APPENDIX C

ELECTRICITY TAXATION IN NORTH DAKOTA + FEDERAL TAXATION

State Taxation	Natural Gas	Wind	Coal
Property Tax	Electricity generated from sources other than wind or coal is subject to an in lieu of property tax of - $0.50 per kW (X) rated capacity of generator, and; -One mill per kWh of electricity generated: **Example**: A 135 MW natural gas peaker plant would pay $67,500 per year (135,000 KW x $0.50) and also $464,727 if it operated at 39% of rated capacity. Property tax per-kWh basis is $0.001145 ($1.15 per MWh)	A wind farm which has completed construction **after Dec 31, 2014** is subject to a tax of - $2.50 per kW (X) the rated capacity -1/2 of one mill per kWh of electricity generated -Wind farms completed **before Jan 1, 2015** are subject to a tax rate of 1.5% of taxable value **Example (1)**: A 209 MW wind farm constructed after Dec 31, 2015 would pay $521,250 (208500 kW x $2.50) and also $294,122 at roughly a 32% of rated capacity. Property tax per-kWh is $0.00138 ($1.37 per MWh) **Example (2):** A 150 MW wind farm build in 2009 is paying $355,000 under the market value system. Property tax per-kWh is $0.000844 ($0.844 per MWh)	.65 mills (X) 60% of Installed Capacity (X) hours .25 mills per kWh of electricity produced for sale -NOTE: A **new** coal-burning electrical generating unit is exempt from the state portion of the conversion tax for 5-years -A carbon capture credit of up to 50% of the state portion of tax is available **Example:** An existing 256 MW coal-burning electrical generation unit would pay $875,282 per year on capacity (256,200 x 60% x .00065 x hours in a year) and roughly $392,116 on production operating at 63% of capacity Property tax per-kWh is $0.000895 ($0.895 per MWh)
Severance/Extraction Tax on Fuel	$0.0601 per MCF **Example:** Gross Production Tax embedded in the price of natural gas for the year is 4,698,389 MCF x $0.0601 = $282,373 Property tax per-kWh is $0.0006 ($0.60 per MWh)	None	$0.395 per ton ($0.02 goes to Lignite Research Fund) **Example:** Coal Severance Tax embedded in the price of coal for the plant is 1,500,000 tons x $0.395 = $585,000 Property tax per-kWh is $0.000413 ($0.40 per MWh)
Sales Tax	Equpment Exempt from Sales Tax Sale of Electricity Exempt from Sales Tax	Equpment Exempt from Sales Tax if constructed by Dec. 31 2016 Sale of Electricity Exempt from Sales Tax	Equpment Exempt from Sales Tax Sale of Electricity Exempt from Sales Tax
State Income Tax	Cooperative vs. IOU vs. Independent Power Producer	Cooperative vs. IOU vs. Independent Power Producer -Wind farms commenced before Jan 1, 2015 and installed before Jan 1, 2017 received an income tax credit equal to 15% percent of the project cost. Much of the credits earned have not been able to be utilized.	Cooperative vs. IOU vs. Independent Power Producer

Federal Taxation

Depreciation	15-year Depreciation	5-year Depreciation	20-year depreciation
Income Tax Credit	N/A	For the first ten years of opeation a $0.023/kWh ($23.00 per MWh) credit is offered for wind facilities commencing construction before Jan 1, 2017 -For wind facilities commencing construction in 2017, the PTC amount is reduced by 20% -For wind facilities commencing construction in 2018, the PTC amount is reduced by 40% -For wind facilities commencing construction in 2019, the PTC amount is reduced by 60%	N/A

ND Tax
NORTH DAKOTA