

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2382

2001 SENATE FINANCE AND TAXATION
SB 2382

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2382

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/5/01

Tape Number	Side A	Side B	Meter #
1		x	34.5-end
2	x		0-2
2/12/01 - 1		x	16.9-25
Committee Clerk Signature <i>Rynelle [Signature]</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2382, relating to a credit for alternative energy devices on the short-form income tax return.

Senator Thane: Co-sponsored the bill, testified in support. We should be looking seriously at legislation that would encourage people to switch to alternative energy sources.

Senator Harvey Tallackson: Co-sponsored the bill, testified in support. Anything we can do to encourage individuals, this would be a step in the right direction.

Harlan Fuglesten: ND Assoc. of REC, testified in support. Explained that C.F. Marhula, from Nodak Electric Cooperative, could not be there to testify. Provided his absentee testimony and went over it. Testimony attached. Also, Ottertail Power Company is in support of the bill. I think the fiscal note is pretty much right on. On the behalf of our cooperatives, we urge a do pass.

Senator Stenehjem: Is the fiscal note only for heat pumps?

Harlan Fuglesten: As I understand it, the fiscal was prepared primarily on the basis of heat pumps.

Senator Stenehjem: What's considered alternative devices or sources?

Harlan Fuglesten: The common types are wind, solar, & geothermal.

Kim Christianson: Division of Community Services, testified neutrally. Confirmed the three devices. There hasn't been much activity on these but this, by being able to use the short form, might increase that activity.

Senator Christmann: Is this just for individual income taxes?

Kim Christianson: This is for any ND taxpayer, whether it's for an individual or corporation.

Senator Stenehjem: This would grab the more small investors rather than the large ones because they're already getting the credit on the long form, right?

Kim Christianson: There is another bill that has language to allow those corporations to claim those credits.

Senator Stenehjem: The only difference between what's happening today and what this bill does is it brings those tax credits from the long form to the short form. Anybody who has a sizable amount of credit built up because they're doing some large project is already getting the credit today under existing law.

Kim Christianson: I agree with that. This really is directed for the small ones.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/12/01. Meter number 16.9-25.

COMMITTEE ACTION: 2/12/01

Motion made by Senator Nichols for a DO NOT PASS, Seconded by Senator Wardner.

Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Nichols.

FISCAL NOTE

Requested by Legislative Council

01/29/2001

Bill/Resolution No.: SB 2382

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			(\$102,000)			
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.*

SB 2382 provides, on the short form, the alternative energy devices tax credit that is currently available only on the long form.

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.*

If enacted, SB 2382 is expected to reduce state general fund revenues by \$102,000 during the 01-03 biennium.

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, on 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
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Phone Number: 328-3402

Date Prepared: 02/02/2001

Date: 2/12/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2382

Senate Finance and Taxation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Nichols Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Nichols

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 12:27 p.m.

Module No: SR-25-3043
Carrier: Nichols
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2382: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2382 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

SB 2382

**BEFORE THE FIFTY-SEVENTH LEGISLATIVE ASSEMBLY
OF THE STATE OF NORTH DAKOTA**

Testimony Presented to the Senate Finance and Taxation Committee

February 5, 2001

Senate Bill No. 2382

Honorable Chair and Committee Members, this testimony is presented to you on behalf of Nodak Electric Cooperative, Inc. I apologize that I am unable to appear before you on behalf of this bill.

Nodak Electric Cooperative, Inc. strongly urges your support of Senate Bill 2382. Senate Bill 2382 allows an income tax credit for installation of a geothermal, solar or a wind energy device to be used on the short form income tax return. Currently, approximately 97% of North Dakota tax returns are filed on the short form. This means that the current credit is really not effective in promoting alternative energy sources that are environmental-friendly.

In particular, I will address the geothermal installations. Geothermal installations, or ground source heat pumps, are recognized as the most energy-efficient means of heating and cooling a home today. The Environmental Protection Agency recognizes the positive impact ground source heat pumps have on the overall environment of the earth. Unfortunately, they are ~~much~~ more expensive to install than conventional heating and cooling systems.

Some of the benefits of this type of heating and cooling system are enumerated below:

1. Reduced heating and cooling costs for North Dakota citizens.
2. Improved environment for the state of North Dakota.
3. Use of North Dakota resources such as lignite and coal-fired generation plants.

This is also a unique bill in that it is my understanding all electric utilities in the state support it. I have been in personal contact with Xcel spokesmen and Otter Tail spokesmen and do know they support the bill. I believe MDU and the municipalities also support this bill, but I have not been able to personally confirm this.

The bill does have approximately a \$100,000 impact on revenue to the state over the next biennium. Part of this financial impact would be offset by the additional sales tax revenue on equipment used. Installers estimated that approximately \$3,000 worth of additional equipment is installed on a typical ground source heat pump system. There is also an additional \$3,000 cost of labor for a total of \$6,000. The state would gain the sales tax on the \$3,000 worth of equipment, and there would be some additional income tax from the \$3,000 worth of labor.

This bill has support from the environmental community and the utility community. Given the huge increase in cost to many North Dakota consumers this year through "wholesale power cost" adjustments, it is important we give homeowners and builders an opportunity to reduce and control their energy costs. The benefits to the state and its citizens far outweigh the minor loss of revenue.

CONCLUSION

On behalf of Nodak Electric Cooperative, Inc., I respectfully urge this committee to give Senate Bill 2382 a strong "do pass" designation allowing a credit for alternative energy devices to be taken on the short form income tax return.

C. T. Marhula
Business/Marketing Manager
Nodak Electric Cooperative, Inc.
Grand Forks, ND