ROLL CALL
Taxation Committee
House of Representatives

Date: 4.17.07
P.M. meeting

NAME *(18 Members)*	PRESENT	ABSENT or EXCUSED
Chairman B. LAKE	✓	
Vice Chair J. SONJU	✓	
Vice Chair J. COHENOUR	✓	
Rep. N. BIXBY	✓	
Rep. M. BLASDEL	✓	
Rep. E. BUTCHER	✓	
Rep. R. ERICKSON	✓	
Rep. W. GRINDE	✓	
Rep. R. HAMILTON	✓	
Rep. E. HILBERT	✓	
Rep. M. JOPEK	✓	
Rep. C. LAMBERT	✓	
Rep. G. MacLAREN	✓	
Rep. D. McALPIN	✓	
Rep. B. NOONEY	✓	
Rep. J.P. POMNICHOWSKI	✓	
Rep. J. ROSS	✓	
Rep. C. VINCENT	✓	

HOUSE STANDING COMMITTEE REPORT

Mr. Speaker:

We, your committee on **Taxation** recommend that **Senate Bill 220** (third reading copy -- blue) **be concurred in as amended.**

Signed: _____
Representative Bob Lake, Chair

To be carried by Representative Wayne Stahl

And, that such amendments read:

1. Title, line 4 through line 24.
Strike: "ADOPTING" on line 4 through "EXCEEDED" on line 24
Insert: "PROVIDING TAX INCENTIVES FOR THE DEVELOPMENT OF RENEWABLE ENERGY RESOURCES; PROVIDING PROPERTY TAX ABATEMENTS FOR RENEWABLE ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO CERTAIN TRANSMISSION LINES; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN NEW TECHNOLOGY FACILITIES AND TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES; ALLOWING A REFUNDABLE INCOME TAX CREDIT FOR THE AMOUNT OF PROPERTY TAXES PAID ON $20,000 OF MARKET VALUE OF A PRINCIPAL RESIDENCE ATTRIBUTABLE TO THE 95-MILL STATEWIDE LEVIES TO FUND SCHOOLS; PROVIDING THAT THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE EXAMINE THE CREDIT EACH INTERIM TO CHANGE THE RELIEF MULTIPLE FACTOR GOVERNING THE AMOUNT OF THE CREDIT; INCREASING THE INCOME TAX EXEMPTION TO AN AMOUNT EQUAL TO 80 PERCENT OF THE FEDERAL EXEMPTION AMOUNT; PROVIDING AN INFLATION ADJUSTMENT FOR THE DEDUCTION FOR FEDERAL INCOME TAXES PAID; GRANTING AUTHORITY TO THE DEPARTMENT OF REVENUE TO REQUIRE SOCIAL SECURITY NUMBERS OR TAXPAYER IDENTIFICATION NUMBERS IN TAX MATTERS; ESTABLISHING A 20-YEAR PARTIAL TAX ABATEMENT FOR COAL PRODUCED FOR CERTAIN NEW TECHNOLOGY FACILITIES"

2. Title, line 25.
Strike: "7-4-2623" through "AND"

Committee Vote:
Yes 10, No 8
Fiscal Note Required X

Insert: "15-1-201, 15-6-141, 15-6-157"

3. Title, line 26.
Following: "15-6-219,"
Insert: "15-30-112, 15-30-121, 15-30-142, AND 15-35-103,"
Strike: "AN IMMEDIATE"
Strike: "DATE"
Insert: "DATES"

4. Page 1, line 30 through page 25, line 20.
Strike: everything after the enacting clause
Insert: "NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 3], unless the context requires otherwise, the following definitions apply:

(1) "Biodiesel" has the meaning provided in 15-70-301.

(2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.

(3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.

(4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.

(5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.

(6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.

(7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.

(8) "Carbon sequestration" means the long-term storage of carbon dioxide in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil or natural gas recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of

various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gasses. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals, the generation of electricity, or any combination of those things at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) (a) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that may use the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(b) For purposes of subsection (12)(a), "Fisher-Tropsch process" means the synthesis of hydrocarbons and, to a lesser extent, of aliphatic oxygenated compounds by the catalytic hydrogenation of carbon monoxide.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

(a) building supports or foundations;

(b) laying of underground pipework; or

(c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) (a) "Integrated gasification combined cycle facility" means an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion turbine to generate electricity and captures waste heat from the combustion turbine to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(b) The term does not include an integrated gasification combined cycle facility at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was

not paid during the construction phase.

(18) "Renewable energy" includes but is not limited to the following:

(a) solar energy;

(b) wind energy;

(c) geothermal energy;

(d) energy from the conversion of biomass;

(e) energy from biogas;

(f) energy from fuel cells that do not require a petroleum-based fuel; and

(g) energy from waste heat.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of component parts, systems, or similar equipment for use in facilities that produce renewable energy or use matter that is capable of being converted into forms of energy useful to people, including electricity, and the technology necessary to make this conversion when the source is not exhaustible.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with annual gross receipts from the sale of renewable energy component parts and systems of at least 50% of the facility's total gross sales for the year.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources."

Insert: "NEW SECTION. **Section 2. Energy production or development -- tax abatement -- eligibility.** (1) A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability.

(2) (a) If the abatement is granted, the qualifying facility or equipment must be taxed at 50% of its taxable value for the qualifying period.

(b) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsection (4), the following facilities or property may qualify for the abatement allowed under [sections 1 through 3]:

(a) biodiesel production facilities;

(b) biogas production facilities;

(c) biomass gasification facilities;

(d) coal gasification facilities that sequester carbon dioxide in the coal gasification process;

(e) ethanol production facilities;

(f) geothermal facilities;

(g) renewable energy manufacturing facilities; and

(h) renewable energy research and development equipment and clean advanced coal research and development equipment.

(4) (a) Except as provided in subsection (4)(b), in order to qualify for the abatement under [sections 1 through 3], a facility listed in subsection (3) must meet the following requirements:

(i) commencement of construction of the facility must occur after June 30, 2007; and

(ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 1 through 3], renewable energy research and development equipment and clean advanced coal research and development equipment must be placed into service after June 30, 2007.

(5) The facility or renewable energy research and development equipment and clean advanced coal research and development equipment must be certified by the department of environmental quality that the conditions of this section have been met and, if applicable, any qualifications required under 15-6-157.

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be taxed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 10 years after the facility commences operation or the renewable energy research and development equipment or clean advanced coal research and development equipment is purchased. The total time of the qualifying period may not exceed 14 years."

Insert: "NEW SECTION. **Section 3. Rules.** (1) The department of environmental quality shall adopt rules related to the procedures for reviewing applications for the property tax abatement and the criteria for granting or denying an application for abatement under [sections 1 through 3]. The rules must also include criteria for revoking a certification.

(2) The department of revenue shall adopt rules for the implementation, including the valuation of qualifying property, and administration of the abatement.

(3) The department of environmental quality and the department of revenue shall consult with each other before adopting rules under this section."

Insert: "NEW SECTION. **Section 4. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations.** (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared

by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007."

Insert: "NEW SECTION. **Section 5. Refundable income tax credit -- statewide equalization property tax levies on principal residence.** (1) (a) There is a credit against the tax imposed by this chapter, which is calculated by multiplying the amount of property taxes imposed and paid on a property taxpayer's principal residence under 20-9-331, 20-9-333, and 20-9-360 on $20,000 of market value on the residence times the relief multiple.

(b) As used in subsection (1)(a), the relief multiple is a number used to change the amount of tax relief allowed under this section. The relief multiple is 5. Each interim the revenue and transportation interim committee shall, based upon actual and projected state revenue and spending and any other appropriate factors, determine if a change in the relief multiple is justified. If a change is justified, the committee shall request a bill to change the relief multiple.

(2) As used in this section, "principal residence" means a class four residential dwelling that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 5 acres, as is reasonably necessary for its use as a dwelling and that is occupied by the owner for at least 7 months

during the tax year.

(3) Only one claim may be made with respect to any property.

(4) If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess must be refunded to the claimant. The credit may be claimed even if the claimant has no income taxable under this chapter."

Insert: "Section 6. Section 15-1-201, MCA, is amended to read:

"15-1-201. Administration of revenue laws. (1) (a) The department has general supervision over the administration of the assessment and tax laws of the state, except Title 15, chapters 70 and 71, and over any officers of municipal corporations having any duties to perform under the laws of this state relating to taxation to the end that all assessments of property are made relatively just and equal, at true value, and in substantial compliance with law. The department may make rules to supervise the administration of all revenue laws of the state and assist in their enforcement.

(b) In the administration of any tax over which it has general supervision, the department may require all individuals subject to the tax laws of the state to provide to the department the individual's social security number, federal employee identification number, or taxpayer identification number.

~~(b)~~ (c) The department may contract with the U.S. department of the interior or any other federal agency to perform federal royalty audits, collection services, and any other delegable functions related to mining operations on federal lands within the state pursuant to the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996.

~~(c)~~ (d) The department shall adopt rules specifying which types of property within the several classes are considered comparable property as defined in 15-1-101.

~~(d)~~ (e) The department shall also adopt rules for determining the value-weighted mean sales assessment ratio for all commercial and industrial real property and improvements.

(2) The department shall confer with, advise, and direct officers of municipal corporations concerning their duties, with respect to taxation, under the laws of the state.

(3) The department shall collect annually from the proper officers of the municipal corporations information, in a form prescribed by the department, about the assessment of property, collection of taxes, receipts from licenses and other sources, expenditure of public funds for all purposes, and other information as may be necessary and helpful in the work of the department. It is the duty of all public officers to fill out properly and return promptly to the department all forms and to aid the department in its work. The department shall examine the records of all municipal corporations for purposes considered necessary or helpful.""

Insert: "Section 7. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 and ~~wind generation facilities~~ all property classified under 15-6-157;

(ii) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

(iii) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

(iv) railroad transportation property included in 15-6-145;

(v) airline transportation property included in 15-6-145; and

(vi) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value.""

Insert: "Section 8. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) all property of a biodiesel production facility, as defined in [section 1];

(f) all property of a biogas production facility, as defined in [section 1];

(g) all property of a biomass gasification facility, as defined in [section 1];

(h) all property of a coal gasification facility, as defined in [section 1], that sequesters carbon dioxide;

(i) all property of an ethanol production facility, as defined in [section 1];

(j) all property of a geothermal facility, as defined in [section 1];

(k) all property of an integrated gasification combined cycle facility, as defined in [section 1], that sequesters carbon dioxide;

(l) all property of a renewable energy manufacturing facility, as defined in [section 1];

(m) all property of a natural gas combined cycle facility;

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas;

(o) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation;

(p) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in this subsection (1), with at least 90% of the product carried by the pipeline originating at facilities specified in this subsection (1) and terminating at an existing pipeline;

(q) the qualified portion of a transmission line, including a high voltage direct current transmission line, and its associated equipment and structures, including converter stations and interconnections built after June 30, 2007.

(2) (a) The qualified portion of a transmission line is that percentage of an electrical transmission line used to transmit power from a generation facility specified in subsection (1).

(b) The department shall determine the portion of the value of a transmission line that is classified as class fourteen property when the line becomes operational and shall review the classification every 10 years. The classified portion of an electrical transmission line is that percentage of firm carrying capacity of the line to be used by buyers or sellers of electricity generated by a facility specified in subsection (1).

(c) The owner of property described under this subsection (2) shall apply for classification under this section. The owner shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to

demonstrate that there is a contract for firm carrying capacity available continuously throughout the year. The owner is not required to disclose financial terms and conditions of contracts.

~~(2)~~(3) Class fourteen property does not include ~~wind generation~~ facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)~~(4) For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

~~(4)~~(5) Class fourteen property is taxed at 3% of its market value.""

Insert: "NEW SECTION. **Section 9. Class fifteen property -- description -- taxable percentage.** (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality;

(c) carbon sequestration equipment; and

(d) equipment used in closed-loop enhanced oil recovery operations.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point or to a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to restrain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much

of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 100% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) The addition of a carbon dioxide pipeline or closed-loop enhanced oil recovery operation equipment, by themselves, do not subject the assets of any company to central assessment.

(5) Closed-loop enhanced oil recovery operations are to be certified, installed, and operated under the direction and rules of the Montana board of oil and gas conservation. At the time that the determination is made that the oil field that is the subject of the enhanced recovery operation is fully depleted and is to be converted to a carbon dioxide sequestration location, the regulatory control of the operation becomes the responsibility of the department of environmental quality.

(6) Class fifteen property is taxed at 3% of its market value."

Insert: "Section 10. Section 15-6-219, MCA, is amended to read:

"15-6-219. Personal and other property exemptions. The following categories of property are exempt from taxation:

(1) items of personal property with a market value of less than $100;

~~(1)~~ (2) harness, saddlery, and other tack equipment;

~~(2)~~ (3) the first $15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(a) construct, repair, and maintain improvements to real property; or

(b) repair and maintain machinery, equipment, appliances, or other personal property;

~~(3)~~ (4) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

~~(4)~~ (5) a bicycle, as defined in 61-8-102, used by the owner for personal transportation purposes;

~~(5)~~ (6) items of personal property intended for rent or

lease in the ordinary course of business if each item of personal property satisfies all of the following:

(a) the acquired cost of the personal property is less than $15,000;

(b) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(c) the lease of the personal property is generally on an hourly, daily, or weekly basis;

~~(6)~~ (7) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance; and

~~(7)~~ (8) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105.""

Insert: "Section 11. Section 15-30-112, MCA, is amended to read:

"15-30-112. Exemptions. (1) Except as provided in subsection (6), in the case of an individual, the exemptions provided by subsections (2) through (5) must be allowed as deductions in computing taxable income.

(2) (a) An exemption of ~~$1,900~~ $2,560 is allowed for all taxpayers.

(b) An additional exemption of ~~$1,900~~ $2,560 is allowed for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the tax year of the taxpayer begins, does not have gross income and is not the dependent of another taxpayer.

(3) (a) An additional exemption of ~~$1,900~~ $2,560 is allowed for the taxpayer if the taxpayer has attained the age of 65 before the close of the taxpayer's tax year.

(b) An additional exemption of ~~$1,900~~ $2,560 is allowed for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of the tax year and, for the calendar year in which the tax year of the taxpayer begins, does not have gross income and is not the dependent of another taxpayer.

(4) (a) An additional exemption of ~~$1,900~~ $2,560 is allowed for the taxpayer if the taxpayer is blind at the close of the taxpayer's tax year.

(b) An additional exemption of ~~$1,900~~ $2,560 is allowed for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and, for the calendar year in which the tax year of the taxpayer begins, does not have gross income and is not the dependent of another taxpayer. For the purposes of this subsection (4)(b), the determination of whether the spouse is blind must be made as of the close of the tax year

of the taxpayer, except that if the spouse dies during the tax year, the determination must be made as of the time of death.

(c) For purposes of this subsection (4), an individual is blind only if the person's central visual acuity does not exceed 20/200 in the better eye with correcting lenses or if visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision to an extent that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(5) (a) An exemption of ~~$1,900~~ $2,560 is allowed for each dependent:

(i) whose gross income for the calendar year in which the tax year of the taxpayer begins is less than $800; or

(ii) who is a child of the taxpayer and who:

(A) has not attained the age of 19 years at the close of the calendar year in which the tax year of the taxpayer begins; or

(B) is a student.

(b) An exemption is not allowed under this subsection for a dependent who has made a joint return with the dependent's spouse for the tax year beginning in the calendar year in which the tax year of the taxpayer begins.

(c) For purposes of subsection (5)(a)(ii), the term "child" means an individual who is a son, stepson, daughter, or stepdaughter of the taxpayer.

(d) For purposes of subsection (5)(a)(ii)(B), the term "student" means an individual who, during each of 5 calendar months during the calendar year in which the tax year of the taxpayer begins:

(i) is a full-time student at an educational institution; or

(ii) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a state or political subdivision of a state. For purposes of this subsection (5)(d)(ii), the term "educational institution" means only an educational institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.

(6) The department, by November 1 of each year, shall multiply all the exemptions provided in this section by the inflation factor for that tax year and round the product to the nearest $10. The resulting adjusted exemptions are effective for that tax year and must be used in calculating the tax imposed in 15-30-103.""

Insert: "Section 12. Section 15-30-121, MCA, is amended to read:

"15-30-121. Deductions allowed in computing net income. (1) In computing net income, there are allowed as deductions:

(a) the items referred to in sections 161, including the contributions referred to in 33-15-201(5)(b), and 211 of the Internal Revenue Code, 26 U.S.C. 161 and 211, subject to the following exceptions, which are not deductible:

(i) items provided for in 15-30-123;

(ii) state income tax paid;

(iii) premium payments for medical care as provided in subsection (1)(g)(i);

(iv) long-term care insurance premium payments as provided in subsection (1)(g)(ii); and

(v) a charitable contribution using a charitable gift annuity unless the annuity is a qualified charitable gift annuity as defined in 33-20-701;

(b) federal income tax paid within the tax year, not to exceed $5,000 for each taxpayer filing singly, head of household, or married filing separately or $10,000 if married and filing jointly;

(c) expenses of household and dependent care services as outlined in subsections (1)(c)(i) through (1)(c)(iii) and (2) and subject to the limitations and rules as set out in subsections (1)(c)(iv) through (1)(c)(vi), as follows:

(i) expenses for household and dependent care services necessary for gainful employment incurred for:

(A) a dependent under 15 years of age for whom an exemption can be claimed;

(B) a dependent as allowable under 15-30-112(5), except that the limitations for age and gross income do not apply, who is unable to provide self-care because of physical or mental illness; and

(C) a spouse who is unable to provide self-care because of physical or mental illness;

(ii) employment-related expenses incurred for the following services, but only if the expenses are incurred to enable the taxpayer to be gainfully employed:

(A) household services that are attributable to the care of the qualifying individual; and

(B) care of an individual who qualifies under subsection (1)(c)(i);

(iii) expenses incurred in maintaining a household if over half of the cost of maintaining the household is furnished by an individual or, if the individual is married during the applicable period, is furnished by the individual and the individual's spouse;

(iv) the amounts deductible in subsections (1)(c)(i) through (1)(c)(iii), subject to the following limitations:

(A) a deduction is allowed under subsection (1)(c)(i) for employment-related expenses incurred during the year only to the extent that the expenses do not exceed $4,800;

(B) expenses for services in the household are deductible under subsection (1)(c)(i) for employment-related expenses only if they are incurred for services in the taxpayer's household, except that employment-related expenses incurred for services outside the taxpayer's household are deductible, but only if incurred for the care of a qualifying individual described in subsection (1)(c)(i)(A) and only to the extent that the expenses

incurred during the year do not exceed:

(I) $2,400 in the case of one qualifying individual;

(II) $3,600 in the case of two qualifying individuals; and

(III) $4,800 in the case of three or more qualifying individuals;

(v) if the combined adjusted gross income of the taxpayers exceeds $18,000 for the tax year during which the expenses are incurred, the amount of the employment-related expenses incurred, to be reduced by one-half of the excess of the combined adjusted gross income over $18,000;

(vi) for purposes of this subsection (1)(c):

(A) married couples shall file a joint return or file separately on the same form;

(B) if the taxpayer is married during any period of the tax year, employment-related expenses incurred are deductible only if:

(I) both spouses are gainfully employed, in which case the expenses are deductible only to the extent that they are a direct result of the employment; or

(II) the spouse is a qualifying individual described in subsection (1)(c)(i)(C);

(C) an individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance may not be considered as married;

(D) the deduction for employment-related expenses must be divided equally between the spouses when filing separately on the same form;

(E) payment made to a child of the taxpayer who is under 19 years of age at the close of the tax year and payments made to an individual with respect to whom a deduction is allowable under 15-30-112(5) are not deductible as employment-related expenses;

(d) in the case of an individual, political contributions determined in accordance with the provisions of section 218(a) and (b) of the Internal Revenue Code of 1954 (now repealed) that were in effect for the tax year that ended December 31, 1978;

(e) that portion of expenses for organic fertilizer and inorganic fertilizer produced as a byproduct allowed as a deduction under 15-32-303 that was not otherwise deducted in computing taxable income;

(f) contributions to the child abuse and neglect prevention program provided for in 52-7-101, subject to the conditions set forth in 15-30-156;

(g) the entire amount of premium payments made by the taxpayer, except premiums deducted in determining Montana adjusted gross income, or for which a credit was claimed under 15-30-128, for:

(i) insurance for medical care, as defined in 26 U.S.C. 213(d), for coverage of the taxpayer, the taxpayer's dependents, and the parents and grandparents of the taxpayer; and

(ii) long-term care insurance policies or certificates that provide coverage primarily for any qualified long-term care

services, as defined in 26 U.S.C. 7702B(c), for:

(A) the benefit of the taxpayer for tax years beginning after December 31, 1994; or

(B) the benefit of the taxpayer, the taxpayer's dependents, and the parents and grandparents of the taxpayer for tax years beginning after December 31, 1996;

(h) light vehicle registration fees, as provided for in 61-3-321(2) and 61-3-562, paid during the tax year; and

(i) per capita livestock fees imposed pursuant to 15-24-921, 15-24-922, 81-6-104, 81-6-204, 81-6-209, 81-7-118, or 81-7-201.

(2) (a) Subject to the conditions of subsection (1)(c), a taxpayer who operates a family day-care home or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's own child and at least one unrelated child in the ordinary course of business may deduct employment-related expenses considered to have been paid for the care of the child.

(b) The amount of employment-related expenses considered to have been paid by the taxpayer is equal to the amount that the taxpayer charges for the care of a child of the same age for the same number of hours of care. The employment-related expenses apply regardless of whether any expenses actually have been paid. Employment-related expenses may not exceed the amounts specified in subsection (1)(c)(iv)(B).

(c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the deduction under this subsection (2).

(3) The department, by November 1 of each year, shall multiply the deductions for federal income taxes paid that are allowed in subsection (1)(b) by the ratio of the inflation factor for that tax year to the inflation factor for tax year 2007 and round the product to the nearest $10. The resulting adjusted deductions are effective for that tax year and must be used in calculating the tax imposed in 15-30-103."""

Insert: "Section 13. Section 15-30-142, MCA, is amended to read:

"15-30-142. Returns and payment of tax -- penalty and interest -- refunds -- credits. (1) For both resident and nonresident taxpayers, each single individual and each married individual not filing a joint return with a spouse and having a gross income for the tax year of more than $3,560, as adjusted under the provisions of subsection (6), and married individuals not filing separate returns and having a combined gross income for the tax year of more than $7,120, as adjusted under the provisions of subsection (6), are liable for a return to be filed on forms and according to rules that the department may prescribe. The gross income amounts referred to in the preceding sentence must be increased by ~~$1,900~~ $2,560, as adjusted under the provisions of 15-30-112(6), for each additional personal exemption allowance that the taxpayer is entitled to claim for the taxpayer and the taxpayer's spouse under 15-30-112(3) and

(4).

(2) In accordance with instructions set forth by the department, each taxpayer who is married and living with husband or wife and is required to file a return may, at the taxpayer's option, file a joint return with husband or wife even though one of the spouses has neither gross income nor deductions. If a joint return is made, the tax must be computed on the aggregate taxable income and the liability with respect to the tax is joint and several. If a joint return has been filed for a tax year, the spouses may not file separate returns after the time for filing the return of either has expired unless the department consents.

(3) If a taxpayer is unable to make the taxpayer's own return, the return must be made by an authorized agent or by a guardian or other person charged with the care of the person or property of the taxpayer.

(4) All taxpayers, including but not limited to those subject to the provisions of 15-30-202 and 15-30-241, shall compute the amount of income tax payable and shall, on or before the date required by this chapter for filing a return, pay to the department any balance of income tax remaining unpaid after crediting the amount withheld, as provided by 15-30-202, and any payment made by reason of an estimated tax return provided for in 15-30-241. However, the tax computed must be greater by $1 than the amount withheld and paid by estimated return as provided in this chapter. If the amount of tax withheld and the payment of estimated tax exceed by more than $1 the amount of income tax as computed, the taxpayer is entitled to a refund of the excess.

(5) If the department determines that the amount of tax due is greater than the amount of tax computed by the taxpayer on the return, the department shall mail a notice to the taxpayer as provided in 15-30-323 of the additional tax proposed to be assessed, including penalty and interest as provided in 15-1-216.

(6) By November 1 of each year, the department shall multiply the minimum amount of gross income necessitating the filing of a return by the inflation factor for the tax year. These adjusted amounts are effective for that tax year, and persons who have gross incomes less than these adjusted amounts are not required to file a return.

(7) Individual income tax forms distributed by the department for each tax year must contain instructions and tables based on the adjusted base year structure for that tax year.""

Insert: "Section 14. Section 15-35-103, MCA, is amended to read:

"15-35-103. Severance tax -- rates imposed. (1) A severance tax is imposed on each ton of coal produced in the state. ~~in accordance with the~~ Subject to subsection (4), the rate of the tax is determined according to the following schedule:

Heating quality (Btu per pound of coal):	Surface Mining	Underground Mining
Under 7,000	10% of value	3% of value
7,000 and over	15% of value	4% of value

(2) "Value" means the contract sales price.

(3) A person is not liable for any severance tax upon 50,000 tons of the coal that the person produces in a calendar year, except that if more than 50,000 tons of coal are produced in a calendar year, the producer is liable for severance tax upon all coal produced in excess of the first 20,000 tons.

(4) (a) The following production is subject to taxation at a rate that is one-half of the applicable rate established in subsection (1):

(i) the first 20 years of increased production from a new mine if at least 50% of the production of the coal produced by the mine is used in facilities described in 15-6-157(1)(h) or (1)(k);

(ii) the first 20 years of new production of coal produced by an existing mine if the production of coal is used in facilities described in 15-6-157(1)(h) or (1)(k).

(b) In order to qualify for the reduced rate under subsection (4)(a), the taxpayer must apply for the exemption. In order to qualify under subsection (4)(a)(i), the taxpayer must have made an application for a coal strip mine under Title 82, chapter 4, part 1, by June 30, 2017. An application under subsection (4)(a)(ii) must be made prior to June 30, 2027. A qualifying taxpayer is entitled to the reduced rate under this subsection (4) for 20 years after the application is approved.

(c) For the purposes of subsection (4)(a)(ii), new production is production that is in excess of the average production of the mine in the previous 3 years.

(d) (i) An exemption under subsection (4)(a) is effective on the first day of the next fiscal quarter.

(ii) The exemptions under subsections (4)(a)(i) and (4)(a)(ii) continue for the full 20-year term if the number of tons of production necessary to qualify for the exemption in the first year do not decrease.""

Insert: "NEW SECTION. **Section 15. Codification instruction.** (1) [Sections 1 through 3] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 1 through 3].

(2) [Section 4] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 4].

(3) [Section 5] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 5].

(4) [Section 9] is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 9]."

Insert: "NEW SECTION. **Section 16. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications."

Insert: "NEW SECTION. **Section 17. Effective dates.** (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Sections 1 through 4, 7 through 9, and 14] are effective January 1, 2008."

Insert: "NEW SECTION. **Section 18. Applicability.** (1) Except as provided in subsection (2), [this act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2006.

(2) [Sections 1 through 4, 7 through 9, and 14] apply to tax years beginning after December 31, 2007."

- END -

ROLL CALL VOTE
Taxation Committee
House of Representatives

Date: 4.17.07
Bill No.: SB220
Motion No. :
Motion: be amended

NAME *(18 Members)*	AYE	NO	Proxy
Vice Chair J. SONJU	✓		
Vice Chair J. COHENOUR		✓	
Rep. W. GRINDE		✓	
Rep. B. NOONEY	✓		
Rep. D. McALPIN		✓	
Rep. G. MacLAREN	✓		
Rep. N. BIXBY		✓	
Rep. C. LAMBERT	✓		
Rep. J.P. POMNICHOWSKI		✓	
Rep. E. HILBERT	✓		
Rep. C. VINCENT	✓		
Rep. M. JOPEK		✓	
Rep. E. BUTCHER	✓		
Rep. R. ERICKSON		✓	
Rep. M. BLASDEL	✓		✓
Rep. R. HAMILTON		✓	
Rep. J. ROSS	✓		
Chairman B. LAKE	✓		

VOTE: 10.8

ROLL CALL VOTE
Taxation Committee
House of Representatives

Date: 4.17.07
Bill No.: SB220
Motion No. :
Motion: do concur as amended

NAME *(18 Members)*	AYE	NO	Proxy
Vice Chair J. SONJU	✓		
Vice Chair J. COHENOUR		✓	
Rep. W. GRINDE		✓	
Rep. B. NOONEY	✓		
Rep. D. McALPIN		✓	
Rep. G. MacLAREN	✓		
Rep. N. BIXBY		✓	
Rep. C. LAMBERT	✓		
Rep. J.P. POMNICHOWSKI		✓	
Rep. E. HILBERT	✓		
Rep. C. VINCENT	✓		
Rep. M. JOPEK		✓	
Rep. E. BUTCHER	✓		
Rep. R. ERICKSON		✓	
Rep. M. BLASDEL	✓		✓
Rep. R. HAMILTON		✓	
Rep. J. ROSS	✓		
Chairman B. LAKE	✓		

VOTE: 10.8 passes

COMMITTEE PROXY

DATE: _____

I request to be excused from the Taxation

Committee because of other commitments. I desire to leave my proxy vote with:

Rep. J. Sonju

Indicate Bill number and your vote Aye or No. If there are amendments, list them by name and number under the bill and indicate a separate vote for each amendment.

HOUSE BILL/AMENDMENT	AYE	NO
7/2/17 Amend HB 1260 AKJ	X	
4.17 Amend SB 220, AKJ	✓	
4.17 SB 220 Amend	✓	
SB 220	✓	

SENATE BILL/AMENDMENT	AYE	NO

Rep./Sen. _____
(Signature)

Rep. M. Blasdel

S:\PROXY 2005.wpd