

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1481

2005 HOUSE FINANCE AND TAXATION

HB 1481

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1481**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 24, 2005**

Tape Number	Side A	Side B	Meter #
1		x	38.3
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

REP. MIKE BRANDENBURG, DIST. 28 Introduced the bill. See attached written testimony.

REP. BELTER This is a straight tax credit, so it would be a deduction right off the tax owed?

REP. BRANDENBURG Yes, I really think there is some merit looking at this type of tax credit being on the short form. It would encourage people to invest and putting some money into generating the economy and generating dollars for businesses and sales tax and income tax.

REP. BELTER If a large utility company would come in and do a hundred million dollar project with towers, they would not be eligible for this?

REP. BRANDENBURG No, that would reflect back to corporate income tax.

REP. DAVE MONSON, DIST. 10 Testified in support of the bill. For years and years, I was a science teacher and have always been interest in geothermal and solar, and wind energy, I am in

favor to advance any type of the energy sources, and I think this may be a way the small individuals could make use of this, by putting it on the short form.

REP. SCOT KELSH, DIST. 11, FARGO Testified in support of the bill. In support of moving ND2 to the ND1 form.

DENNIS HILL, REPRESENTING THE RURAL ELECTRIC COOPERATIVES Testified in support of the bill. Introduced Doug Mork who works at Capital Electric Cooperative.

REP. BELTER If we were to pass this and people could get a tax credit for putting up their own wind tower, will the REC's be willing to buy back that extra power they are generating?

DENNIS HILL We would certainly buy back some of it.

DOUG MORK, MEMBER SERVICES DIRECTOR OF THE CAPITAL ELECTRIC

COOPERATIVE, BISMARCK Testified in support of the bill. See attached written testimony.

REP. BELTER Has Capital Electric made any special provisions to encourage people to make these investments in geothermal heat, are you giving them a cheaper rate or some type of economic incentive to make that investment?

DOUG MORK We have a longstanding policy for special electric heat rates, it doesn't matter what type of heat it is. We also finance these systems with an interest rate that is pretty common today, from five percent to eight percent.

REP. DROVDAL You said the cost is five to seven thousand dollars, what dollars are we actually talking about?

DOUG MORK The average cost is between eleven and twelve thousand dollars for the installation. You have the circulating pumps and all of those labor intensive and cost intensive things.

REP. CONRAD What about solar and wind, do you guys get involved with that?

DOUG MORK We promote wind energy. We have the ability to transfer those kilowatt hours generated by wind energy to our customers, our members, with a block of wind energy. We actually pay a small premium for it, over and above their normal useage.

REP. CONRAD If somebody were to invest in this system, do you have people investing in solar and wind systems?

DOUG MORK We do not at this time. We have had several systems that have been on our operating system for a number of years, and they are still operating. But we don't see a large influx of people adding wind energy. It is a huge individual cost. With the new systems coming in, the wind farms, etc., there may be more people looking into buying from them instead of investing themselves.

TERRY GOERGER, NORTH DAKOTA RENEWABLE ENERGY PARTNERSHIP

Testified in support of the bill. See written testimony.

STEVE SCHULTZ, OTTER TAIL POWER COMPANY, Testified in support of this bill. I support this bill for the same reasons that were heard. These are good systems but expensive.

KIM CHRISTIANSON, NORTH DAKOTA DEPARTMENT OF COMMERCE Testified in support of this bill. These incentives have been around for many years, and have been modified recently by the legislature, mainly for large scale wind energy development in the state. Originally, I believe they were intended to assist with the incremental costs of smaller scale wind,

solar and geothermal applications, that were designed to be used by farmers and ranchers, small businesses and residential customers. As the tax department will attest, they have seldom been used for small scale applications, because of the long form requirement. We worked with an individual who had installed a ground source heat pump system here, a few years back, and he filled out both the short, and long forms for his taxes, and it turned out, that even with the credit, on the long form, he was still better off, going with the short form. Even if the credits can be claimed on the short form, you probably will not see much as far as small scale wind or solar applications because of the high upfront costs. From an economic standpoint, they are still questionable. The real beneficiaries, will be the ground source heat pump systems. Our agency is housed in the century center, which was referred to earlier, and after submitting twelve months of bills to the Environmental Protection Agency, that building was designated as an energy star building because of the low cost. The main reason for that is because we have probably the largest application of a ground source heat pump system in the state of North Dakota. The same is true of the Job Service building. We strongly support this bill.

REP. CONRAD What are the federal tax breaks for this?

KIM CHRISTIANSON I am not aware of any.

PATRICE LAHLUM, NORTH DAKOTA DEPARTMENT OF AGRICULTURE Testified in support of the bill. We endorse and support any concept that will advance the use of wind energy in North Dakota, and we feel this legislation certainly fits that bill.

BARB PRICE, DAKOTA RESOURCE COUNCIL Testified in support of the bill. See attached written testimony.

BRIAN KRAMER, NORTH DAKOTA FARM BUREAU testified in support of the bill.

Tax savings for renewables is something that we do support, we see this is another tool in the tool shed.

JOSEPH BECKER, STATE TAX DEPARTMENT, Appeared to answer questions from the committee members.

REP. BELTER The amount of credit, is that at three hundred dollars per year?

JOSEPH BECKER, STATE TAX DEPARTMENT, This credit has been around a long time, it is equal to three percent of the cost of acquisition and installation of the device. You then get to take that three percent in each of five years for a total of fifteen percent of the total cost.

With no further testimony, the hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1481**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 1, 2005**

Tape Number	Side A	Side B	Meter #
1		X	23.7
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. HEADLAND Made a motion for a **do not pass**.

REP. OWENS Second the motion. **MOTION CARRIED.**

8 YES 5 NO 1 ABSENT

REP. GRANDE Was given the floor assignment.

FISCAL NOTE
Requested by Legislative Council
01/18/2005

Bill/Resolution No.: HB 1481

1A. 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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1481 allows taxpayers to claim the tax credit for installation of geothermal, solar, or wind energy devices on Form ND-1 (previously known as the short form). Currently, this tax credit is available only on Form ND-2 (previously known as the long form).

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.*

The negative fiscal impact of HB 1481 cannot be determined. It is not known how many individuals will install these devices on property they own or lease in North Dakota.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/20/2005

Date: 2-1-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1481

House FINANCE & TAXATION

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Not Pass

Motion Made By

Rep. Headland

Seconded By

Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL		✓			
CONRAD, KARI		✓			
FROELICH, ROD		✓			
GRANDE, BETTE	✓				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	A				
KELSH, SCOT		✓			
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO		✓			
WEILER, DAVE	✓				
WRANGHAM, DWIGHT	✓				

Total (Yes)

8

No

5

Absent

1

Floor Assignment

Rep. Grande

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

REPORT OF STANDING COMMITTEE (410)
February 1, 2005 12:02 p.m.

Module No: HR-21-1530
Carrier: Grande
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1481: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1481 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1481

Testimony of Rep. Mike Brandenburg
In favor of HB 1481
Before the
House Finance and Taxation Committee
January 24, 2005

Mr. Chairman and members of the committee, for the record, my name is Rep. Mike Brandenburg from District 28, which includes all of Emmons, Logan and McIntosh counties, and the western portion of LaMoure and Dickey counties.

House Bill 1481 is a simple bill. It would transfer the income tax credit currently available on the long form to the short form. The tax credit is based on the costs of acquiring and installing a geothermal, solar or wind energy device in a building or on property owned or leased by the taxpayer. The allowable credit is up to three percent of the costs of the device or system subtracted from the income tax liability of a taxpayer for up to five years. For example, if a homeowner invested \$10,000 in a geothermal heat pump system, the homeowner's maximum tax credit would be \$300/per year for five years, or 15 percent of the total investment.

Currently, the number of taxpayers taking advantage of the long form tax credit for energy saving devices is too few to report, which means that it is less than five, and could be as few as one or none. If the legislature is to provide a meaningful tax credit to encourage wise use of our energy resources and to promote use of renewable energy sources, we need to put the credit on the short form.

As a state and nation, I believe we need to demonstrate a commitment to an energy future that places much more emphasis on renewable energy and energy conservation. While this bill will provide tax benefits for individual taxpayers, the wise use of energy that this credit encourages will pay dividends for all of us. To the extent that we can limit our dependence on foreign sources of energy, we all benefit.

Mr. Chairman and committee members, I urge a DO PASS on HB 1481. Thank you.

HB 1481
ND Income Tax Credits for Geothermal Heat Pumps
House Finance and Tax Committee
January 24, 2004 (10:45 AM)
Fort Totten Room

Presented By: Doug Mork, Member Services Director
Capital Electric Cooperative
4111 State Street
Bismarck, ND 58503
(701) 223-1513

Mr. Chairman and members of the committee. My name is Doug Mork, Member Services Director for Capital Electric Cooperative here in Bismarck. I rise in support of HB 1481, primarily because I have seen the benefits that geothermal heat pumps have in saving energy and promoting jobs and profits for North Dakota businesses.

Capital Electric Cooperative has been involved in promoting geothermal heat pumps for almost eighteen (18) years. These state of the art heating and cooling systems have become the most efficient system available today. They work 24 hours a day, 7 days a week, without concern for outside temperatures or day/night conditions. They operate at an efficiency of more than 300%, meaning they transfer the required btu's/hr. to heat your home with 1/3 the energy usage of standard electric resistance heat. The energy used is electricity produced from our coal mines and our power plants here in North Dakota.

Changing the law to allow tax payers to take advantage of the tax credit on energy saving devices is important because many consumers do not make this energy efficient choice because of the high initial installation cost, even when there are sufficient energy savings that lower long term operation costs. For example, the costs of a geothermal heat pump system are high compared to other heating and cooling systems. The cost could be \$5,000 to \$7,000 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.

The installation of these systems are very labor intensive, each install 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. We work with virtually all the HVAC contractors in our service area, helping them to get into the geothermal business.

As 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, all share in the costs to maintain it.

Our material inventory group provided materials for the installation of 45 systems in 2004 (approximately \$300,000 of inventory material). This quantity is approximately one half of the systems installed in the state last year for residential applications as we have surveyed the most popular manufactures for their sales numbers in North Dakota.

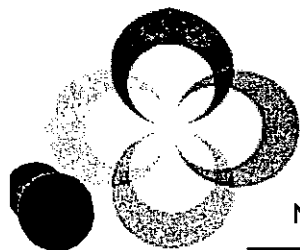
Should this legislation be approved by the 2005 legislature, it would have a very positive effect on the heating and cooling industry, helping to provide additional revenues and profits for contractors who provide jobs in our state. They pay taxes on these profits which will help offset the cost to the state to provide tax credits to our citizens who make these large investments.

Tax credits last year could have been \$360 each for approximately 90 systems, or only \$32,400 to help promote these systems if this legislation had been in place. This legislation would promote energy efficiency and responsibility, create jobs, provide added profits and additional tax revenue.

The state of North Dakota has recently completed two beautiful office buildings, Job Service and Workforce Training and Safety, which use 100% geothermal heating and cooling. The state has determined that this technology is the way of the future and has invested in its efficiency for state facilities. It is important that we help the residential market do the same by providing this small incentive to our individual citizens.

The bottom line of all of this is that these systems promote energy conservation and responsibility, help to provide jobs in a new and expanding technology and at the same time help people of our state with their investment in the future. The expansion of this technology could provide an atmosphere where these proposed tax credit costs could easily be made up by the additional sales and income tax revenue generated.

Thank You



NDREP

North Dakota Renewable Energy Partnership

Mailing address:
1325 23rd St S, Fargo, ND 58103
(701) 239-7258
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Testimony of
Terry Goerger
Secretary/Treasurer
North Dakota Renewable Energy Partnership
HB 1481
House Finance & Taxation Committee
Fort Totten Room
January 24, 2005

Good morning Chairman Belter and members of the Finance & Taxation Committee. My name is Terry Goerger and I am here today on behalf of the North Dakota Renewable Energy Partnership (NDREP) to testify in support of HB 1481.

The NDREP is an alliance of organizations and individuals aimed at advancing renewable energy in North Dakota. The NDREP's focuses on renewable sectors – biodiesel, biomass, ethanol and wind. The organization has more than 40 general and associate members.

The NDREP has endorsed HB 1481, which adds a credit for the installation of alternative energy devices – geothermal, solar or wind – onto the short form. HB 1481 will provide an incentive to consumers to utilize these alternative energy devices, which may help consumers reduce and/or control their energy costs.

The NDREP urges to look favorably on HB 1481 and other legislation that will benefit renewable energy industries in North Dakota. I'd be happy to answer any questions.

Chair
Jocie Iszler
ND Corn Utilization Council
jiszler@state.nd.us

Vice-Chair
Jay Haley
Wind Energy Council
jhaley@eapc.net

Secretary-Treasurer
Terry Goerger
ND Biodiesel Taskforce
tgrgr@rrt.net

Barb Price

Testimony, House Bill 1481
January 24, 2005

Chairman Belter and members of the House Finance and Taxation Committee.

Dakota Resource Council submits this testimony in support of HB 1481, which will create a credit for installation of geothermal, solar, or wind energy devices under the simplified method of computing income tax.

Currently there is a credit for the installation of geothermal, solar, or wind energy devices on the state's income tax long form.

This credit is a great opportunity that is available to eligible entities to utilize when they install a geothermal, solar, or wind energy device but the issue at hand is that this tax credit is only available when the state's income tax long form is used.

Currently there is a great and ever increasing interest for entities in North Dakota to utilize our state's immense wind resource, underdeveloped geothermal potential, and solar resources. The problem occurs because the majority of North Dakota state taxes are filed using the state income tax short form and thus are not able to take advantage of the existing geothermal, solar, or wind tax credits.

The solution is to place the existing geothermal, solar, and wind tax credits on the state's income tax short form so these great opportunities can be utilized to the fullest extent in our state.

Dakota Resource Council urges the committee vote a "Do Pass" on HB 1481.

Respectfully submitted by the Dakota Resource Council