

SENATE BILL NO. 7

INTRODUCED BY J. COHENOUR

BY REQUEST OF THE REVENUE INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING TAX CREDITS FOR ENERGY CONSERVATION;
~~INCREASING THE CREDIT FOR ENERGY-CONSERVING EXPENDITURES AND ALLOWING IF THE~~
CREDIT FOR ENERGY-CONSERVING EXPENDITURES TO BE REFUNDED; PROVIDING A HOUSEHOLD
INCOME LIMITATION IN ORDER TO BE ELIGIBLE FOR THE CREDIT FOR ENERGY-CONSERVING
EXPENDITURES; REPEALING THE OBSOLETE CREDIT FOR UTILITIES AND FINANCIAL INSTITUTIONS
THAT MADE LOANS FOR ENERGY CONSERVATION MATERIALS; PROVIDING RULEMAKING
AUTHORITY; AMENDING SECTIONS 15-32-101, 15-32-106, 15-32-109, AND 69-3-1209, MCA; REPEALING
SECTIONS 15-32-107 AND 69-3-713, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
~~RETROACTIVE APPLICABILITY DATE~~ DATES."

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

Section 1. Section 15-32-101, MCA, is amended to read:

"15-32-101. Purpose. The purpose of this part is to encourage the use of alternative energy sources and the conservation of energy through incentive programs. The incentives are to be made available to the energy user on a basis that requires the energy user to take the initiative in obtaining a particular incentive. ~~This part allows but does not require a public utility to extend credit for energy conservation investments."~~

Section 2. Section 15-32-106, MCA, is amended to read:

"15-32-106. Procedure for obtaining benefit of deduction or credit. The department of revenue shall provide forms on which a taxpayer may apply for a tax credit under 15-32-109. The department of revenue shall approve a deduction or credit under 15-32-103 or 15-32-109 that demonstrably promotes energy conservation ~~or uses a recognized nonfossil form of energy generation. The department of revenue may refer a deduction or credit involving energy generation to the department of environmental quality for its advice, and~~

1 ~~the department of environmental quality shall respond within 60 days.~~ The department of revenue may refer a
2 deduction or credit involving energy conservation to the department of labor and industry or the department of
3 environmental quality for its advice, and the ~~department of labor and industry agency~~ shall respond within 60
4 days. The department of revenue may deny a deduction or credit that it finds to be impractical or ineffective."

6 **Section 3.** Section 15-32-109, MCA, is amended to read:

7 **"15-32-109. Credit for energy-conserving expenditures.** (1) Subject to the restrictions of
8 ~~subsection SUBSECTIONS (2) AND (3),~~ a resident individual taxpayer may take a credit against the taxpayer's tax
9 liability under chapter 30 for 25% of the taxpayer's expenditure for a capital investment in the physical attributes
10 of a building or the installation of a water, heating, or cooling system in the building, so long as either type of
11 investment is for an energy conservation purpose, in an amount not to exceed ~~\$500 \$800 \$500.~~

12 (2) The credit under subsection (1):

13 (a) ~~may not exceed~~ be refunded if it exceeds the taxpayer's tax liability; and

14 (b) is subject to the provisions of 15-32-104.

15 (3) A TAXPAYER WITH HOUSEHOLD INCOME, AS DEFINED IN 15-30-2337, OF MORE THAN \$45,000 IS NOT
16 ELIGIBLE FOR THE CREDIT PROVIDED BY THIS SECTION. THE TAXPAYER SHALL VERIFY GROSS HOUSEHOLD INCOME
17 REQUIREMENTS, AS DEFINED IN 15-30-2337, ON A FORM PRESCRIBED BY THE DEPARTMENT. APPLICANTS ARE SUBJECT
18 TO THE FALSE SWEARING PENALTIES ESTABLISHED IN 45-7-202."

20 **Section 4.** Section 69-3-1209, MCA, is amended to read:

21 **"69-3-1209. Electric utility demand-side management programs.** (1) The commission may
22 establish energy savings and peak demand reduction goals for an electric utility, taking into account the utility's
23 cost-effective demand-side management potential and the need for electricity resources.

24 (2) The commission shall permit electric utilities to implement cost-effective electricity demand-side
25 management programs and conservation in accordance with 69-3-701 through ~~69-3-713~~ 69-3-712 and this part
26 to reduce the need for additional resources.

27 (3) Every 3 years, an electric utility shall submit a report to the commission describing the demand-
28 side management programs and conservation implemented by the electric utility in the previous year. The

1 report must document:

- 2 (a) program expenditures, including incentive payments;
- 3 (b) peak demand and energy savings impacts and the techniques used to estimate those impacts;
- 4 (c) avoided costs and the techniques used to estimate those costs;
- 5 (d) the estimated cost-effectiveness of the programs;
- 6 (e) the net economic benefits of the programs; and
- 7 (f) any other information required by the commission."

8

9 **NEW SECTION. Section 5. Repealer.** The following sections of the Montana Code Annotated are
10 repealed:

11 15-32-107. Loans by utilities and financial institutions -- tax credit for interest differential for loans made
12 prior to July 1, 1995.

13 69-3-713. (Temporary) Prohibition against utility claiming conservation tax credit.

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15 **NEW SECTION. Section 6. Effective date.** [This act] is effective on passage and approval.

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17 **NEW SECTION. Section 7. Retroactive applicability -- APPLICABILITY.** ~~[This act]~~ (1) EXCEPT AS
18 PROVIDED IN SUBSECTION (2), [THIS ACT] applies retroactively, within the meaning of 1-2-109, to income tax years
19 beginning after December 31, 2020.

20 (2) [SECTION 3(3)], AMENDING 15-32-109(3), IS APPLICABLE TO INCOME TAX YEARS BEGINNING AFTER

21 DECEMBER 31, 2021.

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