

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2033 (2/85) 3M



ROLL NUMBER
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DESCRIPTION

| 192 |

2001 HOUSE FINANCE AND TAXATION

HB 1221

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1221

House Finance and Taxation Committee

Conference Committee

Hearing Date January 24, 2001

Tape Number	Side A	Side B	Meter #
1		X	3,669
Committee Clerk Signature <i>Jamie Klein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing.

**REP. DALE SEVERSON,** Introduced the bill. This bill provides an opportunity for developers to take the sales tax portion out of the bill. Our legislature, in 1999, did this for our oil refinery in Mandan. It provides an incentive for wind developers to come to our state to set up wind towers. He proposed amendments to the bill. He related to the emergency clause on the bill. If we get the opportunity to put up the wind plant, we could start construction as early as May, 2001, that is why the emergency clause is added to the bill.

**REP. CARLSON** It talks about the capacity of one hundred kilowatts, will that take care of all of the units that are being built?

**REP. SEVERSON** Yes, one hundred kilowatts, or one megawatt.

**REP. CARLSON** This bill does not have an ending date, we may address some of those issues.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION 1-31-01, Tape #2, Side A, Meter #4750**

**REP. CLARK** Made a motion to adopt amendments which would give a sales and use tax exemption.

**REP. WIKENHEISER** Second the motion. **MOTION CARRIED BY VOICE VOTE.**

**REP. BRANDENBURG** Presented another amendment which would add an emergency clause so the wind towers could be built right away. He also had an amendment which would add an end date of ten years to the exemption.

**REP. WIKENHEISER** Second the motion. **MOTION CARRIED BY VOICE VOTE.**

**REP. BRANDENBURG** Reviewed the site contracts for the wind towers with committee members. He presented a copy of the contracts for each committee member.

**REP. DROYDAL** Made a motion for a **DO PASS AS AMENDED.**

**REP. KELSH** Second the motion. **MOTION CARRIED**

15 Yes      0 No      0 Absent\

**REP. KELSH** Was given the floor assignment.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/15/2001

Bill/Resolution No.: HB 1221

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1221 redefines power plants subject to the existing sales tax exemption to include wind-powered electrical generating facilities.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The baseline forecast does not specifically assume the construction of a large-scale wind-powered electrical generating facility in the revenue forecast for the next biennium. Therefore, this bill will not reduce the current forecasted revenues. If HB 1221 is enacted, however, each subsequent tower that would be erected would receive a sales tax exemption of approximately \$30,000. (This assumes tax-exempt components, including the steel frame, blades, wiring and the turbine itself, of \$600,000 per tower.)

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/23/2001

Date: 1-31-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1221

House FINANCE & TAXATION Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as amended

Motion Made By Rep. Drovdal Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep Kelsh

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

HB 1221: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1221 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "and" and after "date" insert "; and to declare an emergency"

Page 1, line 14, after "facility" insert ", on which construction is completed before January 1, 2011"

Page 2, line 3, after "facility" insert ", on which construction is completed before January 1, 2011"

Page 2, after line 8, insert:

**"SECTION 4. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly



2001 SENATE FINANCE AND TAXATION

HB 1221

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1221

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 3/14/01

Tape Number	Side A	Side B	Meter #
1	x		0-51.9
2	x		10.2-26.4
Committee Clerk Signature <i>Supriya K. Singh</i>			

Minutes:

Senator Urlacher: Opened the hearing on HB 1221, relating to sales and use tax exemptions for certain wind powered electrical generating facilities.

Representative Bill Devlin: Co-sponsored the bill, testified in support of 1221, 1222, and 1223.

Wind energy may provide the opportunity to reverse the trend of out migration and bring economic development opportunity to our farms, our communities, and our people. We have a marvelous opportunity to start the harvesting of an asset and turn it into energy and dollars for our state. Through this process, we can create not only good opportunities for our people, we have a once in a lifetime opportunity to make this happen. The time is now, and we are the legislature that can make it work. We can work hand in hand with the coal industry to meet joint needs for transmission lines that will export power created by both industries, we don't need to see competition between the industries in ND, instead we must look at collaborating between everybody.

Senator Terry Wunzek: Co-sponsored the bill, testified in support of all three bills. I see this as a very viable, potentially beneficial economical development for our state that could help bring new dollars into the state. What have we got to loose by considering this legislation? There will be no property tax abatements extended unless there is generating plants built. We're extending an opportunity for our state to bring outside development into the state. Something that we desperately need, something to bring dollars and high-tech jobs into the state.

Representative Mike Brandenburg: Co-sponsored the bill, testified in support of all three bills. This legislation has been a bipartisan effort by legislators working towards wind energy development. In this bill, in the construction phase of wind turbines, the sales tax would be removed.

Representative Dale Severson: Co-sponsored the bill, testified in support of all three bills. This bill is designed to provide an opportunity for wind generation that occurs within the next decade to have the sales tax removed on the equipment that's purchased for it. Griggs-Steele is the only district in the state that has made a proposal for wind energy to Excel in Minnesota. We are still waiting for the short list to see if we're on that. This provides a mechanism to put us on a level playing field with other states that have bid, there were nine bids. We think that by passing this legislation, would put us on the level field with the other bidders. This provides the developer to make a contract with farmers, with the people he's buying the equipment from, as well as bid for the known fixed cost. It's also an incentive to provided economic growth. We put on the Emergency Clause in the House because of our bid that's already placed. If we get the bid, we could actually be up and running before the law would be enacted.

Senator Urlacher: The first move is to identify where the most favorable locations are?

Representative Dale Severson: That is correct. And I think you'll hear testimony that that has already been done for our state.

Senator Christmann: Is there some evidence that eliminating the sales tax on the supplies would entice the building of one, or are we just doing them a favor on something they're going to build anyway?

Representative Dale Severson: The other states have removed the tax. We had a bill in 1999 that removed the sales tax on all the equipment used for the Mandan Refinery, it was used to provide incentive to keep people doing what they're doing. It just levels the playing field with other states that do provide that.

Senator Christmann: The other states have taken the same adjustment?

Representative Dale Severson: We're not real sure. I don't know that every state has, I know that MN has. They're our key competition.

Senator Kroepelin: Co-sponsored the bill, testified in support of all three bills. Wind energy is probably the purest form of economic development that we could have. Turning wind into electricity and then into cash, you couldn't ask for anything better. It create new wealth, and that opportunity doesn't come along that often.

Jay Haley: EAPC Arch. Engineers in Grand Forks, testified in support of all three bills. Written testimony and map attached. Went through testimony and explained map.

Senator Urlacher: In regard to the \$2,000 land-lease payments, how many generators does that involve?

Jay Haley: 57.

Senator Wardner: Is it feasible to go west with the transmission lines with the energy needs out that way?

Jay Haley: There's a bottleneck between our grid and the western grid. Right now, that bottleneck is about a 200 MW bottleneck. They need to upgrade that in order to export more power to the west. That could happen in the next 5-10 years.

Senator Nichols: Would there have to be cooperation with regard to transmission lines, do they have that commitment at this time if there were to be some construction done?

Jay Haley: In order to put in that bid, we have to prove that we could get the power to Minneapolis. If we can't deliver the power, we're not going to be in the running for the bid.

Senator Nichols: With regard to the land-lease payments to landowners, how are these set up?

Jay Haley: Each company has their own lease agreement. 15-20 years is a typical term of an agreement. The average is \$3,000-4,000.

Senator Christmann: Why is the bill asking for a tax credit for up to \$30,000 a year?

Jay Haley: ND is not very well situated in terms of a favorable climate for wind development. MN and other states have climates that are much more conducive to wind development. MN has additional incentives that we simply can't compete with.

Senator Christmann: Why do we need \$30,000 if the average is \$3,00-4,000?

Jay Haley: The tax credit that you're referring to does not go to the landowner. A wind developer will finance these projects. The credit goes to the developer.

Mike Hohl: President of DMI, a wind tower manufacturing company in West Fargo, testified in support of all three bills. Used to manufacture equipment for sugar beet industry. Realized the need to change in the agriculture industry. We now manufacture wind towers. To us, it is an economic development question. We have 120 employees that would not have a job if it was not for wind energy. The industry is going to grow and we need to be a part of it. We currently have orders for a number of other states. We are committed to this industry. The tower that we sell is

