

HOUSE BILL NO. 736

Introduced: 02/12/83

Referred to Committee on Taxation: 02/12/83

Hearing: 3/1/83

Died in Committee

1 House BILL NO. 736  
 2 INTRODUCED BY Ream, Galt, Kados, G. Brown, Vincent  
 3 J. Hennessy, E. L. Long, Kemmis, Metcalf, Sullivan  
 4 McLain  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A TAX CREDIT  
 6 FOR THE INSTALLATION OF LOW EMISSION WOOD OR BIOMASS  
 7 COMBUSTION DEVICES; EXTENDING THE DATE FOR WHICH THE ENERGY  
 8 TAX CREDIT MAY BE TAKEN TO DECEMBER 31, 1992; AMENDING  
 9 SECTIONS 15-32-102, 15-32-201, AND 15-32-203, MCA; AND  
 10 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY  
 11 DATE."

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

13 Section 1. Section 15-32-102, MCA, is amended to read:  
 14 "15-32-102. Definitions. As used in this part, the  
 15 following definitions apply:

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

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

23 (3) "Energy conservation purpose" means one or more of  
 24 the following results of an investment: reducing the waste  
 25 or dissipation of energy or reducing the amount of energy

1 required to accomplish a given quantity of work.

2 (4) "Passive solar system" means a direct thermal  
 3 energy system that uses the structure of a building and its  
 4 operable components to provide heating or cooling during the  
 5 appropriate times of the year by using the climate resources  
 6 available at the site. It includes only those portions and  
 7 components of a building that are expressly designed and  
 8 required for the collection, storage, and distribution of  
 9 solar energy and that are not standard components of a  
 10 conventional building.

11 ~~(5) "Low emission wood or biomass combustion device"~~  
 12 ~~means a stove or furnace that burns wood or other nonfossil~~  
 13 ~~biomass and which, under normal operating conditions, has~~  
 14 ~~been demonstrated to the satisfaction of the department of~~  
 15 ~~health and environmental sciences as having emissions of air~~  
 16 ~~contaminants significantly lower than emissions from a~~  
 17 ~~conventional wood-burning stove or furnace.~~

18 ~~(5)(6)~~ "Recognized nonfossil forms of energy  
 19 generation" means a system for the utilization of solar  
 20 energy including passive solar systems, wind, solid wastes,  
 21 or the decomposition of organic wastes for capturing energy  
 22 or converting energy sources into usable sources, for the  
 23 production of electric power from solid wood wastes, ~~a low~~  
 24 ~~emission wood or biomass combustion device,~~ and also means a  
 25 small system for the utilization of water power by means of

1 an impoundment not over 20 acres in surface area."

2 Section 2. Section 15-32-201, MCA, is amended to read:

3 "15-32-201. Amount of credit -- to whom available. A  
4 resident individual taxpayer who completes installation of  
5 an energy system using a recognized nonfossil form of energy  
6 generation, as defined in 15-32-102, in such taxpayer's  
7 principal dwelling prior to ~~December 31, 1982~~ January 1,  
8 1993, or who acquires title to a dwelling prior to ~~December~~  
9 ~~31, 1982~~ January 1, 1993, which dwelling ~~that~~ is to be used  
10 as the taxpayer's principal dwelling and is equipped with an  
11 energy system for which the credit allowed by this part has  
12 never been claimed, is entitled to claim a tax credit in an  
13 amount equal to 10% of the first \$1,000 and 5% of the next  
14 \$3,000 of the cost of such system, including installation  
15 costs, less grants received or, if the federal government  
16 provides for a tax credit substantially similar in kind (not  
17 in amount), then a tax credit in an amount equal to 5% of  
18 the first \$1,000 and 2 1/2% of the next \$3,000 of the cost  
19 of such system, including installation costs, less grants  
20 received against the income tax liability imposed against  
21 such taxpayer pursuant to chapter 30."

22 Section 3. Section 15-32-203, MCA, is amended to read:

23 "15-32-203. Department to make rules. (1) The  
24 department of revenue shall prescribe rules necessary to  
25 carry out the purposes of this part.

1 ~~(2) The department of health and environmental~~  
2 ~~sciences shall adopt rules establishing emission testing and~~  
3 ~~emission certification standards for low emission wood or~~  
4 ~~biomass combustion devices."~~

5 NEW SECTION. Section 4. Effective date --  
6 applicability. This act is effective on passage and approval  
7 and applies to taxable years beginning after December 31,  
8 1982, and before January 1, 1993.

-End-

## STATE OF MONTANA

REQUEST NO. 407-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 15, 19 83, there is hereby submitted a Fiscal Note for House Bill 736 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). 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:

House Bill 736 allows a tax credit for the installation of low emission wood or biomass combustion devices; extends the date for which the energy tax credit may be taken to December 31, 1992; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) In calendar year 1981, 1010 returns claimed alternative energy credits totaling \$83,572. Continuance of the existing credit is expected to generate a 20% increase per year in the number of returns claiming the credit. An average credit of \$85 is assumed.
- 2) No estimate is possible for the additional impact from the inclusion of low emission wood stoves. This additional cost is expected to be insignificant for the biennium for two reasons: 1) low emission wood stoves are significantly more expensive than conventional stoves, and 2) local controls forcing the conversion to low emission stoves are not expected to occur this biennium and even if these controls go into effect, they are expected to be phased in over a number of years.
- 3) Calendar year 1983 data corresponds to FY84, and CY84 to FY85.

FISCAL IMPACT:

This is the estimated impact of the continuance of the existing alternative energy credit and therefore represents a lower bound estimate of the impact of this bill.

	<u>FY84</u>	<u>FY85</u>
Individual Income Tax		
Under Current Law	\$168,317,188	\$179,746,875
Under Proposed Law	168,193,188	179,598,875
Estimated Decrease	<u>(124,000)</u>	<u>(148,000)</u>
General Fund		
Under Current Law	107,723,000	115,038,000
Under Proposed Law	107,643,640	114,943,280
Estimated Decrease	<u>(79,360)</u>	<u>(94,720)</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-19-83

	<u>FY84</u>	<u>FY85</u>
Earmarked Revenue Fund		
Under Current Law	\$42,079,297	\$44,936,719
Under Proposed Law	<u>42,048,297</u>	<u>44,899,719</u>
Estimated Decrease	<u>(31,000)</u>	<u>(37,000)</u>
Sinking Fund		
Under Current Law	18,514,891	19,772,156
Under Proposed Law	<u>18,501,251</u>	<u>19,755,876</u>
Estimated Decrease	<u>(13,640)</u>	<u>(16,280)</u>

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The fiscal impact of the proposal should increase through time due to the influence of increasing home heating costs and local controls on wood stove emissions.

FISCAL NOTE 15:B/2

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