

Fifty-ninth  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1268

Introduced by

Representatives Belter, Delzer, Kerzman

Senators Christmann, Freborg, O'Connell

1 A BILL for an Act to create and enact a new subsection to section 57-60-01 of the North Dakota  
2 Century Code, relating to definitions for coal conversion facilities privilege tax purposes; to  
3 amend and reenact sections 57-39.2-04.2 and 57-40.2-04.2, subsection 3 of section 57-60-01,  
4 and section 57-60-02 of the North Dakota Century Code, relating to sales, use, and coal  
5 conversion facilities privilege tax exemptions and rate reductions for environmental upgrade  
6 and repowering of a power plant; and to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Section 57-39.2-04.2 of the North Dakota Century Code  
9 is amended and reenacted as follows:

10 **57-39.2-04.2. Reduced rate and exemption for power plant construction and,**  
11 **production, environmental upgrade, and repowering equipment.**

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

13 a. "Environmental upgrade" means an investment greater than twenty-five  
14 million dollars or one hundred thousand dollars per megawatt of installed  
15 nameplate capacity, whichever is less, in machinery, equipment, and related  
16 facilities for reducing emissions or increasing efficiency at an existing power  
17 plant.

18 b. "Operator" means any person owning, holding, or leasing a power plant.

19 ~~b-~~ c. "Power plant" means:

20 (1) An electrical generating plant, and all additions to the plant, which  
21 processes or converts lignite from its natural form into electrical power  
22 and which has at least one single electrical energy generation unit with  
23 a capacity of one hundred twenty 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           e- d. "Production equipment" means machinery and attachment units, other than  
7           replacement parts, directly and exclusively used in the generation,  
8           transmission, or distribution of electrical energy for sale by a power plant.
- 9           e. "Repowering" means an investment of more than two hundred million dollars  
10           or one million dollars per megawatt of installed nameplate capacity,  
11           whichever is less, in an existing power plant that modifies or replaces the  
12           process used for converting lignite coal from its natural form into electric  
13           power.
- 14           2. Sales of production or environmental upgrade equipment used exclusively in  
15           power plants or repowering existing power plants that begin construction after  
16           June 30, 1991, are exempt from the tax imposed by this chapter.
- 17           3. Sales of tangible personal property, other than production or environmental  
18           upgrade equipment, which is used in the construction of new power plants or to  
19           add environmental upgrades to existing power plants or repowering existing power  
20           plants are exempt from the tax imposed by this chapter.
- 21           4. To receive the reduced rate or exemption at the time of purchase, the operator  
22           must receive from the commissioner a certificate that the tangible personal  
23           property or production equipment the operator intends to purchase qualifies for the  
24           reduced rate or exemption. If a certificate is not received prior to the purchase, the  
25           operator shall pay the ~~five percent sales~~ applicable tax rate imposed by this  
26           chapter and apply to the commissioner for a refund.
- 27           5. If the tangible personal property or production equipment is purchased or installed  
28           by a contractor subject to the tax imposed by this chapter, the operator may apply  
29           for a refund of the difference between the amount remitted by the contractor and  
30           the reduced rate or exemption imposed or allowed by this section.

1           **SECTION 2. AMENDMENT.** Section 57-40.2-04.2 of the North Dakota Century Code  
2 is amended and reenacted as follows:

3           **57-40.2-04.2. Reduced rate and exemption for power plant construction and,**  
4 **production, environmental upgrade, and repowering equipment.**

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

6           a. "Environmental upgrade" means an investment greater than twenty-five  
7 million dollars or one hundred thousand dollars per megawatt of installed  
8 nameplate capacity, whichever is less, in machinery, equipment, and related  
9 facilities for reducing emissions or increasing efficiency at an existing power  
10 plant.

11           b. "Operator" means any person owning, holding, or leasing a power plant.

12           ~~b.~~ c. "Power plant" means:

13           (1) An electrical generating plant, and all additions to the plant, which  
14 processes or converts lignite from its natural form into electrical power  
15 and which has at least one single electrical energy generation unit with  
16 a capacity of one hundred twenty thousand kilowatts or more.

17           (2) A wind-powered electrical generating facility, on which construction is  
18 completed before January 1, 2011, and all additions to the facility,  
19 which provides electrical power through wind generation and which has  
20 at least one single electrical energy generation unit with a nameplate  
21 capacity of one hundred kilowatts or more.

22           ~~e.~~ d. "Production equipment" means machinery and attachment units, other than  
23 replacement parts, directly and exclusively used in the generation,  
24 transmission, or distribution of electrical energy for sale by a power plant.

25           e. "Repowering" means an investment of more than two hundred million dollars  
26 or one million dollars per megawatt of installed nameplate capacity,  
27 whichever is less, in an existing power plant that modifies or replaces the  
28 process used for converting lignite coal from its natural form into electric  
29 power.

- 1           2.    Sales of production or environmental upgrade equipment used exclusively in  
2                   power plants or repowering existing power plants that begin construction after  
3                   June 30, 1991, are exempt from the tax imposed by this chapter.
- 4           3.    Sales of tangible personal property, other than production or environmental  
5                   upgrade equipment, which is used in the construction of new power plants or to  
6                   add environmental upgrades to existing power plants or repowering existing power  
7                   plants are exempt from the tax imposed by this chapter.
- 8           4.    To receive the reduced rate or exemption at the time of purchase, the operator  
9                   must receive from the commissioner a certificate that the tangible personal  
10                  property or production equipment the operator intends to purchase qualifies for the  
11                  reduced rate or exemption. If a certificate is not received prior to the purchase, the  
12                  operator shall pay the ~~five percent sales~~ applicable tax rate imposed by this  
13                  chapter and apply to the commissioner for a refund.
- 14          5.    If the tangible personal property or production equipment is purchased or installed  
15                  by a contractor subject to the tax imposed by this chapter, the operator may apply  
16                  for a refund of the difference between the amount remitted by the contractor and  
17                  the reduced rate or exemption imposed or allowed by this section.

18           **SECTION 3. AMENDMENT.** Subsection 3 of section 57-60-01 of the North Dakota  
19 Century Code is amended and reenacted as follows:

- 20          3.    "Coal conversion facility" means any of the following:
- 21              a.    A plant, other than an electrical generating plant or a coal beneficiation plant,  
22                   with all additions thereto, which processes or converts coal from its natural  
23                   form into a form substantially different in chemical or physical properties,  
24                   including coal gasification, coal liquefaction, and the manufacture of fertilizer  
25                   and other products, and which uses or is designed to use over five hundred  
26                   thousand tons [453592.37 metric tons] of coal per year;
- 27              b.    An electrical generating plant, with all additions thereto, which processes or  
28                   converts coal from its natural form into electrical power and which has at least  
29                   one single electrical energy generation unit with a capacity of ten thousand  
30                   kilowatts or more; or
- 31              c.    A plant, with all additions thereto, which is designed for coal beneficiation.

- 1           d. A gas-fired electrical generating facility, and all additions to the facility, which  
2                     generates electrical power through the consumption of gas produced by the  
3                     conversion of lignite from its natural form into gas and has a capacity of ten  
4                     thousand kilowatts or more.

5           **SECTION 4.** A new subsection to section 57-60-01 of the North Dakota Century Code  
6 is created and enacted as follows:

7                     "Repowering" means an investment of more than two hundred million dollars or  
8                     one million dollars per megawatt of installed nameplate capacity, whichever is less,  
9                     in an existing power plant that modifies or replaces the process used for converting  
10                    lignite coal from its natural form into electric power.

11           **SECTION 5. AMENDMENT.** Section 57-60-02 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13           **57-60-02. Imposition of taxes.** There is hereby imposed upon the operator of each  
14 coal conversion facility a tax paid monthly for the privilege of producing products of such coal  
15 conversion facility. The rate of the tax must be computed as follows:

- 16           1. For all coal conversion facilities, except as otherwise provided in this section, the  
17 tax is measured by the gross receipts derived from such facility for the preceding  
18 month and is in the amount of four and one-tenth percent of such gross receipts.  
19 For purposes of this subsection, "gross receipts" of a coal gasification plant do not  
20 include any amount that is received by the operator of the plant for production of  
21 synthetic natural gas in excess of one hundred ten million cubic feet per day.  
22 Gross receipts derived from the sale of a capital asset are not subject to the tax  
23 imposed by this subsection.
- 24           2. For electrical generating plants, the tax is at a rate of sixty-five one-hundredths of  
25 one mill times sixty percent of the installed capacity of each unit times the number  
26 of hours in the taxable period. All electrical generating plants that begin  
27 construction or completed repowering after June 30, 1991, are exempt from  
28 eighty-five percent of the tax imposed by this subsection for five years from the  
29 date of the first taxable production or from the date of the first taxable production  
30 after repowering from the plant. The board of county commissioners may, by  
31 resolution, grant to the operator of an electrical generating plant located within the

- 1 county which begins construction after June 30, 1991, partial or complete  
2 exemption from the remaining fifteen percent of the tax imposed by this subsection  
3 for a period not exceeding five years from the date of the first taxable production or  
4 from the date of the first taxable production after repowering from the plant.  
5 Notwithstanding section 57-60-14, any tax collected from a plant subject to the  
6 exemption provided by this subsection must be allocated entirely to the county for  
7 allocation as provided in section 57-60-15. If a unit is incapable of generating  
8 electricity for eighteen consecutive months, the tax on that unit for taxable periods  
9 beginning after the eighteenth month must be reduced by the ratio that the cost of  
10 repair of the unit bears to the original cost of the unit. This reduced rate remains in  
11 effect until the unit is capable of generating electricity.
- 12 3. For electrical generating plants, in addition to the tax imposed by subsection 2,  
13 there is a tax at the rate of twenty-five one-hundredths of one mill on each kilowatt  
14 hour of electricity produced for the purpose of sale. For all electrical generating  
15 plants that begin construction or completed repowering after June 30, 1991, the  
16 production from the plants is exempt from the tax imposed by this subsection for  
17 five years from the date of the first taxable production or from the date of the first  
18 taxable production after repowering from the plant.
- 19 4. For coal gasification plants, the tax is the greater of either the amount provided in  
20 subsection 1 or thirteen and one-half cents on each one thousand cubic feet  
21 [28316.85 liters] of synthetic natural gas produced for the purpose of sale but not  
22 including any amount of synthetic natural gas in excess of one hundred ten million  
23 cubic feet per day.
- 24 5. a. For all coal conversion facilities, other than electrical generating plants, the  
25 production from the facilities is exempt from eighty-five percent of the tax  
26 imposed by this section for a period of five years from the date of first taxable  
27 production from the facility or for a period of five years from April 20, 1987,  
28 whichever is later. The operator of each facility applying for exemption under  
29 this subsection shall certify to the tax commissioner the date of first taxable  
30 production of the facility.

1           b. The board of county commissioners may, by resolution, grant to the operator  
2           of a coal conversion facility, other than an electrical generating plant, located  
3           within the county a partial or complete exemption from the remaining fifteen  
4           percent of tax imposed by this section for a period not exceeding five years  
5           from the date of the first taxable production from the facility. Notwithstanding  
6           the provisions of section 57-60-14, any tax collected which is based upon the  
7           production of a facility subject to the exemption provided by this subsection  
8           must be allocated entirely to the county for allocation as provided in section  
9           57-60-15. If a board of county commissioners grants a partial or complete  
10          exemption for a specific coal conversion facility under this subsection, the  
11          provisions of subsection 2 of section 57-60-14 do not apply as that subsection  
12          relates to revenue from the specific coal conversion facility for which the  
13          partial or complete exemption has been granted.

14          6. For coal beneficiation plants, the tax is twenty cents on each ton of two thousand  
15          pounds [907.18 kilograms] of beneficiated coal produced for the purpose of sale,  
16          or one and one-quarter percent of the gross receipts derived from such facility for  
17          the preceding month, whichever amount is greater. Any amount of beneficiated  
18          coal produced in excess of eighty percent of the design capacity of the coal  
19          beneficiation plant is exempt from such tax.

20           **SECTION 6. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
21   June 30, 2005.