

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/11/2015**

Amendment to: HB 1429

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1429 creates an individual income tax credit for the installation of certain energy devices.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1429 extends the sunset from January 1, 2015 to January 1, 2017 for the tax credit available for the cost of installing geothermal energy devices. The fiscal impact of this bill cannot be computed as the number of qualifying installations that will take place - and the cost of the devices - are unknown. For tax year 2013, 674 taxpayers claimed credits totaling \$1.1 million under the existing authority for geothermal energy device credits.

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.*

- 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/12/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: HB 1429

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1429 creates an individual income tax credit for the installation of certain energy devices.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1429 removes the sunset and expands the tax credit available for the cost of the installation of certain qualifying energy devices. The fiscal impact of this bill cannot be computed as the number of qualifying installations that will take place - and the cost of the devices - are unknown.

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.*

- 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/26/2015

**2015 HOUSE FINANCE AND TAXATION**

**HB 1429**

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1429

1/28/2015

22724

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature

*Mary Brucker*

### Explanation or reason for introduction of bill/resolution:

A bill relating to individual income tax credits for residential installation of geothermal, wind, solar, or biomass energy devices.

### Minutes:

Attachments 1, 2, 3, 4

**Chairman Headland:** Opened hearing.

**Representative Guggisberg:** Introduced bill. See attachment #1 pertaining to tax credits. This bill is an extension to the individual tax credit for certain energy sources; geothermal, wind, solar, and biomass. I handed out a report from the tax department on the use of these tax credits. Since 2009 the use of these tax credits has gone up quite a bit. There are some amendments that will be added to the bill and they can go over them with the committee.

**Chairman Headland:** We use tax credits to try to create and generate a market for new products and it looks like we've succeeded. Any comments?

**Representative Guggisberg:** This is one of those situations where it isn't a lot of money but it's enough to incentivize the things we want to encourage in our state. If a similar bill passes in the senate and this bill passes it will be looked at in the future to see if it's accomplishing the goals that we want it to accomplish.

**Representative Froseth:** With expansion of wind, solar, and biomass; would that include the large wind generating facilities?

**Representative Guggisberg:** I wish I could answer that for you but there are people testifying today who could answer that. It's going to be smaller things because it's for residential properties only.

**Vice Chairman Owens:** Was it your intent to make it retroactive to any devices installed after December 31, 2008 because that's the way it reads?

**Representative Guggisberg:** If that's the way you're reading it but I didn't.

**Vice Chairman Owens:** That's the way I'm reading it that this law goes into effect after December 31, 2014 but it affects devices installed after December 31, 2008. I wondered if that was your intent.

**Chairman Headland:** Donnita Wald is going to offer an amendment so we'll let her explain it.

**Donnita Wald, Legal Counsel for Legislative Council:** Distributed proposed amendments explained. See attachment #2. With respect to the effective date I understand you're reading of that and it could be applied retroactively. I'm suggesting that if you want it to occur subsequent to this bill passage is to change the effective date to "this act is effective for wind, geothermal, solar, biomass devices installed after" and whatever date you want. He wants to keep the sunset in. The last thing I wanted to address was regarding the individual's use. This credit also has a pass through aspect to it so if there is a commercial project and that project is a pass through entity this will allow the larger product to pass through their tax credit to their individual owners. It doesn't just apply to residential property; it also allows a wind farm project to pass through its tax credits that it earns to the individual owners.

**Chairman Headland:** That's a whole new program.

**Representative Steiner:** Can you explain the sunset? The geothermal had a sunset and probably to get that industry to launch and now they want to remove that sunset and add wind, solar, and biomass. Do I understand that correctly? The sunset is coming off just for geothermal and we are adding others to it?

**Donnita Wald:** That is correct.

**Chairman Headland:** Is there any support for HB 1429?

**Kim Christianson, Board President for North Dakota Alliance for Renewable Energy:** Provided testimony in support. See attachment #3.  
(Ended testimony at 15:00)

**Chairman Headland:** What do you think will happen with the number of installs of these devices if we decide not to renew it?

**Kim Christianson:** On the geothermal side, they are excellent systems and they result in significant savings in both energy and cost over a length of time. There is significant upfront cost and I think that by not having these incentives available activity may lessen somewhat. On the solar side, it is somewhat similar in that the upfront costs are quite high. The solar systems have come down in cost and their performance and efficiency is significantly improved.

**Chairman Headland:** Further testimony in support of HB 1429?

**Randy Mathern, Comfort Zone Heating and Air Conditioning:** I am in favor of HB 1429 which extends a 15% tax credit to homes installing renewable energy sources. I believe this is a good investment for North Dakota and the many homes being built here. As a contractor we've installed hundreds of geothermal systems and have seen North Dakota families reap the benefits of greatly reduced heating and cooling costs. While the savings can be up to 75% over conventional heating systems the initial costs are typically twice as much. That's the catch. We believe the 15% tax credit is a good investment because it helps North Dakota families afford the high initial cost and it provides good paying jobs for heating contractors, plumbing and electrical contractors, drilling and excavating contractors all of which pay taxes back to the state of North Dakota. It also utilizes electricity generated right here in North Dakota. Once installed and the wells are drilled the benefit to the homes is not just for ten or twenty years but for the life of the home which could easily be one hundred years. What a return on investment with a 15% tax credit. The benefits also extend to the other renewables such as solar, wind, and biomass. It is for these reasons I encourage a do pass for HB 1429 and the investment of North Dakota homes.

**Chairman Headland:** You mentioned the length of time one of these systems lasts; for a lifetime?

**Randy Mathern:** The equipment installed in the home would likely have a 20 to 30 year life cycle similar to a furnace. The high initial cost comes from the well drilling, excavating and installing. That is mapped with the geological survey and is there forever. That energy that is tapped from the ground and moved to the house is there forever. That source can be tapped forever.

**Chairman Headland:** I have experience with a company that I sit on the board with that has put one of these systems in an office building and really had a lot of issues with the equipment within the building and having to replace those units just after a few years at a very high cost. There are issues within the systems.

**Randy Mathern:** As with technology there are good and bad installations; it's probably only as good as the initial installation. I can attest to virtually all of ours working very well and with very favorable results from those consumers.



**Chairman Headland:** Do you have evidence of when that payback is and when you achieve that payback? I think we create tax credits to incentivize an industry and they've had six years. Why would we need to continue the tax credit unless the product is just too expensive?

**Randy Mathern:** The initial cost is higher especially with the well drilling. It would be comparing what other alternative sources are available. In the rural areas you're pretty much stuck with electricity, propane, or fuel oil with propane having a highly fluctuating price. We've seen paybacks as low as five years and as high as fifteen years. When compared to straight electrical energy the systems are on the average 400% more efficient so it uses one fourth of the electricity. Based on the size of the building would vary that payback time.

**Chairman Headland:** But the cost of installing is always going to be high because of the cost of the wells. The tax credit is currently being used as more than just an incentive but it's being used to bring down the cost.

**Randy Mathern:** Correct.

**Representative Trottier:** Is there a big difference in the cost of wells in North Dakota with the depth of the well?

**Randy Mathern:** I'm not in the excavating or well drilling business the costs can vary based on what you're drilling on although the wetter the ground the better the heat transfer and the better the efficiency so there are advantages of going through the additional costs. It's my understanding that those costs are higher when there's a high water table.

**Representative Trottier:** Is there a temperature difference in the water from 30 feet down to 200 feet or is it about the same?

**Randy Mathern:** After a depth of about eight feet in North Dakota our finding is the temperature is pretty constant at 46-50 degrees. You would have to go well below 1,000 feet to start noticing incremental increases in the temperature.

**Chairman Headland:** Further testimony in support?

**Dennis Hill, North Dakota Association of Rural Electric Cooperatives:** Provided testimony in support. See attachment #4. The efficiency is there and is a big number. It becomes more important as we look to the future where there is more talk about utilities obligations to do more promotion of energy efficiency. There's a lot of talk in the world about reducing carbon footprint and you get that reduction in carbon footprint by lowering some of

the generation you have. This efficiency is what we call a low hanging fruit; we should go after that in big ways using technologies. If the state could help us with the extension of the credit it would be of great value to us. This is a great job creator. It would have that carrot approach to the people of North Dakota to make these investments in these proven efficiency technologies. We've had a six year run and it's done very well in many regards we have only just begun. There is a lot more out there that we can still go after and this tax credit would help us get some of those installations.

**Representative Klein:** Do your cooperatives utilize the system of off peak electric energy to heat hot water and then store that and use it to heat homes?

**Dennis Hill:** We certainly have made big investments in thermal storage water heater systems. Electricity is left on where you can heat up to 80 gallons of water in that highly efficient water tank. If you get into a peak demand and the power shut off the thermal heat will stay in that water for many hours so by the time you can go back on demand systems or put the power back on they've still had hot water for their entire house. We haven't done a lot in the area of heat pump water heaters; we are still heavily invested in this thermal storage water heater which is using electricity and electric elements to heat the water. Some people have moved to the heat pump water heater but they don't work as well in the demand response programs that we're talking about. It really isn't a heating system for the house; it's just for the hot water.

**Representative Klein:** In comparison to these systems what would your response be to compare the ground source with the stored energy from hot water?

**Dennis Hill:** Not being an engineer or an expert in that area my first reaction is that this geothermal is by far the most efficient system there is out there. It really works well.

**Chairman Headland:** These systems have been around now and the cost of installation is the cost of drilling the wells. We've used tax credits to help incentivize and develop but in this case it's being used primarily as a subsidy for the system. Do you think that's it's a fair form of asking for an incentive?

**Dennis Hill:** Certainly we would promote its extension to have this tax credit again and in the future. I think there is going to be a growing societal benefit to the more we can do in your area efficiency. I don't know what the EPA is going to rule in terms of the carbon reduction strategies but everything I read in the utility world is you're going to be looking at efficiency over again as a low hanging fruit to get that carbon footprint down. North Dakota has been given a pretty low number which is good news; 11% overall reduction. We've

done a lot in efficiency but on the other hand we have only begun. The industry is there but we hate to see it go away. By having this incentive and the customer demand for these products bolsters the job creation part of the HVAC industry.

**Chairman Headland:** If we take away the incentive do you believe people will quit installing? Why wouldn't you go for a more efficient product if it's that good of a product?

**Dennis Hill:** There's no question that people make purchasing decisions on lots of factors. We've seen over the years that people are so orientated toward renewables that they would put it in at any cost. There's also a big middle where people are undecided and any little carrot you could give in getting them to the next step would be very much appreciated. It would certainly have a dampening effect on the installation of these systems if this credit goes away.

**Chairman Headland:** Further testimony in support?

**Richard Schlosser, North Dakota Farmers Union:** Our local rural electric in partnership with Northern Plains Electric began a project about a year ago building a solar system which would power one of our outposts near Carrington. We did this in response to our members that have a lot of questions about the economics of solar energy, the efficiencies, and the maintenance issues and so on. We're taking this data and taking this on as a project of our local cooperative mainly to provide information to our members. We would stand in support of HB 1429.

**Chairman Headland:** Further testimony in support? Is there any opposition to HB 1429? If not, we will close the hearing on HB 1429.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1429

2/10/2015

23577

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A bill relating to individual income tax credits for residential installation of geothermal, wind, solar, or biomass energy devices.

### Minutes:

Attachment #1

**Representative Klein:** Made a motion to adopt amendments prepared for this committee dated January 2015. See attachment #1.

**Vice Chairman Owens:** Seconded.

**Representative Froseth:** I have the word "residential" written in on line 9, does this pertain to any wind, solar, or biomass device installed commercially or residentially?

**Chairman Headland:** I believe it does. I also have it written down that this would allow for the pass through of wind farms.

**Representative Dockter:** On line 10 it states "in the building or on property owned or leased by the taxpayer in North Dakota." My interpretation would be any commercial or residential and wind farms as well.

**Vice Chairman Owens:** I wrote down "large corporate pass through for wind farms" and I also put down "residence" so it was both.

**Representative Froseth:** Is this credit three percent for five years?

**Representative Dockter:** Yes it is. Between your federal and your state they get about 30% tax credits to put those devices in for residential.

**Representative Froseth:** Is there also a sales tax exemption on the equipment?

**Vice Chairman Owens:** The tax credit in the bill is only for geothermal. The amendment adds wind, solar, and biomass. If we were to pass the bill out the way it is it would only be for geothermal.

**Representative Dockter:** There's a manufacturer in Cooperstown where they make the wind devices and I'm sure that's why they want to be included so they can sell their devices.

**Representative Haak:** Is there a current sales tax exemption for any of the geothermal, wind, solar, or biomass on creating this type of energy device?

**Representative Froseth:** Do you know how many tax credits have been issued up to January 1, 2015?

**Donnita Wald, General Counsel with the Office of the State Tax Commissioner:** There may have been credits claimed but that doesn't mean there were others that were carried forward.

**Representative Klein:** Are there sales tax credits on this same area?

**Donnita Wald:** There may be some sales tax exemption; there are some broad ones that are within the sales tax chapter. I will check in the book to see if any specifically speak to wind energy devices but off the top of my head I will say no.

**Representative Haak:** For the renewable credits do you have a breakdown what that is of geothermal, wind, solar, or biomass?

**Donnita Wald:** I do not. That has not been broke down. I'm not even sure we could break it down.

**Chairman Headland:** What would we have to do to limit this bill to take the wind farms out of it?

**Donnita Wald:** You extend the carry forward provisions so those credits they may have earned but not claimed can be carried forward.

**Chairman Headland:** So this would establish a new credit?

**Donnita Wald:** The only purpose for this bill is to allow individuals to take the wind energy tax credit. Currently an individual taxpayer can only take the credit under this section for geothermal energy devices.

**Chairman Headland:** The confusion arises from the statistics of corporate taxpayers.

**Donnita Wald:** These are all corporate taxpayers. I would guess that they are all wind energy tax credits that were claimed.

**Representative Dockter:** If we don't pass this the geothermal is already in code so it will just sunset this year. If we kill this bill then everything will go away.

**Donnita Wald:** That is correct.

**Vice Chairman Owens:** During testimony we were told it wasn't just for residential, that it would apply to large wind farms as pass through and that we needed to add wind, solar, and biomass where it talks about the credit at the bottom. If we just change it to energy devices installed after a date and before a date because this removes the sunset completely in a residential building. Wouldn't that not limit out the wind farms?

**Donnita Wald:** That would limit it to wind farms installed on residential property. I believe the purpose of this bill was to allow that credit to be passed through from a huge wind farm to the individual member, shareholders, or owners of that pass through entity.

**Chairman Headland:** Are we talking about one wind project?

**Donnita Wald:** There are a number of wind energy tax credit bills; the one that passed the house yesterday was a credit carry forward and that was NextEra and the one in the senate is Geronimo. This is Elite I believe.

**Representative Froseth:** I think this bill was originally put in the 2009 session and I think it would earmark for residential development. The way it is written now it would go way beyond that. I would probably be in favor of extending it for another biennium or until July 2017 which would go through another session. I would put in the word "residential" before geothermal so it just pertains to residence.

**Representative Dockter:** I agree but I would just go with the current code and extend it for two years and strike out the rest.

**Chairman Headland:** Are there any other questions for the tax department?

**Vice Chairman Owens:** We have a do pass with the amendment but if we're considering limiting this to geothermal then we either need to withdraw the amendment or everybody vote no.

**Chairman Headland:** What are the committee's wishes? The amendment was made by Representative Klein and Vice Chairman Owens. Are you willing to withdraw or do you want to vote on the amendment?

**VOICE VOTE: MOTION FAILS TO ADOPT THE JANUARY 2015 AMENDMENT.**

**Chairman Headland:** In thinking back to the hearing the gentleman that installs these geothermal admitted to the committee that he can't sell them without the tax credit. I think it is contrary to what the credit was designed for; it was designed to encourage people to take a look and see if these were cost effective. I think it was sunsetted for a reason and I think we need to have an opportunity to find out if that is really the case, if they won't be able to sell these without the tax credit. If they can't then they could come back next biennium and ask for the credit back. For us to continue to extend it without really understanding if what they are telling us is true I think isn't responsible tax policy. I'm going to vote against the bill.

**Representative Dockter:** On every invoice that I receive it specifically has the federal and state credit in order to sell the product. They know they cannot sell these geothermal devices without the federal and state credit.

**Chairman Headland:** I question if they know that or if they use it as a tool to help them sell it. If these are really efficient sources of energy then people should make that decision regardless of whether they get the credit or not.

**Representative Dockter:** I was agreeing with you. I was simply stating that if the company that sells them didn't put the credit on they wouldn't get that device so they are depending on the credit. I don't like that as tax policy.

**Representative Klein:** Made a motion for a do not pass.

**Chairman Headland:** I think there were some other questions so could we allow those comments before we move forward.

**Representative Strinden:** I think because of the upfront costs of these it's not that people don't want to buy them but the savings they get is over the long run. I think the tax credit helps people pay for it upfront.

**Representative Froseth:** I would be in favor of just extending the expiration date of the sunset to July 1, 2017 and removing wind, solar, and biomass from the bill.

**Chairman Headland:** Do you feel we would have this bill presented to us again and the same people testifying would state again they have to have the credit to sell their geothermal products?

**Representative Froseth:** By then everyone will have natural gas so we won't need this.

**Representative Hatlestad:** I wouldn't like to see solar removed. More and more people now are adding solar units.

**Chairman Headland:** We have the original bill before us. Does anyone want to offer anything different?

**Representative Haak:** I would be willing to work on amendments with Representative Froseth and Representative Hatlestad.

**Chairman Headland:** I think we could do the amendment with the intern because it's fairly simple. Let's get consensus on what the amendment should be.

**Vice Chairman Owens:** Something previously stated indicated they really use the credits in order to sell them and then that goes to what the market will bear. If the market won't bear it at the price they feel they have to sell it for then it's not going to sell. I'm thinking it might not be bad to see what the market does two years on its own.

**Chairman Headland:** That was my point. We've extended this already in prior sessions and we haven't given the market a chance to work. If we find out it doesn't work without the credit then that is a new discussion but if we keep extending it without that period of time to allow the market to work we'll never know.

**Vice Chairman Owens:** We're not eliminating all but we still may not know if it can stand on its own.

**Representative Haak:** Another important point was when Mr. Hill from the RECs said the state credit would be of great value and this had been a big job creator for them as they are going toward the geothermal systems. It goes to diversifying our economy and maybe not being so reliant on energy sources.

**Representative Kading:** I'm going to oppose any form of this bill. I don't think it's the role of state government to promote an industry that doesn't necessarily stand on its own. A credit encourages investment and that investment takes away from other potentially better and more efficient markets out there. I don't think this is the tax policy we want.

**Chairman Headland:** What are your wishes?

**Representative Klein:** You have my do not pass motion.

**Representative Kading:** Seconded.

**Chairman Headland:** I understand your motion. I know there are others who would like to offer something else.

**Representative Hatlestad:** As I look at the sheet with the amounts claimed it seems that the incentive has worked and now maybe it should stand on its own; it's had five years.

**Chairman Headland:** We have a do not pass motion on the table.

**Vice Chairman Owens:** If somebody wants to do a do pass the bill is in error. Right now it says "of this chapter may claim a credit against the tax liability ...for the cost of geothermal, wind, solar, and biomass" and then it says how you can apply the credit but only for geothermal. It's all messed up.

**Chairman Headland:** Are you suggesting we fix it before sending it out?

**Vice Chairman Owens:** Yes.

**Chairman Headland:** Representative Kading and Representative Klein, will you withdraw your motion?

**Representative Kading and Representative Klein:** Withdrew motions.

**Representative Dockter:** If we would defeat this bill then it sunsets so it would go away in code.



**Vice Chairman Owens:** It's not wrong in code it's just wrong the way it is written right now. If for some reason it would pass it should be fixed.

**Chairman Headland:** I tend to agree with Vice Chairman Owens so if you will withdraw your motions we can fix it then you can offer your motion.

**Vice Chairman Owens:** Considering all the conversation about geothermal and everything I will make a motion to amend whereby we strike the underscore on line 9 page 1 wind, solar, or biomass and remove the comma before wind as well so it reads "cost of a geothermal energy device." If it passes the tax credit and the amount of how to apply the tax credit are equal and refer to the same energy source. Also on line 10 remove the over score from "and before January 1, 2015" change it to "and before January 1, 2017."

**Chairman Headland:** Can we change that to two different amendments because they are different.

**Vice Chairman Owens:** Yes we can. Amendment one is the wind, solar, and biomass removal. **MADE A MOTION TO ADOPT THIS AMENDMENT.**

**Representative Dockter:** **SECONDED.**

**VOICE VOTE: MOTION CARRIED.**

**Vice Chairman Owens:** Amendment two is to remove the over score on line 10 and replace 2015 with 2017. **MADE A MOTION TO ADOPT THIS AMENDMENT.**

**Representative Dockter:** **SECONDED.**

**VOICE VOTE: MOTION CARRIED.**

**Chairman Headland:** We now have an amended bill that is going to be strictly for geothermal and to sunset in 2017.

**Vice Chairman Owens:** That's how the bill reads now.

**Representative Klein:** **MADE A MOTION FOR DO NOT PASS AS AMENDED.**

**Representative Kading:** **SECONDED.**

**ROLL CALL VOTE: 10 YES 4 NO 0 ABSENT**  
**MOTION CARRIES FOR DO NOT PASS AS AMENDED**

**Representative Dockter will carry this bill.**

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1429

Page 1, line 1, after "57-38-01.8" insert "and subdivision o of subsection 7 of section 57-38-30.3"

Page 1, line 13, after "geothermal" insert ", wind, solar, or biomass"

Page 1, after line 13, insert:

**"SECTION 2. AMENDMENT.** Subdivision o of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- o. Geothermal, wind, solar, or biomass energy device installation credit under section 57-38-01.8."

Renumber accordingly

February 10, 2015

8/10/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1429

Page 1, line 2, remove the second comma

Page 1, line 3, remove "wind, solar, or biomass"

Page 1, line 9, remove "wind, solar, or biomass"

Page 1, line 10, remove the overstrike over "~~and before January 1,~~"

Page 1, line 10, after "~~2015~~" insert "2017"

Page 1, line 10, remove the overstrike over the fourth comma

Renumber accordingly

Date: 2-10-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1429

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

p. 1 line 13 insert wind, solar, or biomass  
Jan. 2015 amendment to

Recommendation:

☒ Adopt Amendment

☐ Do Pass

☐ Do Not Pass

☐ Without Committee Recommendation

☐ As Amended

☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions:

☐ Reconsider

☐

Motion Made By

Rep. Klein

Seconded By

Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote - Motion failed.

Date: 2-10-15  
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1429

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: Per Vice Chairman Owens wind solar +  
change 2015 to 2017 biomass removal

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Owens Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried.

Date: 2-10  
Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1429

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: Per Rep. Owens removes overscore on line 10  
replaces 2015 with 2017

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Owens Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice Vote - Motion carries.

Date: 2-10-15  
Roll Call Vote #: 4

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1429

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: Per Rep. Owens amendments

① Remove wind, solar, + biomass  
② Remove overscore on line 10 + change 2015 to 2017

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Klein Seconded By Rep. Kading

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK		✓
VICE CHAIRMAN OWENS	✓		REP STRINDEN		✓
REP DOCKTER	✓		REP MITSKOG		✓
REP TOMAN	✓		REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Dockter

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

**REPORT OF STANDING COMMITTEE**

**HB 1429: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1429 was placed on the Sixth order on the calendar.

Page 1, line 2, remove the second comma

Page 1, line 3, remove "wind, solar, or biomass"

Page 1, line 9, remove " , wind, solar, or biomass"

Page 1, line 10, remove the overstrike over "~~and before January 1,~~"

Page 1, line 10, after "2015" insert "2017"

Page 1, line 10, remove the overstrike over the fourth comma

Renumber accordingly



**2015 TESTIMONY**

**HB 1429**

HB 1429  
1-28-15  
#1

## Renewable Energy Credit Statistics

Tax Year	No. of Taxpayers – Ind.	Amount Claimed – Ind.	No. of Taxpayers – Corp
2006			< 5
2007			< 5
2008			0
2009	147	\$226,501	0
2010	385	\$565,633	< 5
2011	559	\$883,129	5
2012	656	\$1,042,298	< 5
2013	674	\$1,112,446	< 5

HB 1429  
1-28-15  
#2

Prepared for the  
House Finance and  
Taxation Committee  
January 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1429

Page 1, line 1, after "57-38-01.8" insert "and subdivision o of subsection 7 of section 57-38-30.3"

Page 1, line 13, after "geothermal" insert ", wind, solar, or biomass"

Page 1, after line 13, insert:

**"SECTION 2. AMENDMENT.** Subdivision o of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- o. Geothermal, wind, solar, or biomass energy device installation credit under section 57-38-01.8."

Renumber accordingly

**TESTIMONY IN SUPPORT OF HB 1429  
NORTH DAKOTA ALLIANCE FOR RENEWABLE ENERGY  
KIM CHRISTIANSON, BOARD PRESIDENT**

The North Dakota Alliance for Renewable Energy (NDARE) appreciates the opportunity to testify in favor of HB 1429, which would provide individual income tax credits for residential installation of geothermal, wind, solar or biomass energy devices.

NDARE is a non-profit organization that fosters the development and use of homegrown renewable energy and energy efficiency through education, outreach and public policy advocacy. We have a diverse membership, including utility companies (both investor-owned and cooperatives), farm and commodity organizations, renewable energy and energy efficiency businesses, state colleges and universities, environmental organizations, engineering and contractor firms, individuals, and more.

Since January 1, 2009, income tax incentives have been available to individuals for the purchase and installation of geothermal, or ground-source heat pump systems in residences. This credit expired on December 31, 2014 and is not allowed for devices installed on or after January 1, 2015. In the past, there were also income tax incentives available to individuals who purchased and installed small wind and solar energy systems, but the credits could only be claimed by using what was then the ND "long form" tax return. They were seldom if ever used, because even taking into account the credits available using the long form, the tax liability was less with the short form.

NDARE believes that the income tax incentives available through HB 1429 will help to encourage additional investment in these renewable energy technologies, which often have higher up-front costs, but over time will provide energy and cost savings to homeowners. NDARE is excited about the emerging opportunity for homeowners

to install solar electric, or photovoltaic systems, which in the past 2 to 3 years have dramatically decreased in cost while improving significantly in performance and efficiency. Surprisingly, a National Renewable Energy Laboratory map shows that ND has a better than average solar resource potential.

We also believe that the income tax incentives for geothermal systems have resulted in a greater network of suppliers, installers, and maintenance personnel, and should be continued. And, finally, while small residential wind systems have proven somewhat difficult to justify on the basis of economic return on investment, Dakota Turbines of Cooperstown, ND is working to manufacture and distribute slightly larger (30 - 40 kW) wind turbines that may be an option for farm and ranch operations. These incentives could directly assist that business and others in North Dakota.

In 2006, NDARE conducted a statewide survey through the Bureau of Governmental Affairs at UND to gauge public opinion about renewable energy development in North Dakota. The results of the survey indicated very strong support for renewable energy from all corners of the state and across all political persuasions. One of the questions was, "Do you think renewable energy should be a priority for the North Dakota legislature?" The response was: Yes - 93.3%, No - 6.7%. (We are currently in the process of conducting a follow-up public opinion survey on both renewable energy and energy efficiency.)

Thank you for your time and attention. NDARE requests your support of HB 1429.

HB 1429  
1-28-15  
# 4 p. 1



North Dakota Association of Rural Electric Cooperatives  
3201 Nygren Drive NW • P.O. Box 727 • Mandan, ND 58554-0727

Phone: 701.663.6501 or 800.234.0518  
Fax: 701.663.3745 • www.ndarec.com

HB 1429  
ND Income Tax Credits for Geothermal Energy Device  
House Finance and Taxation Committee  
January 28, 2015 (10 a.m.)  
Testimony of Dennis Hill, executive vice president, NDAREC

Mr. Chairman and members of the committee,

On behalf of the North Dakota Association of Rural Electric Cooperatives, I rise to express support for HB 1429, which provides for an income tax credit for individual taxpayers who install a geothermal, wind, solar or biomass energy device. Our support for this tax credit is primarily because our association's members and their consumer-owners have seen the benefits provided by geothermal heat pump systems—from both the perspective of saving energy and creating jobs in our state.

Geothermal heat pumps systems are the most efficient heating and air conditioning systems available today. These systems use  $\frac{1}{4}$  of the electrical demand vs. electric heat and a lower input BTU requirement than any other heating system. This decreased demand along with their average 350% efficiency not only drops the carbon footprint of every customer who installs one but also keeps the need for additional generation lower. Lower generation requirements and a lower overall demand reduces the carbon footprint of all the generation facilities and the state. The electricity used in these systems is produced from North Dakota fuels: primarily coal, wind, hydro and natural gas.

Removing the sunset provision for this tax credit will have a positive effect on installations. Many consumers do not initially make this energy efficient choice because the purchase price and installation cost of these systems is typically higher than conventional heating systems. The cost for a residential unit could be \$7,000 to \$10,000 higher depending on the size of the home. These systems, however, operate at a cost that is one quarter to one fifth the cost of operating a high efficiency gas furnace. To promote the wise use of our energy resources, a small investment in a tax credit for energy savings can pay large dividends.

#4p2

The installation of these systems is very labor intensive; each installation requires as many as four (4) different contractors to complete. The installation of the ground loop, from which heat is extracted, is done by a well drilling contractor specifically tooled for ground loop installation. Bores are from 150' to 200' deep with all pipe being heat fused and pressure checked. The inside work is done by the sheet metal duct work contractor who attaches and installs the duct work and filters, the plumber assembles and installs all the piping and pumps to circulate the ground loop heat transfer fluid and the electrician wires the system and provides metering so that the special heat rates can be applied to its energy usage. These systems create many positives for many contractors, providing them with new revenues from which they can generate profits. Our members have worked with dozens of HVAC contractors across the state to help them get into the geothermal business.

One of our member cooperatives, Capital Electric, is a distributor of geothermal heat pump materials. Capital Electric provides an inventory of all the required parts and pieces to install a system. This inventory is supported by eleven electric cooperatives (located from Jamestown to the Montana Border and South Dakota to Canada) and five local contractors, who all share in the costs to maintain it.

If this tax credit is extended, it will have a positive effect on the heating and cooling industry, helping to provide additional revenues and profits for contractors who provide jobs in our state. They pay sales tax on materials and income tax on profits which will help offset the cost to the state to provide tax credits to our citizens who make these large investments.

#24 P.3

I urge the House Finance and Taxation Committee to give a DO PASS to HB 1429.



HB 1429  
2-10-15  
#1

Prepared for the  
House Finance and  
Taxation Committee  
January 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1429

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ReNUMBER accordingly