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Chairman Headland and House Finance and Taxation Committee Members,

I am submitting testimony today in support of House Bill 1412 to provide temporary tax relief for lignite plants, which support thousands of working families and serve as the lifeblood of many counties and cities in central, and western, North Dakota.

Due to changing fuel markets, federal policies and regulations the lignite industry needs immediate economic relief to protect and preserve the North Dakota lignite industry which produces more than \$5 billion in regional economic impact, over 13,000 direct and indirect jobs and \$125 million in annual state and local tax revenues.

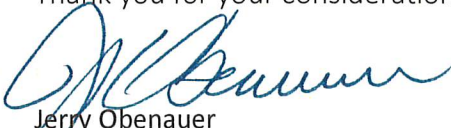
Each operator of a lignite power plant or conversion facility pays a coal conversion tax that is based on the amount of electricity or other products it generates annually. The total amount of coal conversion taxes paid in 2019 was \$25.4 million. To breakdown how that total amount was paid, two facilities paid over \$5M while others pay annual coal conversion taxes in the \$1M-\$4M range.

HB1412 only focuses on the coal conversion tax and is proposing temporary tax relief from that tax for a period of five years. Coal conversion taxes are paid by the operator of a coal conversion facility for producing electricity or other products from coal. A coal conversion facility is defined as (1) an electrical generating plant which has at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, (2) a plant other than an electrical generating plant which processes or converts coal and uses or is designed to use over 500,000 tons of coal per year, or (3) a coal beneficiation plant.

This proposal only provides relief from the general fund deposits and does not impact county, city, school tax revenue, or the lignite research fund. These political subdivisions will be held harmless under the proposal. This temporary relief will provide economic stability for the industry as we develop carbon capture and additional uses for lignite.

For these reasons, the City of Hazen supports HB1412 and we respectfully ask that the committee provide this legislation with a "Do-Pass" recommendation.

Thank you for your consideration,


Jerry Obenauer
President, Hazen City Commission