

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1223

2001 HOUSE FINANCE AND TAXATION

HB 1223

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1223

House Finance and Taxation Committee

Conference Committee

Hearing Date January 24, 2001

Tape Number	Side A	Side B	Meter #
1		X	4,294

Committee Clerk Signature

Janice Stein

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing and read the fiscal note.

REP. DALE SEVERSON, DIST. 23, Introduced the bill. He stated it is unknown what impact the bill will have.

REP. DROYDAL All this bill says is that the land owner doesn't have to own the land that he is putting a wind generator on, he can lease the land and get the same credit?

REP. SEVERSON That is correct.

JOSEPH BECKER, STATE TAX OFFICE, Appeared before the committee to answer a question. He stated this can only be used on the long form. It is for all taxpayers.

HARLAN FUGLESTEN, NORTH DAKOTA ASSOCIATION OF RURAL ELECTRIC COOPERATIVES, Testified in support of all of the wind bills, HB 1221, 1222 and 1223.

DALE NIEZWAAG, BASIN ELECTRIC COOPERATIVES, Testified in support of all of the wind bills, HB 1221, 1222, and 1223. See attached written testimony.

BRUCE KOPP, XCEL ENERGY, Testified in support of the bill. See written testimony.

STEVE SCHULTZ , OTTER TAIL POWER Testified in support of the bill of all wind bills,
#1221, 1222 and 1223.

MARK BRING, MINNKOTA POWER COOPERATIVE, Testified in support of the bill.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-31-01, Tape #3, Side A, Meter #635

REP. BRANDENBURG Presented an amendment which would change some language from
five percent to three percent tax credit for five years.

REP. BRANDENBURG Made a motion to adopt the amendment as presented.

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

REP. DROVDAL Made a motion to amend the bill by adding an end date.

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

REP. BRANDENBURG Presented another amendment regarding Section 2, which would
cover partnerships, limited liability corporation, etc. It would cover all people involved in this
section.

REP. BRANDENBURG Made a motion to adopt this amendment.

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

CLARK VOTED NO.

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

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

14 YES 0 NO 1 ABSENT

REP. GROSZ Was given the floor assignment.

COMMITTEE ACTION 2-6-01, TAPE #1, SIDE B, METER #2100

JOHN WALSTAD Appeared before the committee to explain an amendment 10296.0201 which amends the engrossed bill. He stated he became aware of a potential problem after the bill was engrossed. The problem is, if there are people out there who have installed a facility last year, what happens to them. If the device was installed before January 1, of this year, then the credit is five percent per year for three years, just like it has been in previous law. Beginning January 1, of this year, a new facility will then get the three percent for five year treatment. Another change is replacing 2001 with 2011, and then there is a change in the title of the bill.

REP. RENNER Made a motion to adopt the amendment has presented.

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

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

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

13 YES 0 NO 2 ABSENT

REP. GROSZ Was given the floor assignment.

FISCAL NOTE
 Requested by Legislative Council
 02/09/2001

Bill/Resolution No.:

Amendment to: Engrossed
 HB 1223

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
Revenues						
Expenditures						
Appropriations						

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.*

Reengrossed HB 1223 allows leased property to qualify for the geothermal, solar, or wind energy tax credit, and alters the credit to be 3% of the cost of acquisition and installation per year for five years.

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.*

For each \$1,000,000 wind tower installed in ND, the property owner or lessor would receive a tax credit equal to \$30,000 or their income tax liability, whichever is less, for the first five years of operation. The baseline forecast does not specifically include the building of large-scale wind-powered electrical generating facilities in the next biennium. It is unknown whether a developer of such a facility would incur an income tax liability sufficient to utilize all or part of this credit.

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.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/15/2001

FISCAL NOTE
 Requested by Legislative Council
 01/15/2001

Bill/Resolution No.: HB 1223

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
Revenues						
Expenditures						
Appropriations						

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 1223 allows property leased in North Dakota to qualify for the geothermal, solar, or wind energy tax credit.

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.*

Subsection 1 of section 57-38-01.8 NDCC allows taxpayers a tax credit equal to 5% of the cost of acquisition and installation of the geothermal, solar, or wind energy device per year for three years. If HB 1223 is enacted, a taxpayer who leases property in North Dakota and installs a \$1,000,000 wind tower would receive a credit equal to \$50,000 or their income tax liability, whichever is less, for the first three years of operation. The baseline forecast does not specifically include the building of large-scale wind-powered electrical generating facilities. Additionally, it is unknown whether a developer of such a facility would incur an income tax liability sufficient to utilize all or part of this credit.

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.

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

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

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1223

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. Brandenburg

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	A	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Grosz

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

REPORT OF STANDING COMMITTEE

HB 1223: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1223 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "subsection 1 of"

Page 1, line 5, replace "Subsection 1 of section" with "Section"

Page 1, after line 6, Insert:

"57-38-01.8. Income tax credit for installation of geothermal, solar, or wind energy devices."

Page 1, line 9, after "installed" insert "before January 1, 2001,"

Page 1, line 11, overstrike "five" and insert immediately thereafter "three" and overstrike "three" and insert immediately thereafter "five"

Page 1, after line 14, insert:

"2. For the purposes of this section:

- a. "Geothermal energy device" means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.
 - b. "Solar or wind energy device" means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by a method which converts the natural energy of the sun or wind.
3. If a geothermal, solar, or wind energy device is a part of a system which uses other means of energy, only that portion of the total system directly attributable to the cost of the geothermal, solar, or wind energy device may be included in determining the amount of the credit. The costs of installation may not include costs of redesigning, remodeling, or otherwise altering the structure of a building in which a geothermal, solar, or wind energy device is installed.
4. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity that installs a geothermal, solar, or wind energy device in a building or on property owned or leased by the passthrough entity must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed with respect to the entity's investments must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity."

Renumber accordingly

