HOUSE BILL NO. 231

INTRODUCED BY FRITZ

IN THE HOUSE

JANUARY 15, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & LABOR.
JANUARY 27, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 28, 1987	PRINTING REPORT.
JANUARY 29, 1987	SECOND READING, DO PASS.
JANUARY 30, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 95; NOES, 3.
	TRANSMITTED TO SENATE.
IN	THE SENATE
FEBRUARY 2, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 19, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 23, 1987	SECOND READING, CONCURRED IN.
MARCH 25, 1987	THIRD READING, CONCURRED IN. AYES, 49; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

MARCH 26, 1987

RECEIVED FROM SENATE.

SENT TO ENROLLING.

1 2 INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "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."

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

Section 1. Section 15-32-107, MCA, is amended to read: "15-32-107. Loans by utilities and financial institutions -- tax credit for interest differential. (1) A public utility providing electricity or natural gas may install or pay for the installation of energy conservation materials or recognized nonfossil forms of energy generation systems in a dwelling. The utility may agree with the occupant of the dwelling that the occupant shall reimburse the utility for its expenditure in periodic installment payments added to the occupant's regular bill for electricity or natural gas. The utility may charge interest not exceeding the equivalent of 7% per year on the declining balance of the sum advanced for the installation of energy conservation materials and recognized nonfossil forms of energy generation systems.

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

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

(3) Except as provided in subsection (6), a public utility or a financial institution lending money under this section may compute the difference between interest it actually receives on such transactions and the interest 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 liability for the electrical energy producer's license tax 13 under 15-51-101 or for the corporation license tax under 14 chapter 31, part 1. The public service commission shall 15 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 this section. The financial institution may apply the 18 19 difference so computed as a credit against its tax liability 20 for the corporation license tax under chapter 31, part 1.

- (4) A utility may not claim a tax credit under this section exceeding \$560,000 in any tax year. A financial institution may not claim a tax credit under this section exceeding \$2,000 in any tax year.
- (5) The public service commission may make rules to



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- implement this section as it shall apply to public utilities
 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)."
- NEW SECTION. Section 2. Extension of authority. Any existing authority of the department of revenue or the public service commission to make rules on the subject of the provisions of this act is extended to the provisions of this act.

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 dependent 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.

TD L. HUNTER, Office of Budget and Program Planning

DATE

HB231, as introduced

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90-day

APPROVED BY COMM. ON BUSINESS AND LABOR

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5 (3) Except as provided in subsection (6), a public utility or a financial institution lending money under this section may compute the difference between interest it 7 actually receives on such transactions and the interest which would have been received at the prevailing average interest rate for home improvement loans, as prescribed in 10 rules made by the public service commission. The utility may 11 apply the difference so computed as a credit against its tax 12

the ninth federal reserve district.

under 15-51-101 or for the corporation license tax under chapter 31, part 1. The public service commission shall

liability for the electrical energy producer's license tax

may offer and make loans at an interest rate not less than 2

commercial paper in effect at the federal reserve bank in

percentage points below the discount rate on

15 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

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20 for the corporation license tax under chapter 31, part 1.

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financial institution may not claim a tax credit under this 23

section exceeding \$2,000 in any tax year. 24

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- implement this section as it shall apply to public utilities only.
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20	electricity or natural gas. The utility may charge interest
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