759.2 E+06 BTU'S/Y

ENERGY USE INDEX (EUI):

UTILITY COST:

156600 BTU'S/SQ.FT. 0.712 \$/SQ.FT.
19.9 BTU'S/SQ.FT./D.D.* 0.039 \$/KWH
*(HEAT'G AND COOL'G D.D.) 3.222 \$/MCF

WITNESS STATEMENT

NAME Paul a. Bessler BILL No. HB 707
ADDRESS Box 102 Star RT Clancy DATE 3-24-81
WHOM DO YOU REPRESENT SELF
SUPPORT _____ OPPOSE _____ AMEND ✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

PROPOSED AMENDMENTS TO HOUSE BILL NO. 707.

1. Page 2, line 19.

Strike: "administration"

Insert: "revenue"

2. Page 5, line 6.

Following: "both."

Insert: "Earth shelter system - means a shelter that is surrounded by earth on at least 3 sides and has a minimum of 8 inches of earth cover on the roof and eliminates the need for energy."

3. Page 5, line 21.

Strike: "or"

Insert: "of"

4. Page 5, line 22.

Strike: line 22.

Insert: "revenue at the time of appraisal for tax purposes to determine its qualifications over and above existing standards according to - THE CODE FOR ENERGY CONSERVATION IN NEW BUILDING CONSTRUCTION, or its replacement."

5. Page 5, line 24.

Strike: "or less"

5. Page 5, line 25.

Strike: "standard"

Insert: "standards"

6. Page 6, line 1.

Following: line 1.

Insert: "The owner shall furnish the department of revenue proof of savings such as architectural design and energy bills, etc."

7. Page 7, line 2.

Delete: Lines 2 through 5.

8. Page 10, line 24.

Following: line 24.

Insert: "Such certification shall be the responsibility of the owner. The forms must be completed and returned to the department by October 1st."

9. Page 13, line 8.

Following: "permit."

Strike: "or department"

Proposed Amendments to House Bill 707

10. Page 13, line 9.

Delete: lines 9 and 10.

11. Page 13, line 14.

Following: "certified"

Insert: "by qualified persons"

WITNESS STATEMENT

NAME James K. Hall BILL No. HT 707
ADDRESS 1011 1st DATE Nov 24, 1981
WHOM DO YOU REPRESENT Dept. of Agriculture Div.
SUPPORT _____ OPPOSE _____ AMEND ✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Attached

PROPOSED AMENDMENTS
TO H.B. 707

1. Page 2, line 19.
Strike: "administration"
Insert: "revenue"
Strike: "2-15-1001"
Insert: "2-15-1301"
2. Page 5.
Following: line 16
Insert: "(8) 'Qualified designer' means an architect or engineer registered in the state of Montana having experience in energy-related design."
3. Page 5, lines 21 and 22.
Strike: "the department or its agent"
Insert: "a qualified designer"
4. Page 5, line 23.
Strike: "department or its agent"
Insert: "qualified designer"
5. Page 6, line 1.
Following: "standard."
Insert: "A copy of the required evaluation shall be submitted to the department by the qualified designer and shall also bear the seal of the qualified designer."
6. Page 6, line 3.
Following: "building"
Insert: "and upon receipt of the evaluation done by the qualified designer"
7. Page 7, line 9.
Following: "may"
Insert: "require the claimant to retain a qualified designer to"
8. Page 8, line 9 through line 1 on page 9.
Following: "agent" on line 9, page 8
Strike: line 9 on page 8 through line 1 on page 9 in its entirety
Insert: "."
9. Page 10, lines 20 and 21
Following: "systems" on line 20
Strike: "approved"
Insert: "certified"
Following: "by" on line 20
Strike: "the department"
Insert: "a qualified designer"

10. Page 12, line 12.

Following: "finds"

Insert: "through verification submitted by the claimant"

11. Page 13, lines 8 and 9.

Following: "must" on line 8

Strike: "receive a local"

Insert: "be installed under a"

Following: "permit" on line 8

Insert: "from the proper code enforcement agency"

Following: "or" on line 8

Strike: "department approval"

Insert: "receive qualified designer certification"

Following: "system" on line 9

Insert: "as to code compliance"

Strike: "local" on line 9

12. Page 13, lines 12 and 13.

Strike: "determined by the department or its agent"

Insert: "certified by a qualified designer"

"MONTANA ENERGY CONSERVATION ACT"

The bill as currently drafted would be very difficult to implement. It would require a substantial increase in the expenditure and staffing levels of the Department of Administration. The Department would be required to employ qualified technical staff to perform the evaluations specified in the bill.

The Department is of the opinion that rather than having the state government duplicate these services provided by technicians in the private sector, it would be better to minimize the government's role in the program. In addition, rather than having two state agencies involved in a single program, it is our opinion that the bill should be amended to involve only one state agency.

The amended version of the bill would operate as follows.

1. The claimant wishing to apply for tax credits under either the adjustment in taxable value or the renewable energy systems program would retain a "qualified designer" to perform the evaluations required by the bill.
2. Upon completion of the evaluations, the "qualified designer" would submit certified copies of their work to the Department of Revenue.
3. The Department of Revenue would review the submittal and issue their decision on the claim.
4. All necessary rules for operation of the program would be adopted by the Department of Revenue, who could use the Department of Administration and the Department of Natural Resources as reference sources for needed information.
5. The major advantage of the amendments is that the program would emphasize the involvement of the private sector instead of requiring increased government growth.

WITNESS STATEMENT

NAME Karen Strickler BILL No. 707
ADDRESS 1500 Jerome Helena DATE 3/24
WHOM DO YOU REPRESENT League of Women Voters
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

HOUSE JOINT RESOLUTION 52, introduced (white), be amended as follows:

1. Page 1, line 15.
Following: "been"
Strike: "valued"
Insert: "appraised"
Following: "for"
Strike: "the"

2. Page 1, line 24.
Following: "the"
Insert: "appraised"

3. Page 2, line 6.
Following: "a"
Strike: "10%"
Insert: "12%"

4. Page 2.
Following: line 7
Strike: "\$2,205,000"
Insert: "\$2,646,000"

5. Page 3, line 7.
Following: "of"
Strike: "10%"
Insert: "12%"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

March 28, 19 91

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 707

A BILL FOR AN ACT ENTITLED: "AN ACT TO BE KNOWN AS THE "MONTANA ENERGY CONSERVATION ACT"; PROVIDING TAX INCENTIVES FOR RENEWABLE ENERGY SYSTEMS AND ENERGY CONSERVATION PRACTICES; REPEALING SECTIONS 15-32-102 THROUGH 15-32-106, 15-32-108, AND 15-32-201 THROUGH 15-32-203, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 707

DO NOT PASS

~~DO PASS~~