

## 1 HOUSE BILL NO. 489

2 INTRODUCED BY D. GALLIK

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4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN ETHANOL EDUCATION BOARD AND  
5 PRESCRIBING ITS DUTIES; PROVIDING FUNDING FOR THE EDUCATION PROGRAM FROM THE TAX  
6 INCENTIVE FOR THE PRODUCTION OF ALCOHOL; AMENDING SECTION 15-70-522, MCA; AND  
7 PROVIDING AN EFFECTIVE DATE."

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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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11 NEW SECTION. **Section 1. Ethanol education board -- duties.** (1) There is an ethanol education  
12 board. The board consists of seven members appointed by the governor. The board members may represent  
13 agriculture, agricultural organizations, fuel distributors, energy consultants, labor, and the ethanol industry. The  
14 board is attached to the department of transportation for administrative purposes only as provided in 2-15-121.  
15 Board members shall serve 4-year terms except for the initial appointments. Of the initial appointments, one  
16 member must be appointed for a 1-year term, two members must be appointed for a 2-year term, two members  
17 must be appointed for a 3-year term, and two members must be appointed for a 4-year term. Members may be  
18 reappointed. Members serve for no compensation but are entitled to expenses as provided in 2-18-501 through  
19 2-18-503.

20 (2) (a) The board shall educate Montanans regarding the benefits, effects, and uses of ethanol and other  
21 biofuels as renewable alternative fuels to replace traditional fossil fuels. The board's education efforts must  
22 include:

23 (i) benefits to the environment, including improved air quality;

24 (ii) economic development, including the establishment of Montana-based industry; and

25 (iii) reductions in dependency on domestic and foreign crude oil.

26 (b) The board shall hold an annual conference to notify, explain, and educate Montanans concerning  
27 the progress, benefits, and status of the production and use of ethanol and other biofuels. The conference must  
28 include:

29 (i) workshops to educate fleet managers at all levels of government and in the private sector to explain  
30 the benefits of ethanol use;

- 1 (ii) a forum to educate state, county, and municipal agencies about renewable fuels; and  
2 (iii) the promotion of ethanol and biodiesel.

3 (3) The board shall develop lesson plans that may be incorporated into a curriculum at appropriate  
4 grade levels and make them available through the office of public instruction.

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6 **Section 2.** Section 15-70-522, MCA, is amended to read:

7 **"15-70-522. Tax incentive for production of alcohol -- written plan required -- reservation of**  
8 **incentives -- rules.** (1) (a) If the alcohol was produced in Montana from Montana agricultural products, including  
9 Montana wood or wood products, or if the alcohol was produced from non-Montana agricultural products when  
10 Montana products are not available, there is a tax incentive payable to alcohol distributors for distilling alcohol  
11 that:

- 12 (i) is to be blended with gasoline for sale as gasohol in Montana;  
13 (ii) was exported from Montana to be blended with gasoline for sale as gasohol; or  
14 (iii) is to be used in the production of ethyl butyl ether for use in reformulated gasoline.  
15 (b) Payment must be made by the department out of the amount collected under 15-70-204.

16 (2) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol distilled  
17 in accordance with subsection (1) is 30 cents a gallon for each gallon that is 100% produced from Montana  
18 products, with the amount of the tax incentive for each gallon reduced proportionately, based upon the amount  
19 of agricultural or wood products not produced in Montana that is used in the production of the alcohol. Beginning  
20 July 1, 2010, there is no tax incentive.

21 (3) (a) ~~Regardless~~ Subject to subsection (3)(b), regardless of the alcohol tax incentive provided in  
22 subsection (2), the total payments made for the incentive under this part may not exceed \$6 million in any  
23 consecutive 12-month period.

24 (b) (i) Except as provided in subsection (3)(b)(ii), from July 1, 2005, through June 30, 2009, there is  
25 deducted from the \$6 million of general fund money available under subsection (3)(a) up to \$250,000 each fiscal  
26 year to be used by the ethanol education board as provided in [section 1].

27 (ii) If there is an alcohol distributor in Montana that claims a tax incentive under this section, then the  
28 amount in subsection (3)(b)(i) is reduced to \$200,000 and if more than one alcohol distributor in Montana claims  
29 a tax incentive under this section, then the amount in subsection (3)(b)(i) is reduced to \$150,000.

30 (4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed \$3

1 million in any consecutive 12-month period.

2 (5) An alcohol distributor may not receive tax incentive payments under subsection (2) unless the  
3 distributor has provided a written business plan to the department of transportation at least 24 months before  
4 the distributor's anticipated collection of the tax incentives and has complied with the schedule provided for in  
5 subsection (6). The plan must contain the following information:

6 (a) the source or sources of financing for the acquisition of the plant, land, and equipment used for the  
7 production of alcohol for use in gasohol;

8 (b) the anticipated source of agricultural products used in the production of alcohol for use in gasohol;  
9 and

10 (c) the anticipated time, quantity, and duration of production of alcohol for use in gasohol.

11 (6) An applicant that has provided the department with a written business plan shall meet the following  
12 schedule to be able to receive alcohol tax incentive payments:

13 (a) start building construction or remodeling within 24 months of the date on which the department  
14 received the business plan;

15 (b) complete 50% of construction or remodeling of a production facility within 36 months of the date on  
16 which the business plan was received; and

17 (c) complete 100% of construction or remodeling of a production facility and be in production of alcohol  
18 for use in gasohol for distribution within 48 months of the date on which the business plan was received.

19 (7) If the applicant does not adhere to the schedule in subsection (6), the applicant loses its priority for  
20 receiving incentive payments.

21 (8) After the department has verified production, the department shall begin payments of the alcohol  
22 tax incentives based on actual production according to the terms of subsection (2).

23 (9) The department shall reserve, in the order that written plans required under subsection (5) are  
24 received by the department, alcohol tax incentives based on the anticipated time, quantity, and duration of  
25 production.

26 (10) A new tax incentive payment may not be made if the total tax incentive established in subsection  
27 (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the amount by which  
28 the tax incentive has been reduced or canceled is available for reservation as provided in subsection (9).

29 (11) The department shall prescribe rules necessary to carry out the provisions of this section."  
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1            NEW SECTION. **Section 3. Codification instruction.** [Section 1] is intended to be codified as an  
2 integral part of Title 2, chapter 15, part 25, and the provisions of Title 2, chapter 15, part 25, apply to [section 1].

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4            NEW SECTION. **Section 4. Effective date.** [This act] is effective July 1, 2005.

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