

SENATE BILL NO. 2298

Introduced by

Senators Klein, Erbele, Grindberg

Representatives Brandenburg, Headland, Pollert

1 A BILL for an Act to create and enact a new subsection to section 57-38-01.8 and a new
2 subsection to section 57-40.2-03.3 of the North Dakota Century Code, relating to the income
3 tax credit for installation of geothermal, solar, or wind energy devices, a use tax exemption for
4 purchases of power plant production equipment and related tangible personal property, and
5 machinery or equipment and related tangible personal property used to construct an agricultural
6 commodity processing facility; and to amend and reenact sections 57-39.2-04.2, 57-39.2-04.4,
7 and 57-40.2-04.2 of the North Dakota Century Code, relating to the definition of power plants,
8 removal of obsolete language, and applications for exemption from sales tax for tangible
9 personal property used to construct agricultural commodity processing facilities.

10 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

11 **SECTION 1.** A new subsection to section 57-38-01.8 of the North Dakota Century Code
12 is created and enacted as follows:

13 For geothermal, solar, or wind energy devices installed after December 31, 2006, if
14 ownership of a device is transferred at the time installation is complete and the
15 device is fully operational, the purchaser of the device is eligible for the tax credit
16 under this section. Subsequent purchasers of the device are not eligible for the tax
17 credit.

18 **SECTION 2. AMENDMENT.** Section 57-39.2-04.2 of the North Dakota Century Code
19 is amended and reenacted as follows:

20 **57-39.2-04.2. (Effective through June 30, 2007) Reduced rate and exemption for**
21 **power plant construction, production, environmental upgrade, and repowering**
22 **equipment.**

23 1. As used in this section, unless the context otherwise requires:

- 1 a. "Environmental upgrade" means an investment greater than twenty-five
2 million dollars or one hundred thousand dollars per megawatt of installed
3 nameplate capacity, whichever is less, in machinery, equipment, and related
4 facilities for reducing emissions or increasing efficiency at an existing power
5 plant.
- 6 b. "Operator" means any person owning, holding, or leasing a power plant.
- 7 c. "Power plant" means:
- 8 (1) An electrical generating plant, and all additions to the plant, which
9 processes or converts lignite from its natural form into electrical power
10 and which has at least one single electrical energy generation unit with
11 a capacity of one hundred twenty thousand kilowatts or more.
- 12 (2) A wind-powered electrical generating facility, on which construction is
13 completed before January 1, 2011, and all additions to the facility,
14 which provides electrical power through wind generation and which has
15 at least one single electrical energy generation unit with a nameplate
16 capacity of one hundred kilowatts or more.
- 17 d. "Production equipment" means machinery and attachment units, other than
18 replacement parts, directly and exclusively used in the generation,
19 transmission, or distribution of electrical energy for sale by a power plant.
- 20 e. "Repowering" means an investment of more than two hundred million dollars
21 or one million dollars per megawatt of installed nameplate capacity, whichever
22 is less, in an existing power plant that modifies or replaces the process used
23 for converting lignite coal from its natural form into electrical power.
- 24 2. Sales of production or environmental upgrade equipment used exclusively in power
25 plants or repowering existing power plants that begin construction after June 30,
26 1991, are exempt from the tax imposed by this chapter.
- 27 3. Sales of tangible personal property, other than production or environmental
28 upgrade equipment, which is used in the construction of new power plants or to
29 add environmental upgrades to existing power plants or repowering existing power
30 plants are exempt from the tax imposed by this chapter.

- 1 4. To receive the reduced rate or exemption at the time of purchase, the operator
2 must receive from the commissioner a certificate that the tangible personal
3 property or production equipment the operator intends to purchase qualifies for the
4 reduced rate or exemption. If a certificate is not received prior to the purchase, the
5 operator shall pay the applicable tax imposed by this chapter and apply to the
6 commissioner for a refund.
- 7 5. If the tangible personal property or production equipment is purchased or installed
8 by a contractor subject to the tax imposed by this chapter, the operator may apply
9 for a refund of the difference between the amount remitted by the contractor and
10 the reduced rate or exemption imposed or allowed by this section.

11 **(Effective after June 30, 2007) ~~Reduced rate and~~ Sales tax exemption for power**
12 **plant construction, production, environmental upgrade, and repowering equipment and**
13 **oil refinery or gas processing plant environmental upgrade equipment.**

- 14 1. As used in this section, unless the context otherwise requires:
- 15 a. (1) "Environmental upgrade" means an investment greater than twenty-five
16 million dollars or one hundred thousand dollars per megawatt of
17 installed nameplate capacity, whichever is less, in machinery,
18 equipment, and related facilities for reducing emissions or increasing
19 efficiency at an existing power plant.
- 20 (2) "Environmental upgrade" for purposes of a process unit means an
21 investment greater than one hundred thousand dollars in machinery,
22 equipment, and related facilities for reducing emissions, increasing
23 efficiency, or enhancing reliability of the equipment at a new or existing
24 process unit.
- 25 b. "Operator" means any person owning, holding, or leasing a power plant or
26 process unit.
- 27 c. "Power plant" means:
- 28 (1) An electrical generating plant, and all additions to the plant, which
29 processes or converts lignite from its natural form into electrical power
30 and which has at least one single electrical energy generation unit with
31 a capacity of ~~one hundred twenty~~ fifty thousand kilowatts or more.

- 1 (2) A wind-powered electrical generating facility, on which construction is
2 completed before January 1, 2011, and all additions to the facility,
3 which provides electrical power through wind generation and which has
4 at least one single electrical energy generation unit with a nameplate
5 capacity of one hundred kilowatts or more.
- 6 (3) Any other type of electrical power generating facility excluding the types
7 of power plants identified in paragraphs 1 and 2 which has a capacity of
8 one hundred kilowatts or more and produces electricity for resale or for
9 consumption in a business activity.
- 10 d. "Process unit" means an oil refinery or gas processing plant and all adjacent
11 units that are utilized in the processing of crude oil or natural gas.
- 12 e. "Production equipment" means machinery and attachment units, other than
13 replacement parts, directly and exclusively used in the generation,
14 transmission, or distribution of electrical energy for sale by a power plant.
- 15 f. "Repowering" means an investment of more than two hundred million dollars
16 or one million dollars per megawatt of installed nameplate capacity, whichever
17 is less, in an existing power plant that modifies or replaces the process used
18 for converting lignite coal from its natural form into electrical power.
- 19 2. Sales of production or environmental upgrade equipment used exclusively in power
20 plants or repowering existing power plants or in processing units ~~that begin~~
21 ~~construction after June 30, 1994,~~ are exempt from the tax imposed by this chapter.
- 22 3. Sales of tangible personal property, other than production or environmental
23 upgrade equipment, which is used in the construction of new power plants or to
24 add environmental upgrades to existing power plants or repowering existing power
25 plants or to add environmental upgrades to existing process units are exempt from
26 the tax imposed by this chapter.
- 27 4. To receive the ~~reduced rate or~~ exemption at the time of purchase, the operator
28 must receive from the commissioner a certificate that the tangible personal
29 property or production equipment the operator intends to purchase qualifies for the
30 ~~reduced rate or~~ exemption. If a certificate is not received prior to the purchase, the

1 operator shall pay the applicable tax imposed by this chapter and apply to the
2 commissioner for a refund.

3 5. If the tangible personal property or production equipment is purchased or installed
4 by a contractor subject to the tax imposed by this chapter, the operator may apply
5 for a refund of the difference between the amount remitted by the contractor and
6 the ~~reduced rate or~~ exemption imposed or allowed by this section.

7 **SECTION 3. AMENDMENT.** Section 57-39.2-04.4 of the North Dakota Century Code
8 is amended and reenacted as follows:

9 **57-39.2-04.4. Sales tax exemption for materials used to construct agricultural**
10 **commodity processing facility.**

11 1. Gross receipts from sales of tangible personal property used to construct an
12 agricultural commodity processing facility in this state are exempt from taxes under
13 this chapter. To be exempt, the tangible personal property must be incorporated in
14 the structure of the facility or used in the construction process to the point of having
15 no residual economic value.

16 2. ~~The~~ To receive the exemption at the time of purchase, the owner of the facility
17 must apply to receive from the commissioner for a refund of sales and use taxes
18 paid by any contractor, subcontractor, or builder for which the sale or use is
19 claimed as exempt under this section. Application for a refund must be made at
20 the times and in the manner directed by the commissioner and must include
21 sufficient information to permit the commissioner to verify the sales and use taxes
22 paid and the exempt status of the sale or use certificate that the tangible personal
23 property used to construct an agricultural commodity processing facility which the
24 owner intends to purchase qualifies for the exemption. If a certificate is not
25 received prior to the purchase, the owner shall pay the applicable tax imposed by
26 this chapter and apply to the commissioner for a refund.

27 3. If the tangible personal property is purchased or installed by a contractor subject to
28 the tax imposed by this chapter, the owner may apply for a refund of the difference
29 between the amount remitted by the contractor and the exemption imposed or
30 allowed by this section.

31 ~~3.~~ 4. For purposes of this section, the following definitions apply:

- 1 a. "Agricultural commodity processing facility" means buildings, structures,
2 fixtures, and improvements used or operated primarily for the processing or
3 production of marketable products from agricultural commodities. The term
4 does not include a facility that provides only storage, cleaning, drying, or
5 transportation of agricultural commodities.
- 6 b. "Facility" means each part of the facility which is used in a process primarily
7 for the processing of agricultural commodities, including receiving or storing
8 agricultural commodities; transporting the agricultural commodities or product
9 before, during, or after the processing; or packaging or otherwise preparing
10 the product for sale or shipment.
- 11 c. "Tangible personal property" does not include tools or machinery used to
12 construct an agricultural commodity processing facility and does not include
13 machinery or equipment exempted under section 57-39.2-04.3.

14 **SECTION 4.** A new subsection to section 57-40.2-03.3 of the North Dakota Century
15 Code is created and enacted as follows:

16 The tax imposed by this section does not apply to:

- 17 a. Production equipment or tangible personal property as authorized or
18 approved for exemption by the commissioner under section 57-39.2-04.2; or
19 b. Machinery, equipment, or other tangible personal property used to construct
20 an agricultural commodity processing facility as authorized or approved for
21 exemption by the commissioner under section 57-39.2-04.3 or 57-39.2-04.4.

22 **SECTION 5. AMENDMENT.** Section 57-40.2-04.2 of the North Dakota Century Code
23 is amended and reenacted as follows:

24 **57-40.2-04.2. (Effective through June 30, 2007) Reduced rate and exemption for**
25 **power plant construction, production, environmental upgrade, and repowering**
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29 million dollars or one hundred thousand dollars per megawatt of installed
30 nameplate capacity, whichever is less, in machinery, equipment, and related

- 1 facilities for reducing emissions or increasing efficiency at an existing power
2 plant.
- 3 b. "Operator" means any person owning, holding, or leasing a power plant.
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- 2 the reduced rate or exemption imposed or allowed by this section.