



Summary of Legislation Affecting the Department of Revenue

60th Legislative Assembly
2007 Special Legislative Session



May 2007

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Tax Incentives for Energy Development

HB 3 Tax incentives for energy development

Sponsor: Llew Jones

Description:

This bill places the following property in Class 14, which is taxed at 3%:

- Biodiesel production facilities started after June 1, 2007;
- Biogas production facilities started after June 1, 2007;
- Biomass gasification facilities;
- Coal gasification facilities that sequester carbon dioxide;
- Ethanol production facilities started after June 1, 2007 and not using foodstuffs as feedstock;
- Geothermal facilities;
- Integrated gasification combined cycle facilities that sequester carbon dioxide;
- Renewable energy manufacturing facilities started after June 1, 2007;
- Natural gas combined cycle facilities;
- Equipment used to capture carbon dioxide for sequestration started after December 31, 2007;
- High voltage DC transmission lines originating in eastern Montana started after July 1, 2007;
- Transmission lines connecting a Class 14 generation facility to the transmission grid started after June 1, 2007; and
- The portion of an AC transmission line started after June 1, 2007 that is committed by firm contract to carry electricity from Class 14 generation facilities.

To be placed in Class 14, the standard prevailing heavy construction wages must have been paid during construction.

This bill creates a new property class, Class 15, which is taxed at 3% and contains the following:

- Pipelines certified by the Department of Environmental Quality as being used to transport carbon dioxide for sequestration;
- Pipelines certified by the Department of Environmental quality as having 90% of capacity dedicated to transporting fuels produced by coal gasification, biodiesel, biogas, or ethanol facilities;
- Carbon sequestration equipment;
- Closed-loop enhanced oil recovery equipment; and
- Pipelines connecting a Class 14 fuel production facility to an existing pipeline system.

To be placed in Class 15, the standard prevailing heavy construction wages must have been paid during construction.

This bill also creates a new property class, Class 16, which is taxed at 2.25% and

which contains high voltage DC converter stations located so that they can direct power to two different regional grids. The Department of Environmental Quality is to certify that a facility is eligible to be placed in Class 16, except that the Department of Revenue is to determine whether it can be used to direct power to two different regional grids. To be placed in Class 15, the standard prevailing heavy construction wages must have been paid during construction.

This bill allows for a 50% abatement of all state and local property taxes on the following:

- Biodiesel production facilities started after June 1, 2007;
- Biogas production facilities started after June 1, 2007;
- Biomass gasification facilities started after June 1, 2007;
- Coal gasification facilities started after June 1, 2007 that sequester at least 65% of the carbon dioxide produced (if part of an integrated gasification combined cycle facility, an air quality permit must have been applied for before January 1, 2015);
- Ethanol production facilities started after June 1, 2007 and not using foodstuffs as feedstock;
- Geothermal facilities started after June 1, 2007;
- Renewable energy manufacturing facilities started after June 1, 2007;
- Up to \$1 million of clean advanced coal research and development equipment placed in service after June 30, 2007;
- Up to \$1 million of renewable energy research and development equipment placed in service after June 30, 2007;
- Natural gas combined-cycle facilities started after June 1, 2007 that purchase offsets for a percentage of the carbon dioxide produced, with the percentage determined by DEQ in rules;
- Electric transmission lines started after June 1, 2007 and classified as Class 14 property;
- DC converter stations started after June 1, 2007 and classified as Class 16 property;
- Carbon sequestration equipment; and
- Pipelines classified as Class 15 property.

Taxes are abated for the first fifteen years of operation and up to four years of construction. To receive the abatement, a facility must be certified by the Department of Environmental Quality.

This bill provides a property tax exemption for land within 660 feet of the centerline of the right-of-way or easement for an electric transmission line with design capacity of at least 30 MVA constructed after January 1, 2007. The exemption is not available: for property within the boundaries of a city or town; for a platted and filed subdivision; for land used for residential, commercial, or industrial purposes; or for one-acre farmsteads on qualified or non-qualified ag land.

The transmission line owner or operator, not the land owner, is to apply to the

department for the exemption. There must be a separate application in each county.

Fiscal Impact to General Fund:

FY2008	-\$2,500
FY2009	\$72,000
FY2010	\$16,831
FY2011	\$16,831

Other Fiscal Impact:

University system: \$4,600 in FY 2009 and \$1,148 in FY 2010 and FY 2011.

In the long term, this bill will increase revenue if the incentives it contains result in facilities to be built that would not be built otherwise. It will decrease revenue if it reduces taxes on facilities that would be built anyway.

Effective Date: Effective on passage and approval.

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