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Chairman Redfield and members of the Revenue Interim Committee,

The Montana Renewable Energy Association and is a statewide membership based association of renewable energy supporters, advocates, and businesses. Our membership includes businesses that install rooftop solar, small wind, geothermal, micro-hydro, and other renewable energy technologies. It also includes Montanans from across the state who support and/or own distributed generation systems. I am writing on behalf of our members to ask the Committee to take no action on the Alternative Energy Systems Credit, and allow Montanans to continue to use this tax credit to increase their resilience and economic stability into the future.

As part of your review, you are being asked to consider this tax credits purpose. Statute provides insight: “The purpose of this part is to encourage the use of alternative energy sources and the conservation of energy through incentive programs.”¹ Further, we see the purpose of this credit as a way to help Montanans control of their energy costs, which are some of the highest in our region, and increase their resiliency. The systems that they are purchasing are allowing them to reduce their energy demands while locking in long-term energy savings, protecting them against rate increases.

Next, you are asked if this purpose is a ‘valid public purpose.’ Again, statute provides guidance. According to the Montana Legislature, these solar, wind, micro-hydro, and other such systems “stimulate Montana’s economic growth” and further the “continued diversification of the energy resources used in Montana.”² In other words, these systems have benefits that extend beyond the individual consumer who owns the system.

You are being asked if this credit is accomplishing its purpose. Plainly and simply: **yes**. Hundreds of Montanans are using this tax incentive every year. We realize the intent of this review is to look at credits that need revising or repealing. This one does not. There are certain credits, even some related to renewable energy, that are not being used at all. However, the alternative energy systems credit is actively being used, and has been used by thousands of Montanans over the years. If the Committee is concerned about the number of tax-payers claiming this credit, then it should consider ways to increase its visibility to ensure more Montanans know it is available to them.

¹ MCA § 15-32-101

² MCA § 69-8-601

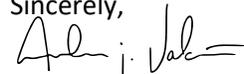
Your evaluation criteria continues by looking at the cost of the credit to accomplish its purpose. The latest Department of Revenue biennial report showed \$600,000 worth of credits claimed, but it's important to note that the actual impact to the general fund that year was much lower: \$315,904. The rest was rolled into future years. Meanwhile, sales from these systems in that same year generated approx. \$7.2MM in revenue for the small businesses in the industry. This is an industry that provides good careers in a locally based economy. If the Legislature is looking to support the growth of small businesses in Montana, these ARE those small businesses. It is also important to note that **half** of the average credit claimed (approx. \$557) is directly paid back to cities and counties in the form of fees for electrical permits, building permits, and staff review.

Yet another metric you are being asked to review is the impact the credit has on the larger economy. MREA has often shared – both with this Committee and the Legislature – that by necessity the renewable energy industry contracts with downstream industries. Electricians, plumbers, and other construction related jobs are all part of the installation process, not to mention the city and county permitting and inspection staff as mentioned above. Further, I would remind you that the industry operates statewide: Kalispell, Whitefish, Great Falls, Havre, Miles City, Missoula, Helena, Bozeman... renewable energy installers are doing business in all of these markets.

The alternative energy systems credit is achieving its intended purpose, is actively being used by Montanans across the state, and is helping stimulate local economies and increase our energy resilience. It clearly meets all of the criteria that you are considering in your review. For these reasons, we ask you to maintain this tax credit as is.

Thank you.

Sincerely,



Andrew J. Valainis

Executive Director