# HOUSE BILL NO. 237

# INTRODUCED BY MCBRIDE, B. BROWN

BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

IN THE HOUSE

January 15, 1981	Introduced and referred to Committee on Texation.
January 17, 1981	Fiscal note requested.
January 22, 1981	Fiscal note returned.
February 5, 1981	Committee recommend bill do pass as amended. Report adopted.
February 6, 1981	Bill printed and placed on members' desks.
February 7, 1981	Second reading, do pass as amended.
Pebruary 9, 1981	Correctly engrossed.
February 11, 1981	Third reading, passed. Ayes, 77; Noes, 20. Transmitted to Senate.
IN THE SE	NATE
February 12, 1981	Introduced and referred to Committee on Taxation.
March 14, 1981	Committee recommend bill be concurred in as amended. Report adopted.
March 17, 1981	Second reading, concurred in.
March 19, 1981	Third reading, concurred in as amended. Ayes, 45; Noes, 3.

# IN THE HOUSE

March 20, 1981

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April 7, 1981

April 8, 1981

April 9, 1981

Returned from Senate with amendments.

Second reading, pass consideration.

Second reading, amendments concurred in.

Third reading, amendments concurred in. Ayes, 88; Noes, 12. Sent to enrolling.

Reported correctly enrolled.

LC 0137/01

1	HOUSE BILL NO. 237	1	(b) in the c
2	INTRODUCED BY MCBride Bob Brade	- 2	used as a residence
3	BY REQUEST OF THE	3	(i) \$300; or
		- 4	(ii) 10% of the
4	DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	т 5	(2) The credi
5 6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A CREDIT	6	<pre>subsection (1):</pre>
7	AGAINST INDIVIDUAL INCOME TAX LIABILITY UNDER TITLE 15,	7	(a) may not
8	CHAPTER 30, MCA, FOR CAPITAL EXPENDITURES FOR	8	(b) is subject
9	ENERGY-CONSERVING PURPOSES; ELIMINATING THE DEDUCTION FROM	9	(3) There is n
10	INDIVIDUAL INCOME TAX LIABILITY FOR SUCH EXPENDITURES;	10	credit permitted ur
11	PROVIDING AN APPLICABILITY DATE; AND AMENDING SECTIONS	11	applied in the ye
12	15-30-121, 15-30-131, AND 15-32-103 THROUGH 15-32-106, MCA."	12	determined by the ta
13		13	NEW_SECTION. S
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	14	investments. There i
15	NEW SECTION. Section 1. Credit for energy-conserving	15	this chapter as prov
16	expenditures. (1) Subject to the restrictions of subsections	16	Section 3. Sec
17	(2) and (3), a resident individual taxpayer may take as a	17	<b>*15-30-121.</b> De
18	credit against the taxpayer's tax liability under chapter 30	18	income. In computin
19	a portion of his expenditure for a capital investment in a	19	deductions:
20	building for an energy conservation purpose, determined as	20	(1) the items
21	follows:	21	the Internal Revenue
22	(a) in the case of an expenditure for a residential	22	211 shall be labe
23	building, the lesser of:	23	exceptions which ar
24	(i) \$150; or	24	(a) items prov
25	(ii) 10% of the expenditure; and	25	(b) state inco

case of an expenditure for a building not the lesser of:

e expenditure.

t or the sum of the credits under

exceed the taxpayer's tax liability; and

t to the provisions of 15-32-104.

no carryback or carry-forward of the nder this section, and the credit must be ear the expenditure is incurred, as axpayer's accounting method.

Section 2. Credit for energy-conserving is a credit against tax liability under vided in [section 1].

ction 15-30-121, MCA, is amended to read: eductions allowed in computing net ng net income, there are allowed as

s referred to in sections 161 and 211 of e Code of 1954, or as sections 161 and eled or amended, subject to the following re not deductible:

vided for in 15-30-123;

ome tax paid;

LC 0137/01

INTRODUCED BILL -2-HB 237

#### LC 0137/01

1 (2) federal income tax paid within the taxable year: 2 (3) child and dependent care expenses determined in з accordance with the provisions of section 214 of the Internal Revenue Code of 1954 that were in effect for the 4 5 taxable year that began January 1, 1974. However, the 6 limitation set forth in section 214(e)(4) of the Internal 7 Revenue Code of 1954 as that section was in effect for the 8 taxable year that began January 1, 1974, applies only to 9 payments made to a child of the taxpayer who is under 19 years of age at the close of the taxable year and to 10 11 payments made to an individual with respect to whom a 12 deduction is allowable under 15~30-112(5) to the taxpayer or 13 the taxpayer's spouse.

#### 14

#### 15 allowed-as-a-deduction-under-15-32-103t

16 (57(4) in the case of an individual, political 17 contributions determined in accordance with the provisions 18 of section 218(a) and (b) of the Internal Revenue Code that 19 were in effect for the taxable year ended December 31, 20 1978."

f4}--that---portion--of--energy-related--investment

Section 4. Section 15-30-131, MCA; is amended to read:
 "15-30-131. Nonresident and temporary resident
 taxpayers -- adjusted gross income -- deductions. (1) In the
 case of a taxpayer other than a resident of this state,
 adjusted gross income includes the entire amount of adjusted

1 gross income from sources within this state but shall not 2 include income from annuities, interest on bank deposits, 3 interest on bonds, notes, or other interest-bearing obligations, or dividends on stock of corporations except to 4 5 the extent to which the same shall be a part of income from 6 any business, trade, profession, or occupation carried on in 7 this state. Adjusted gross income from sources within and 8 without this state shall be allocated and apportioned under 9 rules prescribed by the department.

10 (2) In the case of a taxpayer other than a resident of 11 this state who is a resident of a state that imposes a tax 12 on the income of natural persons residing within that state, 13 the deductions allowed in computing net income are 14 restricted to those directly connected with the production 15 of Montana income.

16 (3) In the case of a taxpayer other than a resident of 17 this state who is a resident of a state that does not impose 19 a tax on the income of natural persons residing within that 19 state, the deductions allowed in computing net income are 20 restricted to the greater of those directly relating to the 21 production of Montana income or a prorated amount of those 22 allowed under 15-30-121. For the purposes of this 23 subsection, deductions allowed under 15-30-121 apply only to 24 earned income and must be prorated according to the ratio 25 that the taxpayer's Montana earned income bears to his

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2 (4) A temporary resident shall be allowed those 3 deductions <u>and\_the\_credit\_under\_[section\_1]</u> allowed a 4 resident to the extent that such deductions <u>or\_credit</u> were 5 actually incurred or expended in the state of Montana during 6 the course of his residency.

7 (5) For the purposes of this section, "earned income"
8 shall be defined as the same term is defined in section 43
9 of the Internal Revenue Code, or as that section may
10 subsequently be amended."

Section 5. Section 15-32-103, MCA, is amended to read: 11 \*15-32-103. Deduction energy-conserving 12 for investments. (1) In addition to all other deductions from 13 14 adjusted--gross--individual--income--allowed--in---computing taxable--income--under--chapter--30--or-from gross corporate 15 income allowed in computing net income under chapter 31, 16 17 part 1, a taxpayer may deduct a portion of his expenditure 18 for a capital investment in a building for an energy conservation purpose, in accordance with the following 19 20 schedule:

21	If the installation or	If the installation or
22	investment is made in	investment is made in
23	a residential building:	a building not used as
24		a residence:

25 100% of first \$1,000 expended 100% of first \$2,000 expended

50% of next \$1,000 expended 50% of next \$2,000 expended 1 20% of next \$1,000 expended 20% of next \$2,000 expended 2 10% of next \$1,000 expended 10% of next \$2,000 expended 3 4 (2) This tax treatment is subject to approval of the department of an application as provided in 15-32-106 and 5 may not be claimed for so much of the expenditure and 6 7 capital investment as is financed by a state, federal, or private grant for energy conservation." 8 9 Section 6. Section 15-32-104, MCA, is amended to read: 10 #15-32-104. Limitations on deduction and credit. Tax 11 treatment under 15-32-103 and [section 1] is limited to: 12 (1) capital investments made after January 1, 1975; 13 (2) persons and firms not primarily engaged in the provision of gas or electricity derived from fossil fuel 14 extraction or conventional hydroelectric development; and 15 16 (3) a ceiling of \$100,000 in tax savings per year to 17 any one person or firm." 18 Section 7. Section 15-32-105, MCA, is amended to read: \*15-32-105. Application to new construction -- rules. 19 (1) It is the intent of the legislature that no deduction or 20

credit under this part be allowed for capital investment for

an energy conservation practice in the new construction of a

building if that capital investment would have been made

under established standards of new construction. The

department of revenue shall adopt rules to implement this

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1 legislative intent. Such rules shall be based on the best 2 currently available methods of analysis, including those of 3 the national bureau of standards, the department of housing 4 and urban development, and other federal agencies and 5 professional societies and materials developed by the 6 department. Provisions shall be made for an annual updating 7 of rules and standards as required.

8 (2) The department may adopt rules to define standard 9 components of conventional buildings and to establish other 10 necessary elements of the definition of passive solar system 11 consistent with the intent of 15-32-102.\*\*

12 Section 8. Section 15-32-106, MCA, is amended to read: 13 #15-32-106. Procedure for obtaining benefit of 14 deduction or credit. The department of revenue shall provide 15 forms on which a taxpayer may apply for tax treatment under 16 15-32-103 or [section 1]. Application shall be made to the department of revenue. The department of revenue shall 17 18 approve an application which demonstrably promotes energy 19 conservation or utilizes a recognized nonfossil form of 20 energy generation. The department of revenue may refer an 21 application involving energy generation to the department of 22 natural resources and conservation for its advice, and the 23 department of natural resources and conservation shall 24 respond within 60 days. The department of revenue may refer 25 an application involving energy conservation to the department of administration for its advice, and the
 department of administration shall respond within 60 days.
 The department of revenue may deny an application which it
 finds to be impractical or ineffective."

Section 9. Codification instruction. (1) Section 1 is
intended to be codified as an integral part of Title 15,
chapter 32, part 1, and the provisions of Title 15, chapter
32, part 1, apply to section 1.

9 (2) Section 2 is intended to be codified as an 10 integral part of Title 15, chapter 30, part 1, and the 11 provisions of Title 15, chapter 30, apply to section 2.

12 Section 10. Applicability. This act applies to tax

13 years beginning after December 31, 1980.

-End-

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# STATE OF MONTANA

REQUEST NO. 140-81

## FISCAL NOTE

Form BD-15

In compliance with a written request received <u>January 19</u>, 19 <u>81</u>, there is hereby submitted a Fiscal Note for <u>HOUSE BILL 237</u> 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

An act to provide a credit against individual income tax liability under Title 15, for capital expenditures for energy conservation purposes, eliminating the deduction from individual income tax liability for such expenditures.

## ASSUMPTIONS

- 1978 individual income data: returns claiming energy conservation deduction, 22,248; deduction amount - \$8,988,491; average deduction - \$404; fiscal impact - \$472,000; average tax reduction - \$21.
- 2. Energy conservation credit 10%
- 3. 1978 data applies to tax years 1981 and 1982.
- 4. Revenues from tax year 1981 accrue in FY 1982 and tax year 1982 accrue in FY 1983.
- 5. The energy conservation credit does not result in an increase in the willingness of individuals to invest in energy conservation expenditures.
- 6. Fiscal note does not take into account any other proposed legislation.
- 7. Fiscal note only addresses Fiscal Impact of energy conservation deduction/credit on individual income tax revenues.

FISCAL IMPACT	FY 82	FY 83
Individual Income Tax		
Forgone under current law	\$472,000	\$472,000
Forgone under proposed law	890,000	890,000
Estimated Increase Forgone	\$418,000	\$418,000
FUND INFORMATION		
General Fund		
Forgone under current law	\$302,080	\$302,080
Forgone under proposed law	569,600	569,600
Estimated Increase Forgone	\$267,520	\$267,520
Long range building Program		
Sinking Fund		
Forgone under current law	\$ 51,920	\$ 51,920
Forgone under proposed law	97,900	97,900
Estimated Increase Forgone	\$ 45,980	\$ 45,980

## BUDGET DIRECTOR

Office of Budget and Program Planning

Date: .....

# STATE OF MONTANA

REQUEST NO. 140-81

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# FISCAL NOTE

Form BD-15

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## FISCAL IMPACT

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CONCE DAMESTER	L (14) + 154 - 14					그는 것은 동안에 가장 것은 것을 것을 했다.	그렇게 많이 많은 것같이 많이 가지 않는 것이 많이 많다.
그는 것 같은 것 같은 것 같은 것 같은 동생이었다. 같은 것		그는 이 그는 것 같은 이 것 같아?	1. 전망 · 영상 · 영상 · 영상 · 영상 · 영상				· 김 씨와, 승규로의 것 같아요. 동안 모르는 사람과 같이 있는 것
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a a a a a a a a a a a a a a a a a a a	and the state of the			🐨 나는 것이 가지 않는 것이 같아.			방송화에 가장하지 않는 것이 한 것 같아. 한 것 같아? 것 것
그는 것 같은 것 같은 것 같은 것 같은 사람이 가지 않는 것 같이 많이 많이 했다.	지 않는 것 같은 지 않는 것을 가 봐요. ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	あいとがり ちらし しんせい	이 집에 가지 않는 것 않는 것 같아요. 것 같아요. 것			그는 것은 그렇는 것이 같다. 신뢰했었어?	김희왕은 사람이 많이 가지 않는 것 같아요. 이 것 같아요. 이 것 같아요.
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	지 말 아파 지 않는 것 같 것 같 것 같다.						이가 가장 것이 안 한 것이 있는 것이 가지 않는 것이 있다.
이 같은 것 같이 있는 것 같이 많이 있는 것 같이 없다.	モート・レール てんごう 日子 かたい しんしつい	い またち ふたい かくさんしたい	しかしょん かいかんがく しんごう	ちょうき ふちょう 見たい たちな	and the second	アリアル・アリケア ひゃうしょう 気和し い	
	Forgone under Forgone under	Forgone under proposed 1	School Equalization Fund Forgone under current law Forgone under proposed law Estimated Increase Forgone	School Equalization Fund Forgone under current law \$118,00 Forgone under proposed law <u>222,50</u>	Forgone under current law \$118,000 Forgone under proposed law <u>222,500</u>	School Equalization Fund Forgone under current law \$118,000 Forgone under proposed law <u>222,500</u>	School Equalization Fund Forgone under current law \$118,000 \$118,000 Forgone under proposed law <u>222,500</u> 222,500

## Prepared by the Department of Revenue

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BUDGET DIRECTOR Office of Budget and Program Planning Date:

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ı	HOUSE BILL ND. 237	1	(b) in the case of an expenditure for a building not
2	INTRODUCED BY MCBRIDE, B. BROWN	2	used as a residence, the lesser of:
3	BY REQUEST OF THE	3	(i) \$300; or
4	DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	4	(ii) 10% 5% of the expenditure.
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6	A BILL FOR AN ACT ENTITLED: MAN ACT TO PROVIDE A CREDIT	6	subsection (1):
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25	(ii) <del>10% <u>5%</u> of the expenditure; and</del>	25	(b) state income tax paid;

SECOND READING

HB 237

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21	If the installation or	If the installation or
22	investment is made in	investment is made in
23	a residential building:	a building not used as
24		a residence:

25 100% of first \$1,000 expended 100% of first \$2,000 expended

- 5 -

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10	*15-32-104. Limitations on deduction and credit. Tax
11	treatment under 15-32-103 and [section 1] is limited to:
12	<ol> <li>capital investments made after January 1, 1975;</li> </ol>
13	(2) persons and firms not primarily engaged in the
14	provision of gas or electricity derived from fossil fuel
15	extraction or conventional hydroelectric development; and
16	(3) a ceiling of \$100,000 in tax savings per year to
17	any one person or firm."
18	Section 7. Section 15-32-105, MCA, is amended to read:
19	"15-32-105. Application to new construction rules.
20	(1) It is the intent of the legislature that no deduction or

credit under this part be allowed for capital investment for

an energy conservation practice in the new construction of a

building if that capital investment would have been made

under established standards of new construction. The

department of revenue shall adopt rules to implement this

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1 legislative intent. Such rules shall be based on the best 2 currently available methods of analysis, including those of 3 the national bureau of standards, the department of housing 4 and urban development, and other federal agencies and 5 professional societies and materials developed by the 6 department. Provisions shall be made for an annual updating 7 of rules and standards as required.

8 {2} The department may adopt rules to define standard
9 components of conventional buildings and to establish other
10 necessary elements of the definition of passive solar system
11 consistent with the intent of 15-32-102."

12 Section 8. Section 15-32-106, MCA, is amended to read: 13 \*15-32-106. Procedure for obtaining benefit of 14 deduction or credit. The department of revenue shall provide forms on which a taxpayer may apply for tax treatment under 15 16 15-32-103 or [section 1]. Application shall be made to the 17 department of revenue. The department of revenue shall 18 approve an application which demonstrably promotes energy 19 conservation or utilizes a recognized nonfossil form of 20 energy generation. The department of revenue may refer an application involving energy generation to the department of 21 natural resources and conservation for its advice, and the 22 23 department of natural resources and conservation shall respond within 60 days. The department of revenue may refer 24 25 an application involving energy conservation to the department of administration for its advice, and the
 department of administration shall respond within 60 days.
 The department of revenue may deny an application which it
 finds to be impractical or ineffective."

Section 9. Codification instruction. (1) Section 1 is
intended to be codified as an integral part of Title 15.
chapter 32. part 1. and the provisions of Title 15. chapter
32. part 1. apply to section 1.

.9 (2) Section 2 is intended to be codified as an
10 integral part of Title 15, chapter 30, part 1, and the
11 provisions of Title 15, chapter 30, apply to section 2.

12 Section 10. Applicability. This act applies to tax

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13 years beginning after December 31, 1980.

-End-

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HB 0237/02

1	HOUSE BILL NO. 237	1	(b) in the case of an expenditure for a building not
Z	INTRODUCED BY MCBRIDE. B. BROWN	2	used as a residence, the lesser of:
3	BY REQUEST OF THE	3	(i) \$300; or
4	DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	4	(ii) <del>10% <u>5%</u> 10%</del> of the expenditure.
5		5	(2) The credit or the sum of the credits under
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A CREDIT	6	subsection (1):
7	AGAINST INDIVIDUAL INCOME TAX LIABILITY UNDER TITLE 15.	7	(a) may not exceed the taxpayer's tax liability; and
8	CHAPTER 30, MCA, FOR CAPITAL EXPENDITURES FOR	8	(b) is subject to the provisions of 15-32-104.
9	ENERGY-CONSERVING PURPOSES; ELIMINATING THE DEDUCTION FROM	9	(3) There is no carryback or carry-forward of the
10	INDIVIDUAL INCOME TAX LIABILITY FOR SUCH EXPENDITURES;	10	credit permitted under this section, and the credit must be
11	PROVIDING AN APPLICABILITY DATE; AND AMENDING SECTIONS	11	applied in the year the expenditure is incurred, as
12	15-30-121, 15-30-131, AND 15-32-103 THROUGH 15-32-106, MCA."	12	determined by the taxpayer's accounting method.
13		13	<u>NEW SECTION.</u> Section 2. Credit for energy-conserving
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	14	investments. There is a credit against tax liability under
15	NEW SECTION. Section 1. Credit for energy-conserving	15	this chapter as provided in [section 1].
16	expenditures. (1) Subject to the restrictions of subsections	16	Section 3. Section 15-30-121, MCA, is amended to read:
17	(2) and (3), a resident individual taxpayer may take as a	17	"15+30-121. Deductions allowed in computing net
18	credit against the taxpayer's tax liability under chapter 30	18	income. In computing net income, there are allowed as
19	a portion of his expenditure for a capital investment in a	19	deductions:
20	building for an energy conservation purpose, determined as	20	(1) the items referred to in sections 161 and 211 of
21	follows:	21	the Internal Revenue Code of 1954, or as sections 161 and
22	(a) in the case of an expenditure for a residential	22	211 shall be labeled or amended, subject to the following
23	building, the lesser of:	23	exceptions which are not deductible:
24	(i) \$150; or	24	(a) items provided for in 15-30-123;
25	(ii) <del>10年 <u>5第</u> 10次</del> of the expenditure; and	25	(b) state income tax paid;

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THIRD READING

1 (2) federal income tax paid within the taxable year; 2 (3) child and dependent care expenses determined in 3 accordance with the provisions of section 214 of the 4 Internal Revenue Code of 1954 that were in effect for the 5 taxable year that began January 1, 1974. However, the limitation set forth in section 214(e)(4) of the Internal 6 7 Revenue Code of 1954 as that section was in effect for the 8 taxable year that began January 1. 1974. applies only to 9 payments made to a child of the taxpayer who is under 19 10 years of age at the close of the taxable year and to 11 payments made to an individual with respect to whom a deduction is allowable under 15-30-112(5) to the taxpayer or 12 13 the taxpayer's spouse.

14 f4;--that---portion--of--an--energy-related--investment 15 allowed-as-a-deduction-under-15-32-103;

16 (5)(4) in the case of an individual, political
17 contributions determined in accordance with the provisions
18 of section 218(a) and (b) of the Internal Revenue Code that
19 were in effect for the taxable year ended December 31,
20 1978.\*\*

21 Section 4. Section 15-30-131, MCA, is amended to read: 22 "15-30-131. Nonresident and temporary resident 23 taxpayers -- adjusted gross income -- deductions. (1) In the 24 case of a taxpayer other than a resident of this state. 25 adjusted gross income includes the entire amount of adjusted 1 gross income from sources within this state but shall not z include income from annuities, interest on bank deposits, 3 interest on bonds, notes, or other interest-bearing obligations, or dividends on stock of corporations except to 4 5 the extent to which the same shall be a part of income from any business, trade, profession, or occupation carried on in 6 7 this state. Adjusted gross income from sources within and 8 without this state shall be allocated and apportioned under 9 rules prescribed by the department.

10 (2) In the case of a taxpayer other than a resident of 11 this state who is a resident of a state that imposes a tax 12 on the income of natural persons residing within that state. 13 the deductions allowed in computing net income are 14 restricted to those directly connected with the production 15 of Montana income.

16 (3) In the case of a taxpayer other than a resident of 17 this state who is a resident of a state that does not impose a tax on the income of natural persons residing within that 18 19 state, the deductions allowed in computing net income are restricted to the greater of those directly relating to the 20 21 production of Montana income or a prorated amount of those 22 allowed under 15-30-121. For the purposes of this 23 subsection, deductions allowed under 15-30-121 apply only to 24 earned income and must be prorated according to the ratio 2.5 that the taxpayer's Montana earned income bears to his

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HB 0237/03

1 federal earned income.
2 (4) A temporary resident shall be allowed those
3 deductions <u>and the credit under [section 1]</u> allowed a
4 resident to the extent that such deductions <u>or credit</u> were
5 actually incurred or expended in the state of Montana during
6 the course of his residency.

7 (5) For the purposes of this section, "earned income"
8 shall be defined as the same term is defined in section 43
9 of the Internal Revenue Code, or as that section may
10 subsequently be amended."

11 Section 5. Section 15-32-103, MCA, is amended to reau: 12 "15-32-103. Deduction for energy-conserving 13 investments. (1) In addition to all other deductions from 14 adjusted--gross--individual--income--allowed--tn---computing 15 taxable--income--under--chapter--30--or-from gross corporate 16 income allowed in computing net income under chapter 31, 17 part 1, a taxpayer may deduct a portion of his expenditure 18 for a capital investment in a building for an energy conservation purpose, in accordance with the following 19 20 schedule:

21	If the installation or	If the installation or
22	investment is made in	investment is made in
23	a residential building:	a building not used as
24		a residence:

25 100% of first \$1,000 expended 100% of first \$2,000 expended

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HP 237

1 50% of next \$1,000 expended 50% of next \$2,000 expended 20% of next \$1,000 expended 20% of next \$2,000 expended 2 10% of next \$1,000 expended 10% of next \$2,000 expended 3 (2) This tax treatment is subject to approval of the 4 5 department of an application as provided in 15-32-106 and 6 may not be claimed for so much of the expenditure and 7 capital investment as is financed by a state, federal, or private grant for energy conservation." я 9 Section 6. Section 15-32-104, MCA, is amended to read: 10 #15-32-104. Limitations on deduction and credit. Tax 11 treatment under 15-32-103 and [section 1] is limited to: 12 (1) capital investments made after January 1, 1975; 13 {2} persons and firms not primarily engaged in the 14 provision of gas or electricity derived from fossil fuel 15 extraction or conventional hydroelectric development; and 16 (3) a ceiling of \$100,000 in tax savings per year to 17 any one person or firm.\* 18 Section 7. Section 15-32-105. MCA. is amended to read:

19 "15-32-105. Application to new construction -- rules.
20 (1) It is the intent of the legislature that no deduction or
21 credit under this part be allowed for capital investment for
22 an energy conservation practice in the new construction of a
23 building if that capital investment would have been made
24 under established standards of new construction. The
25 department of revenue shall adopt rules to implement this

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1 legislative intent. Such rules shall be based on the best currently available methods of analysis, including those of the national bureau of standards, the department of housing and urban development, and other federal agencies and professional societies and materials developed by the department. Provisions shall be made for an annual updating of rules and standards as required.

8 (2) The department may adopt rules to define standard
 9 components of conventional buildings and to establish other
 10 necessary elements of the definition of passive solar system
 11 consistent with the intent of 15-32-102."

Section 8. Section 15-32-106. MCA. is amended to read: 12 \*15-32-106. Procedure for obtaining benefit of 13 14 deduction or credit. The department of revenue shall provide 15 forms on which a taxpayer may apply for tax treatment under 15-32-103 or [section 1]. Application shall be made to the 16 17 department of revenue. The department of revenue shall approve an application which demonstrably promotes energy 18 19 conservation or utilizes a recognized nonfossil form of energy generation. The department of revenue may refer an 20 21 application involving energy generation to the department of 22 natural resources and conservation for its advice, and the 23 department of natural resources and conservation shall 24 respond within 60 days. The department of revenue may refer an application involving energy conservation to the 25

department of administration for its advice, and the
 department of administration shall respond within 60 days.
 The department of revenue may deny an application which it
 finds to be impractical or ineffective.\*
 Section 9. Codification instruction. (1) Section 1 is
 intended to be codified as an interval part of Title 15.

6 intended to be codified as an integral part of Title 15,
7 chapter 32, part 1, and the provisions of Title 15, chapter
8 32, part 1, apply to section 1.

9 (2) Section 2 is intended to be codified as an
10 integral part of Title 15, chapter 30, part 1, and the
11 provisions of Title 15, chapter 30, apply to section 2.

12 Section 10. Applicability. This act applies to tax 13 years beginning after December 31, 1980.

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-End-

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HB 0237703

## 47th Legislature

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HB 0237/04

ı	HOUSE BILL NO. 237	1	(b) in the case of an expenditure for a building not
2	INTRODUCED BY MCBRIDE, B. BROWN	2	used as a residence, the lesser of:
3	BY REQUEST OF THE	3	(i) \$300; or
4	DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	4	(ii) 10% 5% 10% 5% of the expenditure.
5		5	(2) The credit or the sum of the credits under
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A CREDIT	6	subsection (1):
7	AGAINST INDIVIDUAL INCOME TAX LIABILITY UNDER TITLE 15,	7	(a) may not exceed the taxpayer's tax liability; and
8	CHAPTER 30, MCA, FOR CAPITAL EXPENDITURES FOR	8	(b) is subject to the provisions of 15-32-104.
9	ENERGY-CONSERVING PURPOSES; ELIMINATING THE DEDUCTION FROM	9	(3) There is no carryback or carry-forward of the
10	INDIVIDUAL INCOME TAX LIABILITY FOR SUCH EXPENDITURES;	10	credit permitted under this section, and the credit must be
11	PROVIDING AN APPLICABILITY DATE; AND AMENDING SECTIONS	11	applied in the year the expenditure is incurred, as
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18	credit against the taxpayer's tax liability under chapter 30	18	income. In computing net income, there are allowed as
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21	follows:	21	the Internal Revenue Code of 1954, or as sections 161 and
22	(a) in the case of an expenditure for a residential	22	211 shall be labeled or amended, subject to the following
23	building, the lesser of:	23	exceptions which are not deductible:
24	(1) \$150; or	24	(a) items provided for in 15-30-123;
25	(ii) <del>104 <u>58</u> 108 5%</del> of the expenditure; and	25	<pre>(b) state income tax paid;</pre>
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			-2- HB 237

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REFERENCE BILL

1 (2) federal income tax paid within the taxable year; 2 (3) child and dependent care expenses determined in 3 accordance with the provisions of section 214 of the 4 Internal Revenue Code of 1954 that were in effect for the 5 taxable year that began January 1, 1974. However, the limitation set forth in section 214(e)(4) of the Internal 6 7 Revenue Code of 1954 as that section was in effect for the 8 taxable year that began January 1, 1974, applies only to 9 payments made to a child of the taxpayer who is under 19 10 years of age at the close of the taxable year and to 11 payments made to an individual with respect to whom a 12 deduction is allowable under 15-30-112(5) to the taxpayer or 13 the taxpayer's spouse.

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10 (2) In the case of a taxpayer other than a resident of 11 this state who is a resident of a state that imposes a tax 12 on the income of natural persons residing within that state. 13 the deductions allowed in computing net income are 14 restricted to those directly connected with the production 15 of Montana income.

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2 [4] A temporary resident shall be allowed those 3 deductions <u>and the credit under [section 1]</u> allowed a 4 resident to the extent that such deductions <u>or credit</u> were 5 actually incurred or expended in the state of Montana during 6 the course of his residency.

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HB 237

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8 32, part 1, apply to section 1.

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11 provisions of Title 15, chapter 30, apply to section 2.

12 Section 10. Applicability. This act applies to tax

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13 years beginning after December 31, 1980.

-End-

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## SENATE STANDING COMMITTEE REPORT (Taxation)

That House Bill No. 237 be amended as follows:

1. Page 1, line 25. Following: "5%" Strike: "10%" Insert: "5%" 2. Page 2, line 4. Following: "5%" Strike: "10%" Insert: "5%"