

1 **** BILL NO. ****

2 INTRODUCED BY ****

3 BY REQUEST OF THE ****

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING TAX CREDITS FOR ENERGY CONSERVATION;
6 INCREASING THE CREDIT FOR ENERGY-CONSERVING EXPENDITURES AND ALLOWING IT TO BE
7 REFUNDED; REPEALING THE OBSOLETE CREDIT FOR UTILITIES AND FINANCIAL INSTITUTIONS THAT
8 MADE LOANS FOR ENERGY CONSERVATION MATERIALS; AMENDING SECTIONS 15-30-2303, 15-32-
9 101, 15-32-106, 15-32-109, AND 69-3-1209, MCA; REPEALING SECTIONS 15-32-107 AND 69-3-713, MCA;
10 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 **Section 1.** Section 15-30-2303, MCA, is amended to read:

15 **"15-30-2303. Tax credits subject to review by interim committee.** (1) The following tax credits
16 **must be reviewed during the biennium commencing July 1, 2019:**

- 17 (a) the credit for income taxes imposed by foreign states or countries provided for in 15-30-2302;
18 (b) the credit for contractor's gross receipts provided for in 15-50-207;
19 (c) the credit for new or expanded manufacturing provided for in 15-31-124 through 15-31-127;
20 (d) the credit for installing an alternative energy system provided for in 15-32-201 through 15-32-203;
21 (e) **the credit for energy-conserving expenditures provided for in 15-30-2319 and 15-32-109;** and
22 (f) the credit for elderly homeowners and renters provided for in 15-30-2337 through 15-30-2341.

23 (2) The following tax credits must be reviewed during the biennium commencing July 1, 2021:

- 24 (a) the credit for commercial or net metering system investment provided for in Title 15, chapter 32,
25 part 4;
26 (b) the credit for qualified elderly care expenses provided for in 15-30-2366;
27 (c) the credit for dependent care assistance and referral services provided for in 15-30-2373 and 15-
28 31-131;

(d) the credit for contributions to a university or college foundation or endowment provided for in 15-30-2326, 15-31-135, and 15-31-136;

(e) the credit for donations to an educational improvement account provided for in 15-30-2334, 15-30-3110, and 15-31-158; and

(f) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-30-3111, and 15-31-159.

(3) The following tax credits must be reviewed during the biennium commencing July 1, 2023:

(a) the credit for providing disability insurance for employees provided for in 15-30-2367 and 15-31-132;

(b) the credit for installation of a geothermal system provided for in 15-32-115;

(c) the credit for property to recycle or manufacture using recycled material provided for in Title 15, chapter 32, part 6;

(d) the credit for converting a motor vehicle to alternative fuel provided for in 15-30-2320 and 15-31-137;

(e) the credit for infrastructure use fees provided for in 17-6-316; and

(f) the credit for contributions to a qualified endowment provided for in 15-30-2327 through 15-30-2329, 15-31-161, and 15-31-162.

(4) The following tax credits must be reviewed during the biennium commencing July 1, 2025:

(a) the credit for preservation of historic buildings provided for in 15-30-2342 and 15-31-151;

(b) the credit for mineral or coal exploration provided for in Title 15, chapter 32, part 5;

(c) the credit for capital gains provided for in 15-30-2301;

(d) the credit for a new employee in an empowerment zone provided for in 15-30-2356 and 15-31-134;

(e) the credit for an oilseed crush facility provided for in 15-32-701; and

(f) the credit for unlocking state lands provided for in 15-30-2380.

(5) The following tax credits must be reviewed during the biennium commencing July 1, 2027:

(a) the biodiesel or biolubricant production facility credit provided for in 15-32-702;

(b) the biodiesel blending and storage credit provided for in 15-32-703;

- 1 (c) the adoption tax credit provided for in 15-30-2364;
- 2 (d) the credit for providing temporary emergency lodging provided for in 15-30-2381 and 15-31-171;
- 3 (e) the credit for hiring a registered apprentice or veteran apprentice provided for in 15-30-2357 and
- 4 15-31-173;
- 5 (f) the earned income tax credit provided for in 15-30-2318; and
- 6 (g) the media production and postproduction credits provided for in 15-31-1007 and 15-31-1009.
- 7 (6) The revenue interim committee shall review the tax credits scheduled for review in the biennium of
- 8 the next regular legislative session, including any individual or corporate income tax credits with an expiration or
- 9 termination date that are not listed in this section, and make recommendations to the legislature about whether
- 10 to eliminate or revise the credits. The legislature may extend the review dates by amending this section. The
- 11 revenue interim committee shall review the credits using the following criteria:
- 12 (a) whether the credit changes taxpayer decisions, including whether the credit rewards decisions that
- 13 may have been made regardless of the existence of the tax credit;
- 14 (b) to what extent the credit benefits some taxpayers at the expense of other taxpayers;
- 15 (c) whether the credit has out-of-state beneficiaries;
- 16 (d) the timing of costs and benefits of the credit and how long the credit is effective;
- 17 (e) any adverse impacts of the credit or its elimination and whether the benefits of continuance or
- 18 elimination outweigh adverse impacts; and
- 19 (f) the extent to which benefits of the credit affect the larger economy."

20

21 **Section 2.** Section 15-32-101, MCA, is amended to read:

22 **"15-32-101. Purpose.** The purpose of this part is to encourage the use of alternative energy sources

23 and the conservation of energy through incentive programs. The incentives are to be made available to the

24 energy user on a basis that requires the energy user to take the initiative in obtaining a particular incentive. ~~This~~

25 ~~part allows but does not require a public utility to extend credit for energy conservation investments."~~

26

27 **Section 3.** Section 15-32-106, MCA, is amended to read:

28 **"15-32-106. Procedure for obtaining benefit of deduction or credit.** The department of revenue

1 shall provide forms on which a taxpayer may apply for a tax credit under 15-32-109. The department of revenue
2 shall approve a deduction or credit under 15-32-103 or 15-32-109 that demonstrably promotes energy
3 conservation ~~or uses a recognized nonfossil form of energy generation. The department of revenue may refer a~~
4 ~~deduction or credit involving energy generation to the department of environmental quality for its advice, and~~
5 ~~the department of environmental quality shall respond within 60 days.~~ The department of revenue may refer a
6 deduction or credit involving energy conservation to the department of labor and industry or the department of
7 environmental quality for ~~its~~ advice, and the ~~department of labor and industry~~ agency shall respond within 60
8 days. The department of revenue may deny a deduction or credit that it finds to be impractical or ineffective."

9
10 **Section 4.** Section 15-32-109, MCA, is amended to read:

11 **"15-32-109. Credit for energy-conserving expenditures.** (1) Subject to the restrictions of
12 subsection (2), a resident individual taxpayer may take a credit against the taxpayer's tax liability under chapter
13 30 for 25% of the taxpayer's expenditure for a capital investment in the physical attributes of a building or the
14 installation of a water, heating, or cooling system in the building, so long as either type of investment is for an
15 energy conservation purpose, in an amount not to exceed ~~\$500~~ \$800.

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

- 17 (a) may ~~not exceed~~ be refunded if it exceeds the taxpayer's tax liability; and
18 (b) is subject to the provisions of 15-32-104."

19
20 **Section 5.** Section 69-3-1209, MCA, is amended to read:

21 **"69-3-1209. (Effective July 1, 2020) Electric utility demand-side management programs.** (1) The
22 commission may establish energy savings and peak demand reduction goals for an electric utility, taking into
23 account the utility's 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 6. {standard} Repealer.** The following sections of the Montana Code

10 Annotated are 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.

14

15 **NEW SECTION. Section 7. {standard} Effective date.** [This act] is effective on passage and
16 approval.

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18 **NEW SECTION. Section 8. Retroactive applicability.** [This act] applies retroactively, within the
19 meaning of 1-2-109, to income tax years beginning after December 31, 2020.

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21 - END -