



1 House BILL NO. 231  
2 INTRODUCED BY Fultz  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE AMOUNT  
5 OF TAX CREDIT A UTILITY MAY CLAIM FOR LOANS TO CONSUMERS FOR  
6 ENERGY CONSERVATION MEASURES; AND AMENDING SECTION  
7 15-32-107, MCA."  
8

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

10 Section 1. Section 15-32-107, MCA, is amended to read:

11 "15-32-107. Loans by utilities and financial  
12 institutions -- tax credit for interest differential. (1) A  
13 public utility providing electricity or natural gas may  
14 install or pay for the installation of energy conservation  
15 materials or recognized nonfossil forms of energy generation  
16 systems in a dwelling. The utility may agree with the  
17 occupant of the dwelling that the occupant shall reimburse  
18 the utility for its expenditure in periodic installment  
19 payments added to the occupant's regular bill for  
20 electricity or natural gas. The utility may charge interest  
21 not exceeding the equivalent of 7% per year on the declining  
22 balance of the sum advanced for the installation of energy  
23 conservation materials and recognized nonfossil forms of  
24 energy generation systems.

25 (2) A financial institution, as defined in 32-6-103,

1 may offer and make loans at an interest rate not less than 2  
2 percentage points below the discount rate on 90-day  
3 commercial paper in effect at the federal reserve bank in  
4 the ninth federal reserve district.

5 (3) Except as provided in subsection (6), a public  
6 utility or a financial institution lending money under this  
7 section may compute the difference between interest it  
8 actually receives on such transactions and the interest  
9 which would have been received at the prevailing average  
10 interest rate for home improvement loans, as prescribed in  
11 rules made by the public service commission. The utility may  
12 apply the difference so computed as a credit against its tax  
13 liability for the electrical energy producer's license tax  
14 under 15-51-101 or for the corporation license tax under  
15 chapter 31, part 1. The public service commission shall  
16 regulate rates in such a manner that a utility making loans  
17 under this section may not make a profit as the result of  
18 this section. The financial institution may apply the  
19 difference so computed as a credit against its tax liability  
20 for the corporation license tax under chapter 31, part 1.

21 (4) A utility may not claim a tax credit under this  
22 section exceeding ~~\$500,000~~ \$750,000 in any tax year. A  
23 financial institution may not claim a tax credit under this  
24 section exceeding \$2,000 in any tax year.

25 (5) The public service commission may make rules to

1 implement this section as it shall apply to public utilities  
2 only.

3 (6) A public utility whose purchases of or investments  
4 in conservation are placed in the rate base as provided in  
5 Title 69, chapter 3, part 7, may not receive a tax credit  
6 under subsection (3)."

7 NEW SECTION. Section 2. Extension of authority. Any  
8 existing authority of the department of revenue or the  
9 public service commission to make rules on the subject of  
10 the provisions of this act is extended to the provisions of  
11 this act.

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STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB231, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing the amount of tax credit a utility may claim for loans to consumers for energy conservation measures; and amending section 15-32-107, MCA.

FISCAL IMPACT:

This proposal, increasing the amount of tax credit a utility may claim for energy conservation loans, should have no impact on FY 88 or FY 89 Electrical Energy Producer's License or Corporation License Tax receipts. Under the proposed law, the maximum allowable credit is increased from \$500,000 to \$750,000. In FY 86, no utility claimed the maximum amount of credit allowable under the current law. The largest amount of credit claimed, for Corporation License and Electrical Energy Producer's License Tax purposes was \$398,481.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The amount of credit that utilities may claim on Electrical Energy Producer's License Tax or Corporation License Tax returns, is dependant upon the difference between interest received for energy conservation loans (interest may not exceed the equivalent of 7% per year by law) and the interest which would have been received at the prevailing interest rate for home improvement loans. At present, this difference is small because the interest rate for home improvement loans is relatively low. If the interest rate for home improvement loans rises, the amount of credit available to utilities under this proposal would increase and tax liability would presumably decrease by a like amount.

David L. Hunter DATE 1/21/87  
DAVID L. HUNTER, BUDGET DIRECTOR  
Office of Budget and Program Planning

H. Fritz DATE 1/22/87  
HARRY FRITZ, PRIMARY SPONSOR  
Fiscal Note for HB231, as introduced.

HB-231

APPROVED BY COMM. ON BUSINESS AND LABOR

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