

HOUSE BILL NO. 353

INTRODUCED BY D. SKEES

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A BILL FOR AN ACT ENTITLED: "AN ACT RECLASSIFYING CERTAIN ELECTRIC TRANSMISSION FACILITIES IN CLASS FOURTEEN PROPERTY AS CLASS NINE PROPERTY FOR PROPERTY TAXATION PURPOSES; ELIMINATING THE PROPERTY TAX ABATEMENT FOR CERTAIN TRANSMISSION LINES; AMENDING SECTIONS 15-6-157 AND 15-24-3111, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

- (a) wind generation facilities of a centrally assessed electric power company;
- (b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to 42 U.S.C. 16451;
- (c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;
- (d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;
- (e) biomass generation facilities up to 25 megawatts in nameplate capacity of a centrally assessed electric power company;
- (f) biomass generation facilities up to 25 megawatts in nameplate capacity owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to 42 U.S.C. 16451;
- (g) noncentrally assessed biomass generation facilities up to 25 megawatts in nameplate capacity owned or operated by any electrical energy producer;
- (h) biomass generation facilities up to 25 megawatts in nameplate capacity owned or operated by cooperative rural electric associations described under 15-6-137;
- (i) all property of a biodiesel production facility, as defined in 15-24-3102, that has commenced construction after June 1, 2007;



- 1 (j) all property of a biogas production facility, as defined in 15-24-3102, that has commenced construction
2 after June 1, 2007;
- 3 (k) all property of a biomass gasification facility, as defined in 15-24-3102;
- 4 (l) all property of a coal gasification facility, as defined in 15-24-3102, except for property in subsection
5 (1)(o) of this section, that sequesters carbon dioxide;
- 6 (m) all property of an ethanol production facility, as defined in 15-24-3102, that has commenced
7 construction after June 1, 2007;
- 8 (n) all property of a geothermal facility, as defined in 15-24-3102;
- 9 (o) all property of an integrated gasification combined cycle facility, as defined in 15-24-3102, that
10 sequesters carbon dioxide, as required by 15-24-3111(4)(c);
- 11 (p) all property or a portion of the property of a renewable energy manufacturing facility, as defined in
12 15-24-3102, that has commenced construction after June 1, 2007;
- 13 (q) all property of a natural gas combined cycle facility;
- 14 (r) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered
15 or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion
16 plants of the types that are generally in commercial use as of December 31, 2007, that commence construction
17 after December 31, 2007;
- 18 ~~(s) high-voltage direct-current transmission lines and associated equipment and structures, including~~
19 ~~converter stations and interconnections, other than property classified under 15-6-159, that:~~
- 20 ~~—— (i) originate in Montana with a converter station located in Montana east of the continental divide and~~
21 ~~that are constructed after July 1, 2007;~~
- 22 ~~—— (ii) are certified under the Montana Major Facility Siting Act; and~~
- 23 ~~—— (iii) provide access to energy markets for Montana electrical generation facilities listed in this section that~~
24 ~~commenced construction after June 1, 2007;~~
- 25 ~~—— (t) all property of electric transmission lines, including substations, that originate at facilities specified in~~
26 ~~this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this~~
27 ~~subsection (1) and terminating at an existing transmission line or substation that has commenced construction~~
28 ~~after June 1, 2007;~~
- 29 ~~—— (u) the qualified portion of an alternating current transmission line and its associated equipment and~~
30 ~~structures, including interconnections, that has commenced construction after June 1, 2007.~~

1 ~~(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(u) is that~~
 2 ~~percentage, as determined by the department of environmental quality, of rated transmission capacity of the line~~
 3 ~~contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1)~~
 4 ~~that are located in Montana.~~

5 ~~_____ (b) The department of revenue shall classify the total value of an alternating current transmission line~~
 6 ~~in accordance with the determination made by the department of environmental quality pursuant to subsection~~
 7 ~~(2)(a).~~

8 ~~_____ (c) The owner of property described under this subsection (2) shall disclose the location of the generation~~
 9 ~~facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for~~
 10 ~~transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not~~
 11 ~~required to disclose financial terms and conditions of contracts beyond that needed for classification.~~

12 ~~(3)(2)~~ Class fourteen property does not include facilities:

13 (a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-414, was
 14 not paid during the construction phase; or

15 (b) that are exempt under 15-6-225.

16 ~~(4)(3)~~ For the purposes of this section, the following definitions apply:

17 (a) "Biomass generation facilities" means any combination of boilers, generators, associated prime
 18 movers, and other associated property, including appurtenant land and improvements and personal property, that
 19 are normally operated together to produce electric power from the burning of organic material other than coal,
 20 petroleum, natural gas, or any products derived from coal, petroleum, or natural gas, with the use of natural gas
 21 or other fuels allowed for ignition and to stabilize boiler operations.

22 (b) "Wind generation facilities" means any combination of a physically connected wind turbine or
 23 turbines, associated prime movers, and other associated property, including appurtenant land and improvements
 24 and personal property, that are normally operated together to produce electric power from wind.

25 ~~(5) (a) The department of environmental quality shall determine whether to certify that a transmission~~
 26 ~~line meets the criteria of subsection (1)(s), (1)(t), or (1)(u), as applicable, based on an application provided for~~
 27 ~~in 15-24-3112. The department of environmental quality shall review the certification 10 years after the line is~~
 28 ~~operational, and if the property no longer meets the requirements of subsection (1)(s), (1)(t), or (1)(u), the~~
 29 ~~certification must be revoked.~~

30 ~~_____ (b) If the department of revenue finds that a certification previously granted was based on an application~~

1 that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the
 2 application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time
 3 that the certification was in effect.

4 ~~(6)~~(4) Class fourteen property is taxed at 3% of its market value."
 5

6 **Section 2.** Section 15-24-3111, MCA, is amended to read:

7 **"15-24-3111. Energy production or development -- tax abatement -- eligibility.** (1) A facility listed
 8 in subsection (3), clean advanced coal research and development equipment, and renewable energy research
 9 and development equipment may qualify for an abatement of property tax liability pursuant to this part.

10 (2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be
 11 assessed at 50% of its taxable value for the qualifying period.

12 (b) If the abatement is granted for clean advanced coal research and development equipment or
 13 renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of
 14 the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There
 15 is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

16 (c) The abatement applies to all mills levied against the qualifying facility or equipment.

17 (3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement
 18 allowed under this part:

19 (a) biodiesel production facilities;

20 (b) biogas production facilities;

21 (c) biomass gasification facilities;

22 (d) coal gasification facilities for which carbon dioxide from the coal gasification process is sequestered;

23 (e) ethanol production facilities;

24 (f) geothermal facilities;

25 (g) renewable energy manufacturing facilities;

26 (h) clean advanced coal research and development equipment and renewable energy research and
 27 development equipment;

28 (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through
 29 carbon credit offsets;

30 ~~(j) transmission lines and associated equipment and structures classified in 15-6-157;~~

1 ~~(k)~~(j) direct-current converter stations classified under 15-6-159;

2 ~~(l)~~(k) carbon sequestration equipment as defined in 15-6-158; and

3 ~~(m)~~(l) pipelines classified under 15-6-158.

4 (4) (a) In order to qualify for the abatement under this part, a facility listed in subsection (3) must meet
5 the following requirements:

6 (i) commencement of construction of the facility must occur after June 1, 2007; and

7 (ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-414, must be paid
8 during the construction phase of the facility.

9 (b) In order to qualify for the abatement under this part, clean advanced coal research and development
10 equipment and renewable energy research and development equipment must be placed into service after June
11 30, 2007.

12 (c) For the facility to qualify under subsection (3)(d), the carbon dioxide produced from the gasification
13 process must be sequestered at a rate that is practically obtainable but may not be less than 65%.

14 (d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied
15 for after December 31, 2014, do not qualify under subsection (3)(d).

16 (e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage
17 determined in 15-24-3116.

18 (5) To qualify for an abatement, the facility or clean advanced coal research and development equipment
19 and renewable energy research and development equipment must be certified as provided in 15-24-3112.

20 (6) Upon termination of the qualifying period, the abatement ceases and the property for which the
21 abatement had been granted must be assessed at 100% of its taxable value.

22 (7) For the purposes of this section, "qualifying period" means the construction period and the first 15
23 years after the facility commences operation or the clean advanced coal research and development equipment
24 or renewable energy research and development equipment is purchased. The total time of the qualifying period
25 may not exceed 19 years."

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27 NEW SECTION. **Section 3. Effective date.** [This act] is effective January 1, 2012.

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29 NEW SECTION. **Section 4. Applicability.** [This act] applies to tax years beginning after December 31,
30 2011.

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