



TAXATION COMMITTEE

Friday, June 21, 2024
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Jared Hagert, Chairman, called the meeting to order at 9:30 a.m.

Members present: Representatives Jared Hagert, Jason Dockter, Patrick Hatlestad, Craig Headland, Donna Henderson, Jim Kasper, Ben Koppelman, Mike Motschenbacher, Randy A. Schobinger*, Vicky Steiner; Senators Justin Gerhardt, Jordan L. Kannianen, Randy D. Lemm, Merrill Piepkorn

Members absent: Representative Jim Grueneich; Senator Mark F. Weber

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management

Senator Dale Patten, Watford City

Crystal Bugg*, Aaron Taft*, and Gregory Webb*, Archer Daniels Midland Company; Stephanie Dassinger Engbretson, North Dakota League of Cities; Nancy Johnson, North Dakota Soybean Growers Association; and Kent Satrang*, Petro Serve USA

See Appendix A for additional persons present.

* *Attended remotely*

It was moved by Representative Headland, seconded by Senator Lemm, and carried on a voice vote that the minutes of the March 27, 2024, meeting be approved as distributed.

AGRICULTURAL COMMODITY STORAGE STRUCTURE PROPERTY TAX EXEMPTION STUDY

Ms. Megan J. Gordon, Code Revisor, Legislative Council, presented an update to a memorandum entitled *Property Classifications for Property Tax Assessment Purposes - Definition of Agricultural Property*.

Ms. Stephanie Dassinger Engbretson, Deputy Director and Staff Attorney, North Dakota League of Cities, provided survey data (Appendices B and C) related to agricultural commodity storage structure valuations. She noted:

- The North Dakota League of Cities prepared the survey and presentation materials by relying on assessor and tax director knowledge of the existence of agricultural commodity storage structures and the willingness of each city or county to participate in the voluntary survey.
- If an exemption is created for all structures used for personal storage of agricultural commodities, it would be helpful to incorporate an application or verification process to allow the assessors to accurately administer the exemption.

After the meeting adjourned, Ms. Dassinger Engbretson provided updated survey results and information regarding agricultural commodity storage property in Oakes (Appendix D) in response to questions from committee members.

Ms. Terin Riley, representing interested persons and potato farmers from Pembina County, provided comments

regarding the agricultural commodity storage structure property tax exemption study. She reiterated her clients' request to clarify the definition of "raising agricultural crops" within the definition of "agricultural property" as applied to the farm structure tax exemption.

In response to questions from committee members, Ms. Riley referenced information (Appendix E) ~~previously~~ provided to ~~the~~ committee members via email regarding her client's property tax history and challenges to various local property tax determinations.

Chairman Hagert noted ~~if any~~ committee members ~~are interested in~~ wishing to ~~proposing~~ bill drafts related to this study for ~~consideration by the committees~~ this interim consideration, ~~the committee members~~ should ~~plan~~ be prepared to discuss ~~the~~ those proposals during the ~~next and~~ committee's final meeting in September.

ECONOMIC DEVELOPMENT TAX INCENTIVE STUDY

Mr. Ron Ness, President, North Dakota Petroleum Council, presented information (Appendix F) regarding the oil and gas production and oil extraction tax incentives selected for study. He noted:

- ~~As of~~ In April 2024, the statewide gas capture rate was 95 percent, approximately 1.24 barrels of oil were produced per day, and there were 18,962 producing wells.
- Since 2008, \$26 billion in tax revenue has been generated from oil production, which accounts for 51 percent of all taxes collected in North Dakota.
- The ~~utilization~~ use of enhanced oil recovery methods could ~~unlock~~ generate an additional 3.2 billion to 7 billion barrels of recoverable oil with potential to store 1.1 billion to 3.2 billion tonnes of carbon dioxide.

Mr. Kent Satrang, Chief Executive Officer, Petro Serve USA, presented information (Appendix G) regarding the biodiesel fuel industry and biodiesel fuel credits. He noted:

- Petro Serve USA owns and operates 33 convenience stores across North Dakota and Minnesota and collected and paid \$7,061,172 in state gas and fuel taxes in this state in the last year.
- The tax incentive has helped create jobs on family farms and employment opportunities on rural main streets in North Dakota.
- The soy industry may grow to be more effective and self-sufficient with product education and targeted tax incentives.

Mr. Gregory Webb, Vice President of State Government Relations, Mr. Aaron Taft, General Manager of North American Biodiesel, and Ms. Crystal Bugg, Director of State Taxes, Archer Daniels Midland Company, provided information (Appendix H) regarding the biodiesel fuel industry and biodiesel fuel credits. They noted:

- Archer Daniels Midland Company (ADM) employs approximately 450 people in 17 communities across the state and ~~does about~~ conducts \$2 billion worth of business with North Dakota based vendors, including farmers.
- ADM plays an important role in achieving the goals of the biodiesel fuel credits by increasing the demand for crops grown in North Dakota and promoting energy independence by producing biodiesel fuel in the state.
- Small changes to the existing biodiesel fuel credits would benefit ADM, including allowing the credit to apply to ADM's entire North Dakota unitary group rather than only the ADM legal entity and extending the expiration of the credit from 5 to 10 years.
- The longstanding federal biofuel blenders tax credit is set to expire at the end of 2024 and will be replaced by a carbon intensity based producer tax credit. As the federal government transitions to the biofuel producer tax credit, it may be beneficial to change the state credit to a similar producer tax credit.

Ms. Nancy Johnson, Executive Director, North Dakota Soybean Growers Association, presented information (Appendix I) regarding the use of soybeans in the biodiesel fuel industry and the biodiesel fuel credits. She noted:

- Biodiesel fuel is made through a transesterification of vegetable oils and animal fats, and typically is blended with petroleum diesel.
- Soybeans comprise 44 percent of feedstock inputs to United States biodiesel, renewable diesel, and other biofuel production.
- A proposal exists to build a biodiesel fuel facility near Grand Forks, which would benefit from the biodiesel fuel production facility construction tax credit.

In response to a question from a committee member, Ms. Johnson noted:

- The availability of biodiesel fuel in the state varies based on geography, and is more readily available at truck stops along freeways.
- The biodiesel fuel production facility construction tax credit ~~is a driver of~~ helps drive investment in the construction of facilities in the state.

After the meeting adjourned, Ms. Johnson provided information (Appendix J) regarding biodiesel fuel emissions in response to a request from a committee member.

The committee received written testimony (Appendix K) from Mr. Jeffrey Earl, Director of State Governmental Affairs, Clean Fuels Alliance America, regarding the biodiesel fuel credits.

Mr. Barry Coleman, Executive Director, Northern Canola Growers Association, presented information (Appendix L) regarding the use of canola in the biodiesel fuel industry and the biodiesel fuel credits. He noted:

- The Northern Canola Growers Association supports the state biodiesel fuel credits, and a change from a blenders tax credit to a producers tax credit may be positive for the biodiesel fuel industry in the state.
- In 2023, there were 1.9 million acres of canola in the state, with approximately 3.4 billion pounds of production.
- North Dakota canola growers account for ~~about~~ 80- to 85 percent of canola production in the nation.
- The canola industry generates 5,500 jobs with \$500 million in labor income and \$50 million in state and local government revenue.

After the meeting adjourned, Mr. Coleman provided information (Appendix M) regarding the "GREET (Greenhouse gases, Regulated Emissions, and Energy use in Technologies) model" in response to a request from a committee member.

Mr. Jeff Zueger, Chief Executive Officer, Harvestone Low Carbon Partners, provided information (Appendix N) regarding the carbon dioxide capture and injection industry and the carbon dioxide capture and injection sales tax exemption. He noted:

- Harvestone Low Carbon Partners owns and operates three ethanol biorefineries that buy locally grown corn to convert into clean-burning American-made renewable fuel. ~~Harvestone Low Carbon Partners is also~~ The company also is developing infrastructure projects to capture and permanently sequester carbon dioxide generated in the ethanol production process.
- ~~Harvestone Low Carbon Partners~~ The company has owns two North Dakota plants, ~~including~~ the Blue Flint plant in Underwood and the Dakota Spirit biorefinery near Spiritwood. The Blue Flint plant has been in operation since 2007 and began carbon capture and storage operations in October 2023. The Dakota Spirit biorefinery has been in operation since 2015 and is ~~currently~~ undergoing advancements for a carbon capture project.

- The carbon dioxide capture and injection sales tax exemption was an important component of the overall project economics for the Blue Flint project. ~~Harvestone Low Carbon Partners~~The company saved approximately \$1.7 million in sales tax due to the exemption, ~~and the entire~~The total investment cost for the Blue Flint project investment was approximately \$60 million.
- The carbon dioxide capture and injection sales tax exemption is important to the advancement of the carbon capture project at Dakota Spirit.

SPECIAL ASSESSMENTS AGAINST POLITICAL SUBDIVISION PROPERTY STUDY

Chairman Hagert invited comments from interested persons regarding the special assessments against political subdivision property study. No comments were received.

REPORTS

Ms. Shelli Myers, State Supervisor of Assessments, Tax Department, provided information (Appendix O) regarding the statewide property tax increase report (~~-Appendix P~~) as required by North Dakota Century Code Section 57-20-04. She noted the report contains mill levy increases or decreases each year for school district, city park, citywide, and countywide levies.

Ms. Myers provided a report (Appendix Q) regarding findings and recommendations of the Tax Commissioner study of property tax transparency required by House Bill No. 1245 (2023). She noted:

- The Tax Department regularly evaluates approaches to provide~~ing~~ property tax information to members of the public. Currently, the Tax Department's ~~approaches include~~ providing~~s~~ information in the annual property tax statistical reports and the biennial publication entitled "State & Local Taxes: An Overview and Comparative Guide."
- The working group identified ~~a different~~an alternative approach to communicate~~ing~~ legislative tax relief on property tax statements.
- The tax software providers used by the counties have varying abilities to accommodate modifications to property tax statements.
- The working group plans to meet with county officials and representatives of the Information Technology Department (ITD) who work with the Geographic Information Systems (GIS) Hub to research the potential ~~and associated~~ cost ~~for~~to building a statewide property tax information system.

Committee members ~~noted a desire to receive~~expressed interest in receiving information regarding the county software vendors' ability to incorporate colored text, statement graphics, ~~or~~and other enhancements to the property tax statement, and the cost associated with the software enhancements.

Ms. Myers noted the working group plans to continue its work, ~~including by~~:

- Reviewing marketing research.
- Meeting with tax software providers to evaluate the inclusion of statement graphics.
- ~~Identifying~~Identifying outreach opportunities.
- Meeting with ITD representatives who work with the GIS Hub regarding the potential ~~and associated~~ cost ~~for~~to building a statewide property tax information system.

Ms. Myers noted the working group will update the committee regarding its continued work at the next meeting.

No further business appearing, Chairman Hagert adjourned the meeting at 12:45 p.m.

Megan J. Gordon
Code Revisor

ATTACH: