

HOUSE BILL NO. 869

Introduced: 2/15/83

Referred to Select Committee on Economic Development: 02/15/83

Rereferred to Committee on Taxation: 03/03/83

Hearing: 3/15/83

Died in Committee

1 HOUSE BILL NO. 869
2 INTRODUCED BY George Handley
3 BY REQUEST OF HOUSE BUSINESS AND INDUSTRY COMMITTEE
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A CREDIT
6 AGAINST INCOME TAX LIABILITY FOR INVESTMENTS IN THE
7 MANUFACTURE OF ENERGY-EFFICIENT, MINIMALLY POLLUTING WOOD
8 HEATERS; PROVIDING FOR LIMITATION ON AND CARRYOVER OF THE
9 CREDIT; PROVIDING RULEMAKING AUTHORITY; AND PROVIDING AN
10 APPLICABILITY DATE."
11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
13 Section 1. Purpose and statement of policy. The
14 purpose of [this act] is to encourage the development of
15 manufacturing in Montana of energy-efficient wood stoves,
16 heaters, and furnaces which emit minimal air pollutants.
17 This encouragement must be done without adversely affecting
18 tax revenues received from existing economic activity in the
19 state. Sound fiscal policy requires that encouragement be
20 given to energy-efficient, nonpolluting wood stove, heater,
21 and furnace manufacturing without subtracting from existing
22 sources of revenue for the state.
23 Section 2. Credit -- manufacturers of
24 energy-efficient, nonpolluting wood stoves. (1) An
25 individual, corporation, partnership, or small business

1 corporation as defined in 15-31-201 that makes an investment
2 of \$5,000 or more in a business, located in Montana, engaged
3 in the manufacture of energy-efficient, nonpolluting wood
4 stoves, heaters, or furnaces is entitled to a credit against
5 taxes imposed by 15-30-103 or 15-31-121 in an amount equal
6 to 35% of the investment, to be taken as a credit only
7 against taxes due as a consequence of taxable or net income
8 produced by the new manufacturing business or the expanded
9 portion of an existing manufacturing business producing
10 eligible wood heaters. The credit for investments by a small
11 business corporation electing to be taxed under 15-31-202 or
12 a partnership may be claimed by the small business
13 corporation shareholders or the partners.
14 (2) For purposes of claiming the tax credit allowed
15 under subsection (1), a manufacturer of energy-efficient,
16 nonpolluting wood stoves, heaters, or furnaces is one that
17 meets the standards for efficiency and pollutant levels set
18 by the department of health and environmental sciences.
19 (3) The amount of the credit must be reduced by the
20 amount of any grants provided by the state or federal
21 government to the manufacturer.
22 Section 3. Limitation on credit. Whenever any federal
23 tax credits for wood heaters are allowed or allowable under
24 the Internal Revenue Code or any other federal law, the
25 state credit allowed by [section 2] must be reduced by the

1 amount of federal credits so that the effective credit does
2 not exceed 60% of the investment, notwithstanding the
3 carryover provision of [section 4].

4 Section 4. Carryover of credit. The tax credit allowed
5 under [section 2] is to be deducted from the taxpayer's tax
6 liability for the taxable year in which the investment by
7 the taxpayer is made. If the amount of the tax credit
8 exceeds the taxpayer's tax liability for the taxable year,
9 the amount that exceeds the tax liability may be carried
10 over for credit against the taxpayer's tax liability in the
11 next succeeding taxable year or years until the total amount
12 of the tax credit has been deducted from tax liability.
13 However, no credit may be carried beyond the seventh taxable
14 year succeeding the taxable year in which the equipment was
15 placed in service.

16 Section 5. Exclusion from other tax incentives. If a
17 credit is claimed for an investment pursuant to [this act],
18 no other state energy or investment tax credit, including
19 but not limited to the tax credits allowed by 15-30-162 and
20 15-31-123, may be claimed for the investment. Property tax
21 reduction allowed by 15-6-201(3) may not be applied to a
22 facility for which a credit is claimed pursuant to [this
23 act].

24 Section 6. Separation of credit portion. In the case
25 of a business a portion of which qualifies for the credit

1 pursuant to [section 2] and a portion of which does not
2 qualify for the credit, taxes due from each portion must be
3 separated by using the three-factor formula provided in
4 15-31-305.

5 Section 7. Implementation rules authorized. The
6 department of revenue is authorized to adopt rules to
7 implement [this act]. The purpose of such rules must be to
8 insure the following:

9 (1) proper and efficient administration of [this act];
10 (2) proper reporting of information and payment of any
11 amounts due by persons claiming the credit pursuant to [this
12 act];

13 (3) the claiming of the credit only against taxes due
14 as a consequence of income produced by new economic activity
15 in the state as described in [section 2].

16 Section 8. Eligible product rules. The department of
17 health and environmental sciences may adopt rules setting
18 energy efficiency levels and acceptable levels of minimum
19 pollution that a wood stove, heater, or furnace being
20 produced must meet in order to qualify for the credit
21 provided in [section 2].

22 Section 9. Applicability date. This act is applicable
23 for tax years beginning after December 31, 1983.

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received February 17, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 869 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.

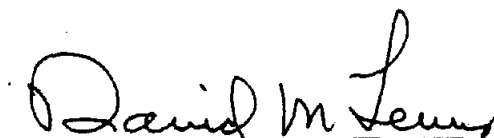
DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 869 provides a credit against income tax liability for investments in the manufacture of energy-efficient, minimally polluting wood heaters; provides for limitation on and carryover of the credit; provides rulemaking authority; and provides an applicability date.

FISCAL IMPACT:

Income from existing facilities will not be eligible for the tax credit created by this bill, therefore, no erosion of the present tax base will be produced. Assuming the bill is successful in attracting industry that would not locate in the state without the credit, no real loss of revenue will be forthcoming. The bill will only forestall tax collections from income produced by these investments.

FISCAL NOTE 15:0/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-19-83