



WESTERN DAKOTA ENERGY ASSOCIATION

February 2, 2025

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Testimony of:

Geoff Simon, Lobbyist #144

in support of HB 1279 – Coal Tax Holiday Extension
House Finance and Taxation Committee

Chairman Headland and members of the House Finance and Taxation Committee:

On behalf of the city, county and school district members of the Western Dakota Energy Association (WDEA), notably those in the coal-producing counties, we wish to express our strong support for House Bill 1279 that would extend a reduction in the coal conversion tax to operators of coal-fired generating plants.

North Dakota's lignite plants have been forced to comply with a slew of expensive federal regulations, most of which provided marginal environmental improvements at best, while other sources of electric generation received generous tax subsidies that reduced their cost of production. Even though the state's lignite generation is among the lowest-cost sources of baseload power in the country, plants have been forced to back down their production because their subsidized competition is able to provide power at a lower cost, even offering power at negative prices thanks to the federal government's warped energy policy. The Trump administration will undoubtedly reverse many of these senseless energy policies, but North Dakota's power producers must still fight their way through legal battles against the anti-fossil fuel regulations, and continue to remain on guard should the pendulum swing back in four years.

Importantly to WDEA members, the tax holiday was crafted in a way that it reduced only the state's portion of the conversion tax, while continuing to deliver tax revenue to the cities, counties and school districts in the coal-producing counties. Current law provides an 85-15 state-local split of conversion tax revenue. WDEA's coal county members would like the legislature to consider if this legislation might provide an opportunity to amend the tax statute to provide a larger share to local government. The conversion tax is an "in-lieu-of" tax, meaning it is paid rather than property taxes. Revenue from the conversion tax has remained relatively flat the past 10 years, while other property tax payers in the three coal-producing counties have experienced sizable increases. Amending this legislation to provide a greater share of the conversion tax to local government would be a means of providing modest property tax relief.

We hope the committee will consider a change in the 85-15 revenue split, but if that is not the wish of the legislature, we would continue to urge your support for HB 1279. We believe the modest fiscal note is justified, given the more than \$5 billion economic impact of the lignite industry, which includes more than 13,000 direct and indirect jobs.

WDEA wishes to thank Representative Novak and Senator Boehm for introducing this important legislation, and urges the committee to support the passage of HB 1279.

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