

FISCAL NOTE
Requested by Legislative Council
12/19/2014

Bill/Resolution No.: SB 2037

- 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).*

SB 2037 changes the taxation of wind turbines for property tax purposes, extends the sunsets for income tax credits for installation of wind projects, and sales tax exemptions for machinery used in new coal mines and in the construction of wind-powered facilities.

- 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.*

Sections 1, 2, and 3 of the bill make changes to the taxation of centrally assessed wind turbines and the taxation of wind turbine generation. Section 4 of the bill changes the income tax law governing the tax credit allowed for installing a biomass, geothermal, solar, or wind energy device to extend the sunset date by two years to January 1, 2017, but only for wind devices for which the construction began before January 1, 2015. Section 5 of the bill changes the sales tax exemption for wind turbines to remove the sunset date of January 1, 2017. Section 6 of the bill changes the sales tax exemption for coal mining machinery and equipment for new mines permitted after December 31, 2014, to include other tangible property, to remove the \$5 million cap on the tax exempted per mine, and to allow the exemption for replacement property creating an expansion of a mine. Section 7 of the bill changes the sales tax exemption for wind turbines to remove the sunset date of January 1, 2015.

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.*

If enacted, the fiscal impact of SB 2037 will depend on the number and size of wind turbines installed in North Dakota during the 2015-17 biennium, which are unknown. Assuming that a 100 megawatt wind project would come online in the next two years, it could have the following potential fiscal impacts: The sales and use tax exemption changes could reduce revenues between \$20 and \$30 million. The income tax credit change could generate up to \$3 million of income tax credits per year for 5 years. The amount of the tax credit actually claimed will depend on the tax liability of the taxpayers. The property and production taxes could generate new revenues for the county or counties in which the project is installed, the amount of which cannot be determined without knowing the number and size of the wind turbines.

- 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.*

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