

CHAPTER NO. 639.

HOUSE BILL NO. 299

INTRODUCED BY KEMMIS, SEVERSON, McBRIDE, COONEY,  
VINCENT, TOWE

IN THE HOUSE

January 22, 1979	Introduced and referred to Committee on Taxation.
March 22, 1979	Committee recommend bill do pass as amended. Report adopted.
March 24, 1979	Printed and placed on members' desks.
March 26, 1979	Second reading, do pass as amended.
March 27, 1979	Correctly engrossed.  Third reading, passed. Transmitted to second house.

IN THE SENATE

March 27, 1979	Introduced and referred to Committee on Taxation.
April 6, 1979	Committee recommend bill be concurrred in as amended. Report adopted.
April 9, 1979	Second reading, concurrred in.
April 11, 1979	Third reading, concurrred in as amended.

IN THE HOUSE

April 12, 1979	Returned from second house. Concurrred in as amended.
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April 13, 1979

Second reading, amendments  
adopted.

April 16, 1979

Third reading, amendments  
adopted. Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *299*  
 2 INTRODUCED BY *Hammis, McBride, Cooney, Vincent*  
 3 *Samson, Law*

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR SPECIAL  
 5 TAX TREATMENT FOR A CAPITAL INVESTMENT IN A RECOGNIZED  
 6 NONFOSSIL FORM OF ENERGY GENERATION, BY EXEMPTING THE FIRST  
 7 \$100,000 OF APPRAISED VALUE FROM PROPERTY TAXATION AND  
 8 PLACING ANY VALUE IN EXCESS OF THIS AMOUNT IN CLASS  
 9 EIGHTEEN; AMENDING SECTIONS 15-6-119 AND 15-6-201, MCA; AND  
 10 PROVIDING AN EFFECTIVE DATE."

11  
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 13 NEW SECTION. Section 1. Tax treatment of certain  
 14 energy-related investments -- application. (1) A capital  
 15 investment in a recognized nonfossil form of energy  
 16 generation, as defined in 15-32-102, is:  
 17 (a) property exempt from taxation, to the extent that  
 18 the appraised value of the investment does not exceed  
 19 \$100,000; and  
 20 (b) class eighteen property, as defined in 15-6-119,  
 21 for any portion of the appraised value of the investment  
 22 that exceeds \$100,000.  
 23 (2) To receive this tax treatment of a capital  
 24 investment, the owner must apply to the department of  
 25 revenue on forms provided by the department. The department

1 shall approve any application concerning a recognized  
 2 nonfossil form of energy generation that is practical and  
 3 effective, but it may deny any application it finds  
 4 impractical or ineffective. The department may refer an  
 5 application to the department of natural resources and  
 6 conservation for its advice. The department of natural  
 7 resources and conservation must reply within 60 days.

8 Section 2. Section 15-6-119, MCA, is amended to read:  
 9 "15-6-119. Class eighteen property -- description --  
 10 taxable percentage. (1) Class eighteen property includes:  
 11 (a) a dwelling house and the lot on which it is  
 12 erected, owned and occupied by a resident of the state who:  
 13 (i) has been honorably discharged from active service  
 14 in any branch of the armed services; and  
 15 (ii) is rated 100% disabled due to a service-connected  
 16 disability by the United States veterans' administration or  
 17 its successor. In the event of the veteran's death, the  
 18 dwelling house and the lot on which it is erected shall  
 19 remain in this class as long as the surviving spouse remains  
 20 unmarried and the owner and occupant of the property.  
 21 (b) all property used and owned by cooperative rural  
 22 electrical and cooperative rural telephone associations as  
 23 provided in (2)(a) of this section;  
 24 (c) air pollution control equipment as defined in this  
 25 section; and

1 ~~(d) any portion of the appraised value of a capital~~  
 2 ~~investment in a recognized nonfossil form of energy~~  
 3 ~~generation, as defined in 15-32-107, that exceeds \$100,000;~~  
 4 ~~and~~

5 ~~(e)(i) new industrial property as defined in this~~  
 6 ~~section.~~

7 (2) (a) The property of all cooperative rural  
 8 electrical and cooperative rural telephone associations  
 9 organized under the laws of Montana is included in this  
 10 class, except that when less than 95% of the electricity  
 11 consumers or telephone users within the incorporated limits  
 12 of a city or town are served by the cooperative  
 13 organization, the property is included in class eighteen.

14 (b) "Air pollution control equipment" means  
 15 facilities, machinery, or equipment, attached or unattached  
 16 to real property, utilized to reduce, eliminate, control, or  
 17 prevent air pollution. The department of health and  
 18 environmental sciences determines if such utilization is  
 19 being made.

20 (c) "New industrial property" means any new industrial  
 21 plant, including land, buildings, machinery, and fixtures,  
 22 except mobile machinery, which is used by a new industry  
 23 during the first 3 years of its operation. The property may  
 24 not have been assessed prior to July 1, 1961, within the  
 25 state of Montana.

1 (i) New industrial property is limited to industries  
 2 that:

3 (A) manufacture, mill, mine, produce, process, or  
 4 fabricate materials;

5 (B) do similar work, employing capital and labor, in  
 6 which materials unserviceable in their natural state are  
 7 extracted, processed, or made fit for use or are  
 8 substantially altered or treated so as to create commercial  
 9 products or materials; or

10 (C) engage in the mechanical or chemical  
 11 transformation of materials or substances into new products  
 12 in the manner defined as manufacturing in the 1972 Standard  
 13 Industrial Classification Manual prepared by the United  
 14 States office of management and budget.

15 (ii) New industrial property does not include:

16 (A) property used by retail or wholesale merchants,  
 17 commercial services of any type, agriculture, trades, or  
 18 professions;

19 (B) a plant that will create adverse impact on  
 20 existing state, county, or municipal services; or

21 (C) property used or employed in any industrial plant  
 22 that has been in operation in this state for 3 years or  
 23 longer.

24 (d) "New industry" means any person, corporation,  
 25 firm, partnership, association, or other group that

1 establishes a new plant or plants in Montana for the  
2 operation of a new industrial endeavor, as distinguished  
3 from a mere expansion, reorganization, or merger of an  
4 existing industry or industries.

5 (3) The department of revenue shall promulgate rules  
6 for the determination of what constitutes an adverse impact,  
7 taking into consideration the number of people to be  
8 employed and the size of the community in which the location  
9 is contemplated. Any person, firm, or other group seeking to  
10 qualify its property for inclusion in this class shall make  
11 application to the department in such a manner and form as  
12 the department requires. Once the department has made an  
13 initial determination that the industrial facility qualifies  
14 as new industrial property, the department shall then, upon  
15 proper notice, hold a hearing to determine if the new  
16 industrial classification should be retained by the  
17 property. The local taxing authority may appear at the  
18 hearing and may waive its objection to retention of this  
19 classification if the industry agrees to the prepayment of  
20 taxes sufficient to satisfy tax requirements created by the  
21 location and construction of the facility during the  
22 construction period. When a prepayment of taxes is required,  
23 the maximum amount of prepayment shall be the amount of tax  
24 the industry would have paid without the application of the  
25 class seven percentage to such property.

1 (4) If a major new industrial facility qualifies under  
2 class eighteen, the reduction of its yearly payment of  
3 property taxes for reimbursement of its prepaid taxes as  
4 provided for in 15-16-201 does not begin until the class  
5 eighteen qualification expires.

6 (5) Class eighteen property shall be taxed at 2.8% of  
7 its market value or, in the case of property classified  
8 under (1)(a) of this section, so much of 2.8% as is  
9 determined under 15-7-121, whichever is less."

10 Section 3. Section 15-6-201, MCA, is amended to read:  
11 "15-6-201. Exempt categories. (1) (a) The property of  
12 the United States, the state, counties, cities, towns,  
13 school districts, irrigation districts organized under the  
14 laws of Montana and not operating for profit, municipal  
15 corporations, public libraries; buildings, with land they  
16 occupy and furnishings therein, owned by a church and used  
17 for actual religious worship and for residences of the  
18 clergy, together with adjacent land reasonably necessary for  
19 convenient use of such buildings owned by a church; such  
20 other property as is used exclusively for agricultural and  
21 horticultural societies, for educational purposes,  
22 hospitals, and all property, both real and personal, without  
23 limitation as to amount except that real property owned  
24 shall not exceed 640 acres, owned and held by any  
25 association or corporation organized under Title 35, chapter

1 20 or 21, Cemeteries, provided such cemeteries and any land  
 2 claimed to be exempt are not maintained and operated for  
 3 private or corporate profit; institutions of purely public  
 4 charity; evidence of debt secured by mortgages of record  
 5 upon real or personal property in the state of Montana; and  
 6 public art galleries and public observatories not used or  
 7 held for private or corporate profit are exempt from  
 8 taxation, but no more land than is necessary for such  
 9 purpose is exempt.

10 (b) As used in this subsection, the term "institutions  
 11 of purely public charity" includes organizations owning and  
 12 operating facilities for the care of the retired or aged or  
 13 chronically ill, which are not operated for gain or profits,  
 14 and the terms "public art galleries" and "public  
 15 observatories" mean only such art galleries and  
 16 observatories, whether of public or private ownership, as  
 17 are open to the public without charge or fee at all  
 18 reasonable hours and are used for the purpose of education  
 19 only.

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

25 (3) A truck canopy cover or topper weighing less than

1 300 pounds and having no accommodations attached is exempt  
 2 from taxation.

3 (4) The first \$100,000 of the appraised value of a  
 4 capital investment in a recognized nonfossil form of energy  
 5 generation, as defined in 15-32-102, is exempt from  
 6 taxation."

7 Section 4. Effective date. This act is effective on  
 8 passage and approval and applies to taxable years beginning  
 9 after December 31, 1978.

-End-

## STATE OF MONTANA

REQUEST NO. 88-79

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 23, 19 79, there is hereby submitted a Fiscal Note for House Bill 299 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

This proposed bill provides for special tax treatment for a capital investment in a recognized nonfossil form of energy generation, by exempting the first \$100,000 of appraised value from property taxation and placing any value in excess of this amount in class eighteen and providing an effective date.

ASSUMPTIONS

- 1) There are approximately 350 non-fossil energy generating systems currently in Montana.
- 2) The Renewable Energy Plan calls for 700 systems by the end of the biennium.
- 3) Because January 1st is assessment date, it is assumed that there will be 350 systems in FY80 and 550 systems in FY81.
- 4) The average appraised value of each system is \$3000.
- 5) Current systems are taxed at 8.55%
- 6) The local government levy is 200 mills.
- 7) The state levy is 6 mills for the University System. (Information for assumptions 1,2,4 provided by Energy Division, Dept. of Natural Resources)

FISCAL IMPACT

	<u>FY80</u>	<u>FY81</u>
6 mill University Levy		
under current law	\$500	\$800
under proposed law	0	0
Estimated Decrease	<u>(\$500)</u>	<u>(\$800)</u>

EFFECT ON LOCAL GOVERNMENTS

Local governments will lose \$18,000 in FY80 and \$28,000 in FY81.

LONG-RANGE EFFECTS

The small loss in revenues should increase each year this bill is in effect.

PREPARED BY DEPARTMENT OF REVENUE

*Richard L. Drury for*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4/29/79

Approved by Committee  
on Taxation

HOUSE BILL NO. 299

INTRODUCED BY KEMMIS, SEVERSON, McBRIDE, COONEY,

VINCENT, TOWE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR SPECIAL TAX TREATMENT FOR A CAPITAL INVESTMENT IN A RECOGNIZED NONFOSSIL FORM OF ENERGY GENERATION, BY EXEMPTING THE--FIRST \$100,000 A PORTION OF THE APPRAISED VALUE FROM PROPERTY TAXATION FOR 10 YEARS AND PLACING ANY VALUE IN EXCESS OF THIS AMOUNT IN CLASS EIGHTEEN; AMENDING SECTIONS 15-6-119 AND 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Tax treatment of certain energy-related investments -- application. (1) A capital investment in a recognized nonfossil form of energy generation, as defined in 15-32-102, is:

(a) property exempt from taxation FOR YEARS AFTER THE DATE OF INSTALLATION OF THE PROPERTY, to the extent that the appraised value of the investment does not exceed \$100,000; and:

(i) \$20,000 IN THE CASE OF A SINGLE FAMILY RESIDENTIAL DWELLING; OR

(ii) \$100,000 IN THE CASE OF A MULTIFAMILY RESIDENTIAL DWELLING OR A NONRESIDENTIAL STRUCTURE;

(b) class eighteen property, as defined in 15-6-119, for any portion of the appraised value of the investment that exceeds \$100,000 THE RESPECTIVE AMOUNTS CITED IN [SECTION 1(1)(A)].

(2) To receive this tax treatment of a capital investment, the owner must apply to the department of revenue on forms provided by the department. The department shall approve any application concerning a recognized nonfossil form of energy generation that is practical and effective, but it may deny any application it finds impractical or ineffective. The department may refer an application to the department of natural resources and conservation for its advice. The department of natural resources and conservation must reply within 60 days.

Section 2. Section 15-6-119, MCA, is amended to read:

"15-6-119. Class eighteen property -- description -- taxable percentage. (1) Class eighteen property includes:

(a) a dwelling house and the lot on which it is erected, owned and occupied by a resident of the state who:

(i) has been honorably discharged from active service in any branch of the armed services; and

(ii) is rated 100% disabled due to a service-connected disability by the United States veterans' administration or its successor. In the event of the veteran's death, the dwelling house and the lot on which it is erected shall



1 remain in this class as long as the surviving spouse remains  
2 unmarried and the owner and occupant of the property.

3 (b) all property used and owned by cooperative rural  
4 electrical and cooperative rural telephone associations as  
5 provided in (2)(a) of this section;

6 (c) air pollution control equipment as defined in this  
7 section; and

8 ~~(d) any portion of the appraised value of a capital~~  
9 ~~investment in a recognized nonfossil form of energy~~  
10 ~~generation, as defined in 15-32-102, that exceeds \$100,000~~  
11 ~~THE RESPECTIVE AMOUNTS CITED IN SECTION 1(1)(A); and~~

12 ~~(d)(a) new industrial property as defined in this~~  
13 ~~section.~~

14 (2) (a) The property of all cooperative rural  
15 electrical and cooperative rural telephone associations  
16 organized under the laws of Montana is included in this  
17 class, except that when less than 95% of the electricity  
18 consumers or telephone users within the incorporated limits  
19 of a city or town are served by the cooperative  
20 organization, the property is included in class eighteen.

21 (b) "Air pollution control equipment" means  
22 facilities, machinery, or equipment, attached or unattached  
23 to real property, utilized to reduce, eliminate, control, or  
24 prevent air pollution. The department of health and  
25 environmental sciences determines if such utilization is

1 being made.

2 (c) "New industrial property" means any new industrial  
3 plant, including land, buildings, machinery, and fixtures,  
4 except mobile machinery, which is used by a new industry  
5 during the first 3 years of its operation. The property may  
6 not have been assessed prior to July 1, 1961, within the  
7 state of Montana.

8 (i) New industrial property is limited to industries  
9 that:

10 (A) manufacture, mill, mine, produce, process, or  
11 fabricate materials;

12 (B) do similar work, employing capital and labor, in  
13 which materials unserviceable in their natural state are  
14 extracted, processed, or made fit for use or are  
15 substantially altered or treated so as to create commercial  
16 products or materials; or

17 (C) engage in the mechanical or chemical  
18 transformation of materials or substances into new products  
19 in the manner defined as manufacturing in the 1972 Standard  
20 Industrial Classification Manual prepared by the United  
21 States office of management and budget.

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23 (A) property used by retail or wholesale merchants,  
24 commercial services of any type, agriculture, trades, or  
25 professions;

1 (B) a plant that will create adverse impact on  
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4 that has been in operation in this state for 3 years or  
5 longer.

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8 establishes a new plant or plants in Montana for the  
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10 from a mere expansion, reorganization, or merger of an  
11 existing industry or industries.

12 (3) The department of revenue shall promulgate rules  
13 for the determination of what constitutes an adverse impact,  
14 taking into consideration the number of people to be  
15 employed and the size of the community in which the location  
16 is contemplated. Any person, firm, or other group seeking to  
17 qualify its property for inclusion in this class shall make  
18 application to the department in such a manner and form as  
19 the department requires. Once the department has made an  
20 initial determination that the industrial facility qualifies  
21 as new industrial property, the department shall then, upon  
22 proper notice, hold a hearing to determine if the new  
23 industrial classification should be retained by the  
24 property. The local taxing authority may appear at the  
25 hearing and may waive its objection to retention of this

1 classification if the industry agrees to the prepayment of  
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8 (4) If a major new industrial facility qualifies under  
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10 property taxes for reimbursement of its prepaid taxes as  
11 provided for in 15-16-201 does not begin until the class  
12 eighteen qualification expires.

13 (5) Class eighteen property shall be taxed at 2.8% of  
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15 under (1)(a) of this section, so much of 2.8% as is  
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17 Section 3. Section 15-6-201, MCA, is amended to read:  
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19 the United States, the state, counties, cities, towns,  
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22 corporations, public libraries; buildings, with land they  
23 occupy and furnishings therein, owned by a church and used  
24 for actual religious worship and for residences of the  
25 clergy, together with adjacent land reasonably necessary for

1 convenient use of such buildings owned by a church; such  
 2 other property as is used exclusively for agricultural and  
 3 horticultural societies, for educational purposes,  
 4 hospitals, and all property, both real and personal, without  
 5 limitation as to amount except that real property owned  
 6 shall not exceed 640 acres, owned and held by any  
 7 association or corporation organized under Title 35, chapter  
 8 20 or 21, Cemeteries, provided such cemeteries and any land  
 9 claimed to be exempt are not maintained and operated for  
 10 private or corporate profit; institutions of purely public  
 11 charity; evidence of debt secured by mortgages of record  
 12 upon real or personal property in the state of Montana; and  
 13 public art galleries and public observatories not used or  
 14 held for private or corporate profit are exempt from  
 15 taxation, but no more land than is necessary for such  
 16 purpose is exempt.

17 (b) As used in this subsection, the term "institutions  
 18 of purely public charity" includes organizations owning and  
 19 operating facilities for the care of the retired or aged or  
 20 chronically ill, which are not operated for gain or profit,  
 21 and the terms "public art galleries" and "public  
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 23 observatories, whether of public or private ownership, as  
 24 are open to the public without charge or fee at all  
 25 reasonable hours and are used for the purpose of education

1 only.

2 (2) All household goods and furniture, including  
 3 clocks, musical instruments, sewing machines, and wearing  
 4 apparel of members of the family, used by the owner for  
 5 personal and domestic purposes or for furnishing or  
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7 (3) A truck canopy cover or topper weighing less than  
 8 300 pounds and having no accommodations attached is exempt  
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10 ~~(4) The first \$100,000 of the appraised value of a~~  
 11 ~~capital investment in a recognized nonfossil form of energy~~  
 12 ~~generation, as defined in 15-32-102, is exempt from~~  
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14 (4) THE FOLLOWING PORTIONS OF THE APPRAISED VALUE OF A  
 15 CAPITAL INVESTMENT IN A RECOGNIZED NONFOSSIL FORM OF ENERGY  
 16 GENERATION, AS DEFINED IN 15-32-102, ARE EXEMPT FROM  
 17 TAXATION FOR A PERIOD OF 10 YEARS FOLLOWING INSTALLATION OF  
 18 THE PROPERTY:

19 (A) \$20,000 IN THE CASE OF A SINGLE FAMILY RESIDENTIAL  
 20 DWELLING;

21 (B) \$100,000 IN THE CASE OF A MULTIFAMILY RESIDENTIAL  
 22 DWELLING OR A NONRESIDENTIAL STRUCTURE."

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14 (2) (a) The property of all cooperative rural  
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11 provided for in 15-16-201 does not begin until the class  
12 eighteen qualification expires.

13 (5) Class eighteen property shall be taxed at 2.8% of  
14 its market value or, in the case of property classified  
15 under (1)(a) of this section, so much of 2.8% as is  
16 determined under 15-7-121, whichever is less."

17 Section 3. Section 15-6-201, MCA, is amended to read:  
18 "15-6-201. Exempt categories. (1) (a) The property of  
19 the United States, the state, counties, cities, towns,  
20 school districts, irrigation districts organized under the  
21 laws of Montana and not operating for profit, municipal  
22 corporations, public libraries; buildings, with land they  
23 occupy and furnishings therein, owned by a church and used  
24 for actual religious worship and for residences of the  
25 clergy, together with adjacent land reasonably necessary for

1 convenient use of such buildings owned by a church; such  
 2 other property as is used exclusively for agricultural and  
 3 horticultural societies, for educational purposes,  
 4 hospitals, and all property, both real and personal, without  
 5 limitation as to amount except that real property owned  
 6 shall not exceed 640 acres, owned and held by any  
 7 association or corporation organized under Title 35, chapter  
 8 20 or 21, Cemeteries, provided such cemeteries and any land  
 9 claimed to be exempt are not maintained and operated for  
 10 private or corporate profit; institutions of purely public  
 11 charity; evidence of debt secured by mortgages of record  
 12 upon real or personal property in the state of Montana; and  
 13 public art galleries and public observatories not used or  
 14 held for private or corporate profit are exempt from  
 15 taxation, but no more land than is necessary for such  
 16 purpose is exempt.

17 (b) As used in this subsection, the term "institutions  
 18 of purely public charity" includes organizations owning and  
 19 operating facilities for the care of the retired or aged or  
 20 chronically ill, which are not operated for gain or profit,  
 21 and the terms "public art galleries" and "public  
 22 observatories" mean only such art galleries and  
 23 observatories, whether of public or private ownership, as  
 24 are open to the public without charge or fee at all  
 25 reasonable hours and are used for the purpose of education

1 only.

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

7 (3) A truck canopy cover or topper weighing less than  
 8 300 pounds and having no accommodations attached is exempt  
 9 from taxation.

10 ~~(4) The first \$100,000 of the appraised value of a~~  
 11 ~~capital investment in a recognized nonfossil form of energy~~  
 12 ~~generation, as defined in 15-32-102, is exempt from~~  
 13 ~~taxation.~~

14 (4) THE FOLLOWING PORTIONS OF THE APPRAISED VALUE OF A  
 15 CAPITAL INVESTMENT IN A RECOGNIZED NONFOSSIL FORM OF ENERGY  
 16 GENERATION, AS DEFINED IN 15-32-102, ARE EXEMPT FROM  
 17 TAXATION FOR A PERIOD OF 10 YEARS FOLLOWING INSTALLATION OF  
 18 THE PROPERTY:

19 (A) \$20,000 IN THE CASE OF A SINGLE FAMILY RESIDENTIAL  
 20 DWELLING;

21 (B) \$100,000 IN THE CASE OF A MULTIFAMILY RESIDENTIAL  
 22 DWELLING OR A NONRESIDENTIAL STRUCTURE."

23 Section 4. Effective date. This act is effective on  
 24 passage and approval and applies to taxable years beginning  
 25 after December 31, 1978.

1 HOUSE BILL NO. 299  
 2 INTRODUCED BY KEMMIS, SEVERSON, McBRIDE, COONEY,  
 3 VINCENT, TOWE  
 4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR SPECIAL  
 6 TAX TREATMENT FOR A CAPITAL INVESTMENT IN A RECOGNIZED  
 7 NONFOSSIL FORM OF ENERGY GENERATION, BY EXEMPTING THE FIRST  
 8 \$100,000 A PORTION OF THE APPRAISED VALUE FROM PROPERTY  
 9 TAXATION FOR 10 YEARS AND PLACING ANY VALUE IN EXCESS OF  
 10 THIS AMOUNT IN CLASS EIGHTEEN; AMENDING SECTIONS 15-6-119  
 11 AND SECTION 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE."  
 12  
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 14 ~~NEW SECTION~~ Section 19. Tax treatment of certain  
 15 energy-related investments. (1) A capital  
 16 investment in a recognized nonfossil form of energy  
 17 generation as defined in 15-32-102 is  
 18 (a) property exempt from taxation FOR 10 YEARS AFTER  
 19 THE DATE OF INSTALLATION OF THE PROPERTY, to the extent that  
 20 the appraised value of the investment does not exceed  
 21 \$100,000 and  
 22 (ii) \$20,000 IN THE CASE OF A SINGLE-FAMILY RESIDENTIAL  
 23 DWELLING OR  
 24 (iii) \$100,000 IN THE CASE OF A MULTIFAMILY RESIDENTIAL  
 25 DWELLING OR A NONRESIDENTIAL STRUCTURE;

1 (b) class eighteen property as defined in 15-6-119,  
 2 for any portion of the appraised value of the investment  
 3 that exceeds \$100,000 ~~THE RESPECTIVE AMOUNTS CITED IN~~  
 4 ~~SECTION 15-6-119~~  
 5 (2) To receive this tax treatment of a capital  
 6 investment, the owner must apply to the department of  
 7 revenue on forms provided by the department. The department  
 8 shall approve any application concerning a recognized  
 9 nonfossil form of energy generation that is practical and  
 10 effective, but it may deny any application if it finds  
 11 impractical or ineffective. The department may refer an  
 12 application to the department of natural resources and  
 13 conservation for its advice. The department of natural  
 14 resources and conservation must reply within 60 days.  
 15 Section 20. Section 15-6-119, MCA, is amended to read  
 16 "15-6-119. Class eighteen property. (1) Class eighteen property  
 17 taxable percentage. (i) Class eighteen property includes  
 18 (a) a dwelling house and the lot on which it is  
 19 erected, owned and occupied by a resident of the state who  
 20 (i) has been honorably discharged from active service  
 21 in any branch of the armed services and  
 22 (ii) is rated 100% disabled due to a service-connected  
 23 disability by the United States veterans' administration or  
 24 its successors in the event of the veteran's death; the  
 25 dwelling house and the lot on which it is erected shall



1 remain in this class as long as the surviving spouse remains  
 2 unmarried and the owner and occupant of the property  
 3 (b) all property used and owned by cooperative rural  
 4 electrical and cooperative rural telephone associations as  
 5 provided in (2)(a) of this section  
 6 (c) air pollution control equipment as defined in this  
 7 section and  
 8 ~~(d) any portion of the appraised value of a capital~~  
 9 ~~investment in a recognized nonfossil form of energy~~  
 10 ~~generation as defined in 15-32-102 that exceeds \$100,000~~  
 11 ~~THE RESPECTIVE AMOUNTS CITED IN SECTION 1111A(1) and~~  
 12 (d) ~~(i) new industrial property as defined in this~~  
 13 ~~section~~  
 14 (2) (a) The property of all cooperative rural  
 15 electrical and cooperative rural telephone associations  
 16 organized under the laws of Montana is included in this  
 17 class except that when less than 95% of the electricity  
 18 consumers or telephone users within the incorporated limits  
 19 of a city or town are served by the cooperative  
 20 organization, the property is included in class eighteen  
 21 (b) "Air pollution control equipment" means  
 22 facilities, machinery, or equipment attached or unattached  
 23 to real property utilized to reduce, eliminate, control, or  
 24 prevent air pollution. The department of health and  
 25 environmental sciences determines if such utilization is

1 being made  
 2 (c) "New industrial property" means any new industrial  
 3 plants including land, buildings, machinery, and fixtures,  
 4 except mobile machinery which is used by a new industry  
 5 during the first 3 years of its operation. The property may  
 6 not have been assessed prior to July 1, 1961, within the  
 7 state of Montana  
 8 (i) New industrial property is limited to industries  
 9 that:  
 10 (A) manufacture, mine, produce, process, or  
 11 fabricate materials;  
 12 (B) do similar work employing capital and labor in  
 13 which materials unserviceable in their natural state are  
 14 extracted, processed, or made fit for use or are  
 15 substantially altered or treated so as to create commercial  
 16 products or materials; or  
 17 (C) engage in the mechanical or chemical  
 18 transformation of materials or substances into new products  
 19 in the manner defined as manufacturing in the 1972 Standard  
 20 Industrial Classification Manual prepared by the United  
 21 States office of management and budget  
 22 (ii) New industrial property does not include:  
 23 (A) property used by retail or wholesale merchants,  
 24 commercial services of any type, agriculture, trades, or  
 25 professions

1 (B) a plant that will create adverse impact on  
2 existing state, county or municipal services or

3 (C) property used or employed in any industrial plant  
4 that has been in operation in this state for 3 years or  
5 longer.

6 (d) "New industry" means any person, corporation,  
7 firm, partnership, association or other group that  
8 establishes a new plant or plants in Montana for the  
9 operation of a new industrial endeavor as distinguished  
10 from a mere expansion, reorganization or merger of an  
11 existing industry or industries.

12 (3) The department of revenue shall promulgate rules  
13 for the determination of what constitutes an adverse impact  
14 taking into consideration the number of people to be  
15 employed and the size of the community in which the location  
16 is contemplated. Any person, firm or other group seeking to  
17 qualify its property for inclusion in this class shall make  
18 application to the department in such a manner and form as  
19 the department requires. Once the department has made an  
20 initial determination that the industrial facility qualifies  
21 as new industrial property, the department shall then, upon  
22 proper notice, hold a hearing to determine if the new  
23 industrial classification should be retained by the  
24 property. The local taxing authority may appear at the  
25 hearing and may waive its objection to retention of this

1 classification if the industry agrees to the prepayment of  
2 taxes sufficient to satisfy tax requirements created by the  
3 location and construction of the facility during the  
4 construction period. When a prepayment of taxes is required,  
5 the maximum amount of prepayment shall be the amount of tax  
6 the industry would have paid without the application of the  
7 class seven percentage to such property.

8 (4) If a major new industrial facility qualifies under  
9 class eighteen, the reduction of its yearly payment of  
10 property taxes for reimbursement of its prepaid taxes as  
11 provided for in 15-6-201 does not begin until the class  
12 eighteen qualification expires.

13 (5) Class eighteen property shall be taxed at 2.6% of  
14 its market value or, in the case of property classified  
15 under (1)(a) of this section, so much of 2.6% as is  
16 determined under 15-7-121, whichever is less.

17 Section 1. Section 15-6-201, MCA, is amended to read:  
18 "15-6-201. Exempt categories. (1) (a) The property of  
19 the United States, the state, counties, cities, towns,  
20 school districts, irrigation districts organized under the  
21 laws of Montana and not operating for profit, municipal  
22 corporations, public libraries; buildings, with land they  
23 occupy and furnishings therein, owned by a church and used  
24 for actual religious worship and for residences of the  
25 clergy, together with adjacent land reasonably necessary for

1 convenient use of such buildings owned by a church; such  
 2 other property as is used exclusively for agricultural and  
 3 horticultural societies, for educational purposes,  
 4 hospitals, and all property, both real and personal, without  
 5 limitation as to amount except that real property owned  
 6 shall not exceed 640 acres, owned and held by any  
 7 association or corporation organized under Title 35, chapter  
 8 20 or 21, Cemeteries, provided such cemeteries and any land  
 9 claimed to be exempt are not maintained and operated for  
 10 private or corporate profit; institutions of purely public  
 11 charity; evidence of debt secured by mortgages of record  
 12 upon real or personal property in the state of Montana; and  
 13 public art galleries and public observatories not used or  
 14 held for private or corporate profit are exempt from  
 15 taxation, but no more land than is necessary for such  
 16 purpose is exempt.

17 (b) As used in this subsection, the term "institutions  
 18 of purely public charity" includes organizations owning and  
 19 operating facilities for the care of the retired or aged or  
 20 chronically ill, which are not operated for gain or profit,  
 21 and the terms "public art galleries" and "public  
 22 observatories" mean only such art galleries and  
 23 observatories, whether of public or private ownership, as  
 24 are open to the public without charge or fee at all  
 25 reasonable hours and are used for the purpose of education

1 only.

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

7 (3) A truck canopy cover or topper weighing less than  
 8 300 pounds and having no accommodations attached is exempt  
 9 from taxation.

10 ~~(4) The first \$100,000 of the appraised value of a~~  
 11 ~~capital investment in a recognized nonfossil form of energy~~  
 12 ~~generation, as defined in 15-32-102, is exempt from~~  
 13 ~~taxation.~~

14 (4) THE FOLLOWING PORTIONS OF THE APPRAISED VALUE OF A  
 15 CAPITAL INVESTMENT MADE AFTER JANUARY 1, 1979, IN A  
 16 RECOGNIZED NONFOSSIL FORM OF ENERGY GENERATION, AS DEFINED  
 17 IN 15-32-102, ARE EXEMPT FROM TAXATION FOR A PERIOD OF 10  
 18 YEARS FOLLOWING INSTALLATION OF THE PROPERTY:

19 (A) \$20,000 IN THE CASE OF A SINGLE FAMILY RESIDENTIAL  
 20 DWELLING;

21 (B) \$100,000 IN THE CASE OF A MULTIFAMILY RESIDENTIAL  
 22 DWELLING OR A NONRESIDENTIAL STRUCTURE."

23 Section 2. Effective date. This act is effective on  
 24 passage and approval and applies to taxable years beginning  
 25 after December 31, 1978.

April 6, 1979

SENATE STANDING COMMITTEE REPORT  
(Taxation)

That House Bill No. 299, third reading bill, be amended as follows:

1. Title, line 9.

Strike: "AND PLACING ANY VALUE IN EXCESS OF THIS AMOUNT IN CLASS  
EIGHTEEN"

2. Title, line 10.

Following: "AMENDING"

Strike: "SECTIONS 15-6-119 AND"

Insert: "SECTION"

3. Page 1, line 14.

Strike: sections 1 and 2 in their entirety

Renumber: subsequent section

4. Page 8, line 15.

Following: "INVESTMENT"

Insert: "made after January 1, 1979,"