



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
RYAN RAUSCHENBERGER, COMMISSIONER

Memorandum

TO: Senator Rich Wardner, Chairman
Energy Development and Transmission Committee

FROM: Ryan Rauschenberger
Tax Commissioner

RE: Estimated fiscal impact of making permanent the sales tax exemption for materials used in the construction of Wind-Powered Electrical Generating Facilities

DATE: October 10, 2016

The fiscal impact of a proposal to eliminate the sunset on the existing sales tax exemption for materials used in the construction of a wind-powered electrical generating facility depends on the number and size of wind turbines installed in North Dakota in the 2017-19 biennium. The exact number of wind turbines likely to be completed and installed in the biennium is unknown.

If there are 500 megawatts of wind energy coming online in the next biennium for which construction will have been completed after January 1, 2017, the estimated fiscal impact of the sunset removal is a reduction in total state sales tax revenues of \$20 to \$30 million. This assumes an average total cost per megawatt of \$1.5 to \$1.8 million, with material costs equaling about 70% of the total cost.

Because of the unknowns, it is likely my office will submit an official fiscal note on this legislation with the information contained in this memo offered for the Legislature's benefit in the narrative section, but without actual dollar amounts placed in the numeric section of the note.