

Chair Bell and members of the finance and tax committee.

For the record I am Jeff Delzer state representative from district 8, which is the eastern part of McLean county and most of rural Burleigh county.

I appear before you today in support of house bill 1412. It is a bill which if passed will give a 60% 5-year tax holiday to the coal conversion tax. The counties, cities and research funds will be held whole.

I have attached flow charts from the current tax structure to the proposed tax structure. Also attached is a history of the taxes that the industry has supplied to the state since we started using our lignite resource to create electricity. As you can see the total taxes paid have been over 800 million dollars. A lot of that at a time when the tax was a considerable contribution to the state revenues.

There will be others that may tell you better why this should be granted. My thoughts are that we cannot afford to ignore the challenges which this industry faces. The industry has done many improvements in environmental issues. We in North Dakota enjoy some of the best air and water quality in the nation and likely the world. We should be proud of what the industry has done.

We still have challenges like further reducing carbon and competing with federally subsidized green energy. This will give the industry some relief to better compete with other forms of generation and the end goal will be to keep the thousands of our friends and neighbors who have and continue to make their living as the workforce related to coal.

The bill will reduce the general fund taxes by roughly ^{17.75}~~15~~ million per year a total of ^{88.75}~~75~~ million and it goes for all coal fired generating plants in the state. The bill sunsets in the middle of the biennia.

I hope you will support the bill and our coal industry. I would be glad to go through the attachments and would try to answer question of the committee.

Delzer, Jeff W.

From: Mathiak, Adam
Sent: Friday, January 15, 2021 6:43 PM
To: Delzer, Jeff W.
Cc: Knudson, Allen H.
Subject: Coal Tax Deposits in General Fund

Representative Delzer:

This email is in response to your question regarding coal tax collections deposited in the general fund and the estimated fiscal impact of proposed bill draft [21.0817.04000].

The schedule below provides information on the actual coal severance tax collections and coal conversion tax collections deposited in the general fund since the 1969-71 biennium.

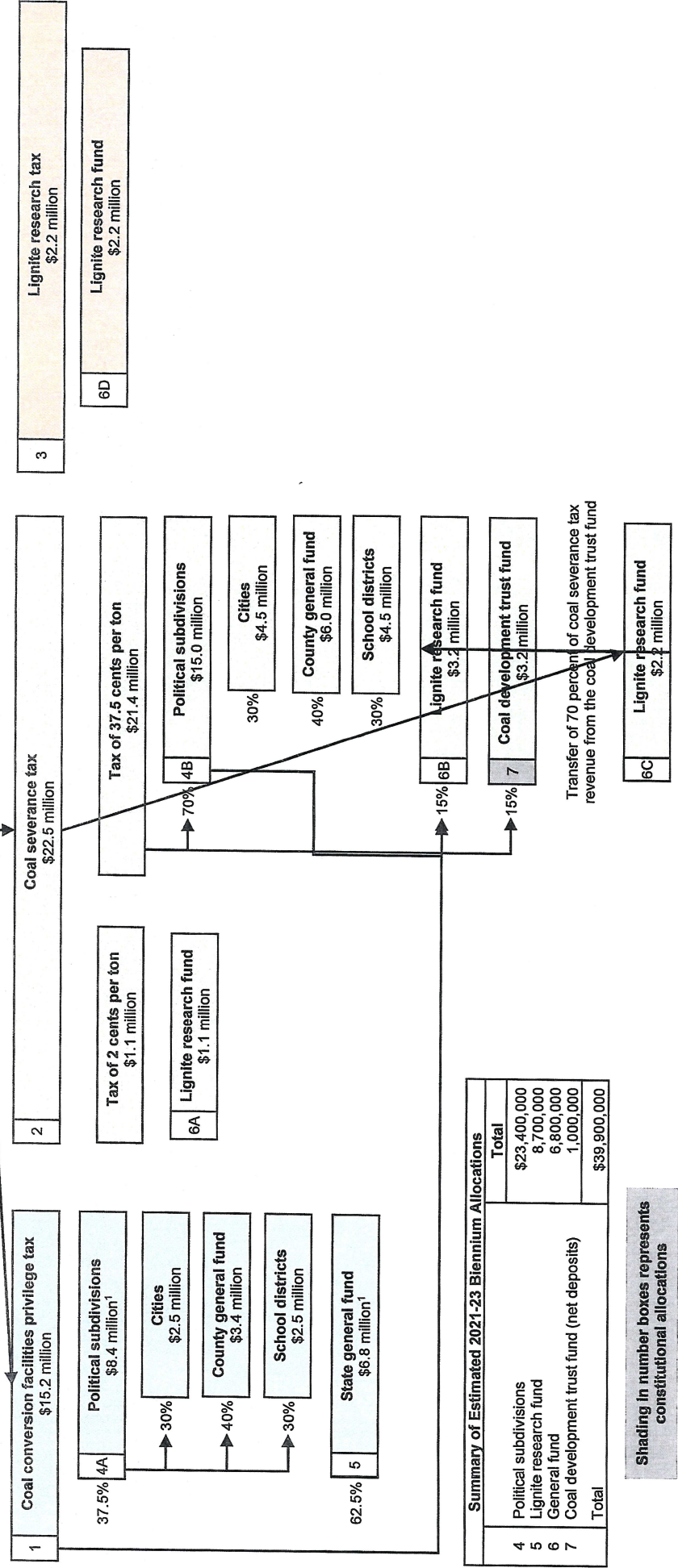
Biennium	Coal severance tax	Coal conversion tax
1969-71	\$0	\$0
1971-73	0	0
1973-75	0	0
1975-77	3,132,116	0
1977-79	5,947,886	2,701,006
1979-81	9,020,972	3,868,174
1981-83	10,561,927	4,789,601
1983-85	15,935,133	17,748,691
1985-87	15,939,783	16,951,091
1987-89	20,950,460	18,113,775
1989-91	21,924,265	18,648,878
1991-93	23,244,128	19,557,661
1993-95	23,828,544	22,960,212
1995-97	22,245,267	24,064,781
1997-99	22,596,137	23,786,790
1999-2001	22,173,854	25,672,170
2001-03	0	46,878,511
2003-05	0	47,196,831
2005-07	0	49,217,864
2007-09	0	49,438,952
2009-11	0	39,064,299
2011-13	0	38,399,414
2013-15	0	40,767,149
2015-17	0	43,669,236
2017-19	0	44,572,709
Total	\$217,500,472	\$598,067,795

The schedule below provides information on the preliminary estimated fiscal impact of proposed bill draft [21.0817.04000]. The amounts shown are based on the actual collections from the 2017-19 biennium, which is the most recent information available in the Tax Department's publications. The amounts shown in the fiscal note may vary from these amounts.

	Current Law	Proposed Bill Draft	Increase (Decrease)
Tax collections	\$52,930,000	\$23,820,000	(\$29,110,000)
Allocations			
Counties	\$8,360,000	\$8,360,000	\$0
General fund	42,340,000	13,230,000	(29,110,000)
Lignite research fund	2,230,000	2,230,000	0
Total allocations	\$52,930,000	\$23,820,000	(\$29,110,000)

2021-23 BIENNIUM COAL TAXES - PROPOSED CHANGES

**Collected by the Tax Department
Distributed by the State Treasurer
\$39.9 million**



Shading in number boxes represents constitutional allocations

FOOTNOTES

¹The amounts shown for the allocations to the political subdivisions and the state general fund from the coal conversion tax may not reflect the statutory percentages due to minimum allocation requirements for political subdivisions.

NOTE: The amounts reflected in these schedules are preliminary estimates. **The actual amounts allocated for the 2021-23 biennium may differ significantly from these amounts** based on actual coal production and electricity generation.

SUMMARY OF TAXES AND FUNDS

The table below provides a brief description of the taxes and funds included in the flowchart on the previous page. The proposed changes in House Bill No. 1412, as introduced, are shown in boldface.

Box	Tax/Fund	Description
1	Coal conversion facilities privilege tax	North Dakota Century Code Section 57-60-02 provides for a tax on coal conversion facilities. The tax is in lieu of property taxes. For electrical generating plants, the tax is calculated by applying one mill rate to the capacity of the facility and by applying another mill rate to the electrical production. Coal gasification plants are subject to a tax on the natural gas produced from the facility. Coal beneficiation plants are subject to a tax on the beneficiated coal or on the gross receipts from the sale of beneficiated coal products. For all other coal conversion facilities, a tax is applied to the gross receipts from the facility. House Bill No. 1412, as introduced, would exempt coal conversion facilities from 100 percent of the electrical production portion of the tax and 60 percent of the capacity portion of the tax.
2	Coal severance tax	Section 57-61-01 provides for a tax of 37.5 cents per ton of coal that is mined in the state, and the tax collections are deposited in the coal development fund for allocations by the State Treasurer. Section 57-61-01.5 provides for a separate tax of 2 cents per ton of coal that is mined in the state, and the tax collections are deposited in the lignite research fund.
3	Lignite research tax	House Bill No. 1412, as introduced, would impose a lignite research tax of 5 percent based on 85 percent of the coal conversion tax before the 60 percent exemption.
4	Political subdivisions	The coal conversion facilities privilege tax collections are distributed to political subdivisions pursuant to Section 57-60-15, and the coal severance tax collections are distributed to political subdivisions pursuant to Section 57-62-02.
5	Lignite research fund	The lignite research fund is established under Section 57-61-01.6 for research, development projects, and marketing activities related to the lignite industry.
6	General fund	The general fund is the chief operating fund of the state.
7	Coal development trust fund	The coal development trust fund is established in Section 21 of Article X of the Constitution of North Dakota. The fund is used to provide loans to coal-impacted counties, cities, and school districts and to provide loans to any school district for school construction.