

1 *House* BILL NO. *663*  
 2 INTRODUCED BY *Kemmis - Falls Johnson Bradley*  
 3 *Richard*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE INVESTMENT  
 5 IN NONFOSSIL FORMS OF ENERGY GENERATION AND IN ENERGY  
 6 CONSERVATION IN BUILDINGS THROUGH TAX INCENTIVES AND CAPITAL  
 7 AVAILABILITY."

8  
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Statement of purpose. The purpose of this  
 11 act is to encourage the use of alternative energy sources  
 12 and the conservation of energy through incentive programs.  
 13 Such incentives are to be made available to the energy user  
 14 on a basis which requires him to take the initiative in  
 15 obtaining a particular incentive. This act is not intended  
 16 to require an assessor to revalue property except upon  
 17 receipt of a properly documented and approved application.  
 18 This act allows but does not require a public utility to  
 19 extend credit for energy conservation investments.

20 Section 2. Definitions. As used in this act:

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

25 (2) "Capital investment" means any material or

1 equipment purchased and installed in a building, or land,  
 2 with or without improvements.

3 (3) "Energy conservation purpose" means one or more of  
 4 the following results of an investment: reducing the waste  
 5 or dissipation of energy, or reducing the amount of energy  
 6 required to accomplish a given quantity of work.

7 (4) "Recognized nonfossil forms of energy generation"  
 8 means a system for the utilization of solar heat, wind,  
 9 solid wastes, or the decomposition of organic wastes, for  
 10 capturing energy or converting energy sources into usable  
 11 sources, and also means a small system for the utilization  
 12 of water power by means of an impoundment not over twenty  
 13 (20) acres in surface area.

14 Section 3. Tax treatment of certain energy-related  
 15 investments. (1) Upon application by a taxpayer, approved  
 16 under section [4 of this act], a capital investment by the  
 17 taxpayer in a recognized nonfossil form of energy generation  
 18 shall be treated by the department of revenue as:

19 (a) property exempt from taxation, to the extent the  
 20 appraised value of the investment does not exceed one  
 21 hundred thousand dollars (\$100,000), or

22 (b) class seven property, as defined in sections  
 23 84-301 and 84-302, for such portion of the appraised value  
 24 of the investment that exceeds one hundred thousand dollars  
 25 (\$100,000).

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1 (2) Upon application by a taxpayer, approved under  
 2 section [4 of this act], a capital investment in a building  
 3 by the taxpayer for an energy conservation purpose shall be  
 4 treated by the department of revenue as class eight  
 5 property, as defined in sections 84-301 and 84-302, to the  
 6 extent the appraised value of the investment does not exceed  
 7 twenty percent (20%) of the appraised value of the building  
 8 in which the investment is made.

9 Section 4. Application for special energy investment  
 10 taxation. The department of revenue shall provide forms on  
 11 which a taxpayer may apply for tax treatment under section  
 12 [3 of this act]. Application shall be made to the  
 13 department. The department shall approve an application  
 14 which demonstrably promotes energy conservation or utilizes  
 15 a recognized nonfossil form of energy generation. The  
 16 department may refer an application involving energy  
 17 generation to the department of natural resources and  
 18 conservation for its advice, and the department of natural  
 19 resources and conservation shall respond within sixty (60)  
 20 days. The department may refer an application involving  
 21 energy conservation to the department of administration for  
 22 its advice, and the department of administration shall  
 23 respond within sixty (60) days. The department of revenue  
 24 may deny an application which it finds to be impractical or  
 25 ineffective.

1 Section 5. Capital may be lent by utilities--tax  
 2 credit for interest differential. (1) A public utility  
 3 providing electricity or natural gas may install or pay for  
 4 the installation of energy conservation materials in a  
 5 dwelling. The utility may agree with the occupant of the  
 6 dwelling that the occupant shall reimburse the utility for  
 7 its expenditure in periodic installment payments added to  
 8 the occupant's regular bill for electricity or natural gas.  
 9 The utility may charge interest not exceeding the equivalent  
 10 of a rate of seven percent (7%) per year on the declining  
 11 balance of the sum advanced.

12 (2) A public utility lending money under this section  
 13 may compute the difference between interest it actually  
 14 receives on such transactions and the interest which would  
 15 have been received at the prevailing average interest rate  
 16 for home improvement loans, as prescribed in rules made by  
 17 the public service commission. The utility may apply the  
 18 difference so computed as a credit against its tax liability  
 19 for the electrical energy producer's license tax under  
 20 section 84-1601 or for the corporation license tax under  
 21 section 84-1501.

22 (3) The public service commission may make rules to  
 23 implement this section.

24 Section 6. Limitations. Tax treatment under section  
 25 [3 of this act] is limited to:

1 (1) Capital investments made after January 1, 1975,  
2 and

3 (2) Persons and firms not primarily engaged in the  
4 provision of gas or electricity derived from fossil fuel  
5 extraction or conventional hydroelectric development, and

6 (3) A ceiling of one hundred thousand dollars  
7 (\$100,000) in tax savings per year to any one person or  
8 firm.

9 Section 7. Publicity. The department of natural  
10 resources and conservation shall publicize the benefits of  
11 this act, in the first year following its effective date, as  
12 follows:

13 (1) Quarter page advertisements shall be run at least  
14 three times in each of the state's newspapers with a  
15 circulation exceeding 5,000.

16 (2) Posters and explanatory flyers shall be  
17 distributed to every major retail outlet in the state for  
18 such affected commodities as building materials, appliances,  
19 plants and vegetation, glass, carpet, draperies, paint, and  
20 hardware.

21 (3) Simplified pamphlets explaining the terms of this  
22 act shall be printed and circulated to the general public.

23 (4) All the above publications shall advocate the  
24 benefits of nonfossil energy generation, energy  
25 conservation, and allied tax incentives.

HB 663

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 11, 19 75, there is hereby submitted a Fiscal Note for House Bill 663 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act to encourage investment in nonfossil forms of energy generation and in energy conservation in buildings through tax incentives and loans from public utilities.

## ASSUMPTIONS:

1. Costs to the Department of Natural Resources and Conservation would include advertising and printing. Approximately \$500 labor in poster and pamphlet design can be performed by existing personnel.
2. Cost of application forms to be provided by the Department of Revenue can be absorbed in existing budget.
3. Additional costs to the Public Service Commission can be absorbed in existing budget.

## FISCAL IMPACT:

## Revenue:

House Bill 663 contains four provisions with a potential loss in revenue to both state and local units of government.

1. A capital investment in a recognized nonfossil form of energy generation will be exempt from property taxation if the appraised value does not exceed \$100,000.
2. The portion of the appraised value of the investment that exceeds \$100,000 will be considered class seven property which is taxable at 7% of assessed value rather than 30% under current law.
3. A capital investment in a building for an energy conservation purpose will be considered Class eight property which is taxable at 15% of assessed value rather than 30% under current law.
4. Public utilities which lend money for said capital investments may apply the difference between interest charged and the prevailing home improvement loan interest as a credit against corporation license tax or electrical energy producers tax.

House Bill 663 provides an incentive to invest in nonfossil forms of energy generation by providing that such action would result in no property taxes, reduced property taxes or tax credits; thus, a potential revenue loss to governments. However, if the incentive for such investments is not provided (HB 663 is not enacted) it is difficult to project the number of taxpayers who would invest in experimental forms of energy generation. It is therefore not possible to estimate the revenue impact of House Bill 663.

## Expenditure:

Increased costs to the Department of Natural Resources and Conservation

FY 76  
\$ 7,560

FY 77  
\$ 0



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 17, 1975

Approved by Committee  
on Taxation

HOUSE BILL NO. 663

INTRODUCED BY KEMMIS, FAGG, JOHNSON, BRADLEY, RICHARDS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE INVESTMENT  
IN NONFOSSIL FORMS OF ENERGY GENERATION AND IN ENERGY  
CONSERVATION IN BUILDINGS THROUGH TAX INCENTIVES AND CAPITAL  
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Statement of purpose. The purpose of this  
act is to encourage the use of alternative energy sources  
and the conservation of energy through incentive programs.  
Such incentives are to be made available to the energy user  
on a basis which requires him to take the initiative in  
obtaining a particular incentive. This act is not intended  
to require an assessor to revalue property except upon  
receipt of a properly documented and approved application.  
This act allows but does not require a public utility to  
extend credit for energy conservation investments.

Section 2. Definitions. As used in this act:

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

(2) "Capital investment" means any material or

equipment purchased and installed in a building, or land,  
with or without improvements.

(3) "Energy conservation purpose" means one or more of  
the following results of an investment: reducing the waste  
or dissipation of energy, or reducing the amount of energy  
required to accomplish a given quantity of work.

(4) "Recognized nonfossil forms of energy generation"  
means a system for the utilization of solar heat, wind,  
solid wastes, or the decomposition of organic wastes, for  
capturing energy or converting energy sources into usable  
sources, FOR THE PRODUCTION OF ELECTRIC POWER FROM SOLID  
WOOD WASTES, and also means a small system for the  
utilization of water power by means of an impoundment not  
over twenty (20) acres in surface area.

Section 3. Tax treatment of certain energy-related  
investments. (1) Upon application by a taxpayer, approved  
under section [4 of this act], a capital investment by the  
taxpayer in a recognized nonfossil form of energy generation  
shall be treated by the department of revenue as:

(a) property exempt from taxation, to the extent the  
appraised value of the investment does not exceed one  
hundred thousand dollars (\$100,000), or

(b) class seven property, as defined in sections  
84-301 and 84-302, for such portion of the appraised value  
of the investment that exceeds one hundred thousand dollars

1 (\$100,000).

2 (2) Upon application by a taxpayer, approved under  
3 section [4 of this act], a capital investment in a building  
4 by the taxpayer for an energy conservation purpose shall be  
5 treated by the department of revenue as class eight  
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7 extent the appraised value of the investment does not exceed  
8 twenty percent (20%) of the appraised value of the building  
9 in which the investment is made.

10 Section 4. Application for special energy investment  
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16 a recognized nonfossil form of energy generation. The  
17 department may refer an application involving energy  
18 generation to the department of natural resources and  
19 conservation for its advice, and the department of natural  
20 resources and conservation shall respond within sixty (60)  
21 days. The department may refer an application involving  
22 energy conservation to the department of administration for  
23 its advice, and the department of administration shall  
24 respond within sixty (60) days. The department of revenue  
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1 ineffective.

2 Section 5. Capital may be lent by utilities--tax  
3 credit for interest differential. (1) A public utility  
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5 the installation of energy conservation materials in a  
6 dwelling. The utility may agree with the occupant of the  
7 dwelling that the occupant shall reimburse the utility for  
8 its expenditure in periodic installment payments added to  
9 the occupant's regular bill for electricity or natural gas.  
10 The utility may charge interest not exceeding the equivalent  
11 of a rate of seven percent (7%) per year on the declining  
12 balance of the sum advanced.

13 (2) A public utility lending money under this section  
14 may compute the difference between interest it actually  
15 receives on such transactions and the interest which would  
16 have been received at the prevailing average interest rate  
17 for home improvement loans, as prescribed in rules made by  
18 the public service commission. The utility may apply the  
19 difference so computed as a credit against its tax liability  
20 for the electrical energy producer's license tax under  
21 section 84-1601 or for the corporation license tax under  
22 section 84-1501.

23 (3) The public service commission may make rules to  
24 implement this section.

25 Section 6. Limitations. Tax treatment under section

1 [3 of this act] is limited to:

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4 (2) Persons and firms not primarily engaged in the  
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13 follows:

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16 circulation exceeding 5,000.

17 (2) Posters and explanatory flyers shall be  
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19 such affected commodities as building materials, appliances,  
20 plants and vegetation, glass, carpet, draperies, paint, and  
21 hardware.

22 (3) Simplified pamphlets explaining the terms of this  
23 act shall be printed and circulated to the general public.

24 (4) All the above publications shall advocate the  
25 benefits of nonfossil energy generation, energy

1 conservation, and allied tax incentives.

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25 ~~benefits of nonfossil energy generation, energy~~

1 ~~conservation, and allied tax incentives.~~

-End-

March 31, 1975

SENATE COMMITTEE ON TAXATION

That House Bill No. 663, third reading, be amended as follows:

1. Amend title, line 7.  
Following: "AVAILABILITY"  
Insert: ", amending sections 84-202 and 84-301, R.C.M. 1947"
2. Amend page 4, section 5, line 10.  
Following: "may"  
Strike: "change"  
Insert: "charge"
3. Amend page 6, section 5, line 1.  
Following: line 1  
Insert: "Section 7. Section 84-202, R.C.M. 1947, is amended to read as follows:  
"84-202. Exemptions from taxation. (1) The property of the United States, the state, counties, cities, towns, school districts, municipal corporations, public libraries, ~~all-unprocessed-perishable fruits-and-vegetables-in-farm-storage-and-owned-by-the-producer,~~ such other property as is used exclusively for agricultural and horticultural societies, for educational purposes, places of actual religious worship, hospitals and places of burial not used or held for private or corporate profit, and institutions of purely public charity, evidence of debt secured by mortgages of record upon real or personal property in the state of Montana, and public art galleries and public observatories not used or held for private or corporate profit, are exempt from taxation, but no more land than is necessary for such purpose is exempt; provided, the term "institutions of purely public charity" as used in this act shall include organizations owning and operating facilities for the care of the retired or aged or chronically ill which are not operated for gain or profit; provided, that the terms public art galleries and public observatories used in this act shall mean only such art galleries and observatories whether of public or private ownership, as are open to the public, without charge or fee at all reasonable hours, and are used for the purpose of education only, and also when a clubhouse or building erected by or belonging to any society or organization of honorably discharged United States soldiers, sailors or marines who served in army or navy of United States, is used exclusively for educational, fraternal, benevolent or purely public charitable purposes, rather than for gain or profit, together with the library and furniture necessarily used in any such building, and all property, real or personal, in the possession of legal guardians of incompetent veterans of the World War or minor dependents of such veterans, where such property is funds or derived from funds received from the United States as pension, compensation, insurance, adjusted compensation, or gratuity, shall be exempt from all taxation as property of the United States while held by the guardian, but not after title passes to the veteran or minor in his or her own right on account of removal of legal disability.

(2) All household goods and furniture, including clocks, musical instruments, sewing machines, wearing apparel of members of the family actually used by the owner for personal and domestic purposes, or for furnishing or equipping the family residence are exempt from taxation.

(3) Freeport merchandise shall be exempt from taxation. Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state, for storage in transit prior to shipment to a final destination outside the state, and which have acquired a taxable situs within the state.

Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged.

Any person, corporation, firm, partnership, association, or other group seeking to qualify its property for inclusion in this class shall make application to the state department of revenue in such manner or form as may be required by the department.

(4) All unprocessed, perishable fruits and vegetables in farm storage and owned by the producer are exempt from taxation.

(5) A capital investment in a recognized non-fossil form of energy generation is exempt to the extent provided under section [3 of this act]."

"Section 8. Section 84-301, R.C.M. 1947, is amended to read as follows:

"84-301. Classification of property for taxation. For the purpose of taxation the taxable property in the state shall be classified as follows:

Class One. The annual net proceeds of all mines and mining claims, after deducting only the expenses specified and allowed by section 84-5403; also where the right to enter upon land, to explore or prospect, or dig for oil, gas, coal or mineral is reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise or succession by any person or corporation, the surface title to which has passed to or remains in another, the state department of revenue shall determine the value of the right to enter upon said tract of land for the purpose of digging, exploring, or prospecting for gas, oil, coal or minerals, and the same shall be placed in this classification for the purpose of taxation.

Class Two. All agricultural and other tools, implements and machinery, gas and other engines and boilers, threshing machines and outfits used therewith, automobiles, motor trucks and other power-driven cars, vehicles of all kinds except mobile homes, boats and all watercraft, harness, saddlery and robes and except as provided in Class Five (b) of this section, all poles, lines, transformers, transformer stations, meters, tools, improvements, machinery and other property used and owned by all persons, firms, corporations, and other organizations which are engaged in the business of furnishing telephone communications, exclusively to rural areas, or to rural areas and cities and towns provided that any such city or town has a population of eight hundred (800) persons or less; and provided further, that the average circuit miles for each station on the system is more than one and one-quarter (1 1/4) miles.

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Any person, corporation, firm, partnership, association, or other group seeking to qualify its property for inclusion in this class shall make application to the state department of revenue in such manner or form as may be required by the department.

(4) All unprocessed, perishable fruits and vegetables in farm storage and owned by the producer are exempt from taxation.

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"Section 8. Section 84-301, R.C.M. 1947, is amended to read as follows:

"84-301. Classification of property for taxation. For the purpose of taxation the taxable property in the state shall be classified as follows:

Class One. The annual net proceeds of all mines and mining claims, after deducting only the expenses specified and allowed by section 84-5403; also where the right to enter upon land, to explore or prospect, or dig for oil, gas, coal or mineral is reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise or succession by any person or corporation, the surface title to which has passed to or remains in another, the state department of revenue shall determine the value of the right to enter upon said tract of land for the purpose of digging, exploring, or prospecting for gas, oil, coal or minerals, and the same shall be placed in this classification for the purpose of taxation.

Class Two. All agricultural and other tools, implements and machinery, gas and other engines and boilers, threshing machines and outfits used therewith, automobiles, motor trucks and other power-driven cars, vehicles of all kinds except mobile homes, boats and all watercraft, harness, saddlery and robes and except as provided in Class Five (b) of this section, all poles, lines, transformers, transformer stations, meters, tools, improvements, machinery and other property used and owned by all persons, firms, corporations, and other organizations which are engaged in the business of furnishing telephone communications, exclusively to rural areas, or to rural areas and cities and towns provided that any such city or town has a population of eight hundred (800) persons or less; and provided further, that the average circuit miles for each station on the system is more than one and one-quarter (1 1/4) miles.

HOUSE BILL NO. 663

INTRODUCED BY KEMMIS, FAGG, JOHNSON, BRADLEY, RICHARDS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE INVESTMENT IN NONFOSSIL FORMS OF ENERGY GENERATION AND IN ENERGY CONSERVATION IN BUILDINGS THROUGH TAX INCENTIVES AND CAPITAL AVAILABILITY, AMENDING SECTIONS 84-202 AND 84-301, R.C.M. 1947."

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

Section 1. Statement of purpose. The purpose of this act is to encourage the use of alternative energy sources and the conservation of energy through incentive programs. Such incentives are to be made available to the energy user on a basis which requires him to take the initiative in obtaining a particular incentive. This act is not intended to require an assessor to revalue property except upon receipt of a properly documented and approved application. This act allows but does not require a public utility to extend credit for energy conservation investments.

Section 2. Definitions. As used in this act:

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

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

(3) "Energy conservation purpose" means one or more of the following results of an investment: reducing the waste or dissipation of energy, or reducing the amount of energy required to accomplish a given quantity of work.

(4) "Recognized nonfossil forms of energy generation" means a system for the utilization of solar heat, wind, solid wastes, or the decomposition of organic wastes, for capturing energy or converting energy sources into usable sources, FOR THE PRODUCTION OF ELECTRIC POWER FROM SOLID WOOD WASTES, and also means a small system for the utilization of water power by means of an impoundment not over twenty (20) acres in surface area.

Section 3. Tax treatment of certain energy-related investments. (1) Upon application by a taxpayer, approved under section [4 of this act], a capital investment by the taxpayer in a recognized nonfossil form of energy generation shall be treated by the department of revenue as:

(a) property exempt from taxation, to the extent the appraised value of the investment does not exceed one hundred thousand dollars (\$100,000), or

(b) class seven property, as defined in sections 84-301 and 84-302, for such portion of the appraised value

1 of the investment that exceeds one hundred thousand dollars  
2 (\$100,000).

3 (2) Upon application by a taxpayer, approved under  
4 section [4 of this act], a capital investment in a building  
5 by the taxpayer for an energy conservation purpose shall be  
6 treated by the department of revenue as class eight  
7 property, as defined in sections 84-301 and 84-302, to the  
8 extent the appraised value of the investment does not exceed  
9 twenty percent (20%) of the appraised value of the building  
10 in which the investment is made.

11 Section 4. Application for special energy investment  
12 taxation. The department of revenue shall provide forms on  
13 which a taxpayer may apply for tax treatment under section  
14 [3 of this act]. Application shall be made to the  
15 department. The department shall approve an application  
16 which demonstrably promotes energy conservation or utilizes  
17 a recognized nonfossil form of energy generation. The  
18 department may refer an application involving energy  
19 generation to the department of natural resources and  
20 conservation for its advice, and the department of natural  
21 resources and conservation shall respond within sixty (60)  
22 days. The department may refer an application involving  
23 energy conservation to the department of administration for  
24 its advice, and the department of administration shall  
25 respond within sixty (60) days. The department of revenue

1 may deny an application which it finds to be impractical or  
2 ineffective.

3 Section 5. Capital may be lent by utilities -- tax  
4 credit for interest differential. (1) A public utility  
5 providing electricity or natural gas may install or pay for  
6 the installation of energy conservation materials in a  
7 dwelling. The utility may agree with the occupant of the  
8 dwelling that the occupant shall reimburse the utility for  
9 its expenditure in periodic installment payments added to  
10 the occupant's regular bill for electricity or natural gas.  
11 The utility may ~~change~~ CHARGE interest not exceeding the  
12 equivalent of a rate of seven percent (7%) per year on the  
13 declining balance of the sum advanced.

14 (2) A public utility lending money under this section  
15 may compute the difference between interest it actually  
16 receives on such transactions and the interest which would  
17 have been received at the prevailing average interest rate  
18 for home improvement loans, as prescribed in rules made by  
19 the public service commission. The utility may apply the  
20 difference so computed as a credit against its tax liability  
21 for the electrical energy producer's license tax under  
22 section 84-1601 or for the corporation license tax under  
23 section 84-1501.

24 (3) The public service commission may make rules to  
25 implement this section.



1 Section 6. Limitations. Tax treatment under section  
2 [3 of this act] is limited to:

3 (1) capital investments made after January 1, 1975,  
4 and

5 (2) persons and firms not primarily engaged in the  
6 provision of gas or electricity derived from fossil fuel  
7 extraction or conventional hydroelectric development, and

8 (3) a ceiling of one hundred thousand dollars  
9 (\$100,000) in tax savings per year to any one person or  
10 firm.

11 ~~Section 7. Publicity. The department of natural~~  
12 ~~resources and conservation shall publicize the benefits of~~  
13 ~~this act, in the first year following its effective date, as~~  
14 ~~follows:~~

15 ~~(1) Quarter-page advertisements shall be run at least~~  
16 ~~three times in each of the state's newspapers with a~~  
17 ~~circulation exceeding 5,000.~~

18 ~~(2) Posters and explanatory flyers shall be~~  
19 ~~distributed to every major retail outlet in the state for~~  
20 ~~such affected commodities as building materials, appliances,~~  
21 ~~plants and vegetation, glass, carpet, draperies, paint, and~~  
22 ~~hardware.~~

23 ~~(3) Simplified pamphlets explaining the terms of this~~  
24 ~~act shall be printed and circulated to the general public.~~

25 ~~(4) All the above publications shall advocate the~~

1 ~~benefits of nonfossil energy generation, energy~~  
2 ~~conservation and allied tax incentives.~~

3 SECTION 7. SECTION 84-202, R.C.M. 1947, IS AMENDED TO  
4 READ AS FOLLOWS:

5 "84-202. Exemptions from taxation. (1) The property of  
6 the United States, the state, counties, cities, towns,  
7 school districts, municipal corporations, public libraries,  
8 ~~oil-unprocessed, perishable fruits and vegetables in farm~~  
9 ~~storage and owned by the producer,~~ such other property as is  
10 used exclusively for agricultural and horticultural  
11 societies, for educational purposes, places of actual  
12 religious worship, hospitals and places of burial not used  
13 or held for private or corporate profit, and institutions of  
14 purely public charity, evidence of debt secured by mortgages  
15 of record upon real or personal property in the state of  
16 Montana, and public art galleries and public observatories  
17 not used or held for private or corporate profit, are exempt  
18 from taxation, but no more land than is necessary for such  
19 purpose is exempt; provided, the term "institutions of  
20 purely public charity" as used in this act shall include  
21 organizations owning and operating facilities for the care  
22 of the retired or aged or chronically ill which are not  
23 operated for gain or profit; provided, that the terms public  
24 art galleries and public observatories used in this act  
25 shall mean only such art galleries and observatories whether

1 of public or private ownership, as are open to the public,  
 2 without charge or fee at all reasonable hours, and are used  
 3 for the purpose of education only, and also when a clubhouse  
 4 or building erected by or belonging to any society or  
 5 organization of honorably discharged United States soldiers,  
 6 sailors or marines who served in army or navy of United  
 7 States, is used exclusively for educational, fraternal,  
 8 benevolent or purely public charitable purposes, rather than  
 9 for gain or profit, together with the library and furniture  
 10 necessarily used in any such building, and all property,  
 11 real or personal, in the possession of legal guardians of  
 12 incompetent veterans of the World War or minor dependents of  
 13 such veterans, where such property is funds or derived from  
 14 funds received from the United States as pension,  
 15 compensation, insurance, adjusted compensation, or gratuity,  
 16 shall be exempt from all taxation as property of the United  
 17 States while held by the guardian, but not after title  
 18 passes to the veteran or minor in his or her own right on  
 19 account of removal of legal disability.

20 (2) All household goods and furniture, including  
 21 clocks, musical instruments, sewing machines, wearing  
 22 apparel of members of the family actually used by the owner  
 23 for personal and domestic purposes, or for furnishing or  
 24 equipping the family residence are exempt from taxation.

25 (3) Freeport merchandise shall be exempt from

1 taxation. Freeport merchandise means those stocks of  
 2 merchandise manufactured or produced outside this state  
 3 which are in transit through this state and consigned to a  
 4 warehouse or other storage facility, public or private,  
 5 within this state, for storage in transit prior to shipment  
 6 to a final destination outside the state, and which have  
 7 acquired a taxable situs within the state.

8 Stocks of merchandise do not lose their status as  
 9 freeport merchandise because while in the storage facility  
 10 they are assembled, bound, joined, processed, disassembled,  
 11 divided, cut, broken in bulk, relabeled or repackaged.

12 Any person, corporation, firm, partnership,  
 13 association, or other group seeking to qualify its property  
 14 for inclusion in this class shall make application to the  
 15 state department of revenue in such manner or form as may be  
 16 required by the department.

17 (4) All unprocessed, perishable fruits and vegetables  
 18 in farm storage and owned by the producer are exempt from  
 19 taxation.

20 (5) A capital investment in a recognized nonfossil  
 21 form of energy generation is exempt to the extent provided  
 22 under section [3 of this act]."

23 SECTION 8. SECTION 84-301, R.C.M., 1947, IS AMENDED TO  
 24 READ AS FOLLOWS:

25 "84-301. Classification of property for taxation. For

1 the purpose of taxation the taxable property in the state  
2 shall be classified as follows:

3 Class One. The annual net proceeds of all mines and  
4 mining claims, after deducting only the expenses specified  
5 and allowed by section 84-5403; also where the right to  
6 enter upon land, to explore or prospect, or dig for oil,  
7 gas, coal or mineral is reserved in land or received by  
8 mesne conveyance (exclusive of leasehold interests), devise  
9 or succession by any person or corporation, the surface  
10 title to which has passed to or remains in another, the  
11 state department of revenue shall determine the value of the  
12 right to enter upon said tract of land for the purpose of  
13 digging, exploring, or prospecting for gas, oil, coal or  
14 minerals, and the same shall be placed in this  
15 classification for the purpose of taxation.

16 Class Two. All agricultural and other tools, implements  
17 and machinery, gas and other engines and boilers, threshing  
18 machines and outfits used therewith, automobiles, motor  
19 trucks and other power-driven cars, vehicles of all kinds  
20 except mobile homes, boats and all watercraft, harness,  
21 saddlery and robes and except as provided in Class Five (b)  
22 of this section, all poles, lines, transformers, transformer  
23 stations, meters, tools, improvements, machinery and other  
24 property used and owned by all persons, firms, corporations,  
25 and other organizations which are engaged in the business of

1 furnishing telephone communications, exclusively to rural  
2 areas, or to rural areas and cities and towns provided that  
3 any such city or town has a population of eight hundred  
4 (800) persons or less; and provided further, that the  
5 average circuit miles for each station on the system is more  
6 than one and one-quarter (1 1/4) miles.

7 Class Three. Livestock, poultry and unprocessed  
8 products of both; stocks of merchandise of all sorts,  
9 together with furniture and fixtures used therewith, except  
10 mobile homes; and all office or hotel furniture and  
11 fixtures.

12 Class Four. (a) All land, town and city lots, with  
13 improvements, and all trailers affixed to land owned,  
14 leased, or under contract or purchase by the trailer owner,  
15 manufacturing and mining machinery, fixtures and supplies,  
16 except as otherwise provided by the constitution of Montana,  
17 and except as such property may be included in Class Five,  
18 Class Seven or Class Eight.

19 (b) Mobile homes without regard to the ownership of the  
20 land upon which they are situated, except those held by a  
21 distributor or dealer of mobile homes as part of his stock  
22 in trade, and except as such property may be included in  
23 Class Eight.

24 Class Five. (a) All moneys and credits, secured or  
25 unsecured, including all state, county, school district and

1 other municipal bonds, warrants and securities, without any  
 2 deduction or offset; provided, however, that the terms  
 3 "moneys and credits" as herein used shall not embrace the  
 4 moneyed capital employed in the banking business by any  
 5 banking corporation or individual in this state.

6 (b) All poles, lines, transformers, transformer  
 7 stations, meters, tools, improvements, machinery and other  
 8 property used and owned by co-operative rural electrical and  
 9 co-operative rural telephone associations organized under  
 10 the laws of Montana except those within the incorporated  
 11 limits of a city or town in which less than ninety-five per  
 12 cent (95%) of the electric consumers and/or telephone users  
 13 are served by a co-operative organization, and as to the  
 14 property enumerated in this sub-section (b) within  
 15 incorporated limits of a city or town in which less than  
 16 ninety-five per cent (95%) of the electric consumers or  
 17 users will be served by a co-operative organization, such  
 18 property shall be put in Class Two.

19 (c) All unprocessed agricultural products either on the  
 20 farm or in storage, irrespective of whether said products  
 21 are owned by the elevator, warehouse or flour mill owner or  
 22 company storing the same, or any other person whomsoever,  
 23 except all perishable fruits and vegetables in farm storage  
 24 and owned by the producer, and excepting livestock and  
 25 poultry and the unprocessed products of both.

1 (d) The dwelling house, and the lot on which it is  
 2 erected, owned and occupied by any resident of the state,  
 3 who has been honorably discharged from active service in any  
 4 branch of the armed forces, who is rated one hundred per  
 5 cent (100%) disabled due to a service-connected disability  
 6 by the United States veterans administration or its  
 7 successors.

8 In the event of the veteran's death, the dwelling  
 9 house, and the lot on which it is erected, so long as the  
 10 widow remains unmarried and the owner and occupant of the  
 11 property, shall remain within this classification.

12 Class Six. Property formerly included in this class is  
 13 now classified by section 84-308, R.C.M. 1947.

14 Class Seven. (a) All new industrial property. New  
 15 industrial property shall mean any new industrial plant,  
 16 including land, buildings, machinery and fixtures which, in  
 17 the determination of the state department of revenue, is  
 18 used by a new industry during the first three (3) years of  
 19 operation not having been assessed prior to July 1, 1961,  
 20 within the state of Montana. New industry shall mean any  
 21 person, corporation, firm, partnership, association, or  
 22 other group which establishes a new plant or plants in this  
 23 state for the operation of a new industrial endeavor, as  
 24 distinguished from a mere expansion, reorganization, or  
 25 merger of an existing industry or industries. Provided,

1 however, that new industrial property shall be limited to  
 2 industries that manufacture, mill, mine, produce, process or  
 3 fabricate materials, or do similar work in which capital and  
 4 labor are employed and in which materials unserviceable in  
 5 their natural state are extracted, processed or made fit for  
 6 use or are substantially altered or treated so as to create  
 7 commercial products or materials; and in no event shall the  
 8 term new industrial property be included to mean property  
 9 used by retail or wholesale merchants, commercial services  
 10 of any type, agriculture, trades or professions. And  
 11 provided further, that new industrial property shall not be  
 12 included to mean property which is used or employed in any  
 13 industrial plant which has been in operation in this state  
 14 for three (3) years or longer. Any person, corporation,  
 15 firm, partnership, association or other group seeking to  
 16 qualify its property for inclusion in this class shall make  
 17 application to the state department of revenue in such  
 18 manner and form as may be required by said department.

19 (b) A capital investment in a recognized nonfossil  
 20 form of energy generation, to the extent provided under  
 21 section [3 of this act].

22 Class Eight. (A) Any improvement on real property,  
 23 trailers affixed to land or mobile home belonging to any  
 24 person who qualifies under any one or more of the  
 25 hereinafter set forth categories, valued at not more than

1 seventeen thousand five hundred dollars (\$17,500), which is  
 2 owned or under a contract for deed, and which is actually  
 3 occupied by:

4 (1) a widow sixty-two (62) years of age or older,  
 5 whether with or without minor dependent children, who  
 6 qualifies under the income limitations of (4), or

7 (2) a widower sixty-five (65) years of age or older,  
 8 whether with or without minor dependent children, who  
 9 qualifies under the income limitations of (4), or

10 (3) a widow with minor or dependent children regardless  
 11 of age, who qualifies under the income limitations of (4),  
 12 or

13 (4) a recipient of retirement benefits whose income  
 14 from all sources is not more than four thousand dollars  
 15 (\$4,000) for a single person and five thousand two hundred  
 16 dollars (\$5,200) for a married couple per annum. Provided,  
 17 further, that one who applies for classification of property  
 18 under this class must make an affidavit to the state  
 19 department of revenue on a form as may be provided by the  
 20 state department of revenue supplied without cost to the  
 21 applicant, as to his income, if applicable, as to his  
 22 retirement benefits, if applicable, or, as to his marital  
 23 status, if applicable, and to the fact that he or she  
 24 actually occupies such improvements with right of the county  
 25 welfare board to investigate the applicant, on the

1 completion of the form, as to answers given on the form.  
2 Provided, further, that the value of said property shall not  
3 increase during the life of the recipient of retirement  
4 benefits or widow or widower covered under this class. For  
5 purposes of the affidavit required for classification of  
6 property under this class, it shall be sufficient if the  
7 applicant signs a statement swearing to or affirming the  
8 correctness of the information supplied, whether or not the  
9 statement is signed before a person authorized to administer  
10 oaths, and mails the application and statement to the  
11 department of revenue. This signed statement shall be  
12 treated as a statement under oath or equivalent affirmation  
13 for purposes of section 94-7-203, R.C.M. 1947, relating to  
14 the criminal offense of false swearing.

15 (b) Any capital investment in a building for an energy  
16 conservation purpose, to the extent provided under section  
17 [3 of this act].

18 Class Nine. All property not included in the eight (8)  
19 preceding classes."

-End-