

## SENATE BILL NO. 105

INTRODUCED BY G. LIND

BY REQUEST OF THE ENERGY AND TELECOMMUNICATIONS INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A 3-YEAR PROPERTY TAX EXEMPTION FOR NEW EQUIPMENT SPECIFICALLY REQUIRED TO CAPTURE, REUSE TRANSPORT, OR GEOLOGICALLY SEQUESTER CARBON DIOXIDE; PROVIDING THAT CARBON DIOXIDE SEQUESTRATION EQUIPMENT IS TAXED AS CLASS FIVE PROPERTY; AMENDING SECTION 15-6-135, MCA; AND PROVIDING A CONTINGENT VOIDNESS PROVISION."

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

NEW SECTION. Section 1. Carbon dioxide sequestration equipment exempt -- 3 YEARS. All associated property, excluding land, required for the capture, reuse, or sequestration of carbon dioxide FOR THE FIRST 3 TAX YEARS AFTER THE PROPERTY BECOMES OPERATIONAL, ALL NEW CARBON DIOXIDE SEQUESTRATION EQUIPMENT, AS DEFINED IN 15-6-135, is exempt from taxation.

**SECTION 2. SECTION 15-6-135, MCA, IS AMENDED TO READ:**

**"15-6-135. Class five property -- description -- taxable percentage.** (1) Class five property includes:

- (a) all property used and owned by cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana, except property owned by cooperative organizations described in 15-6-137(1)(a);
- (b) air and water pollution control equipment as defined in this section;
- (c) new industrial property as defined in this section;
- (d) any personal or real property used primarily in the production of gasohol during construction and for the first 3 years of its operation;
- (e) all land and improvements and all personal property owned by a research and development firm, provided that the property is actively devoted to research and development;
- (f) machinery and equipment used in electrolytic reduction facilities;
- (g) all property used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telecommunications services exclusively to rural areas or to rural areas and cities

and towns of 1,200 permanent residents or less;

(h) except as provided in [section 1], carbon dioxide sequestration equipment as defined in this section.

(2) (a) "Air and water pollution control equipment" means that portion of identifiable property, facilities, machinery, devices, or equipment designed, constructed, under construction, or operated for removing, disposing, abating, treating, eliminating, destroying, neutralizing, stabilizing, rendering inert, storing, or preventing the creation of air or water pollutants that, except for the use of the item, would be released to the environment. Reduction in pollutants obtained through operational techniques without specific facilities, machinery, devices, or equipment is not eligible for certification under this section.

(b) Requests for certification must be made on forms available from the department of revenue. Certification may not be granted unless the applicant is in substantial compliance with all applicable rules, laws, orders, or permit conditions. Certification remains in effect only as long as substantial compliance continues.

(c) The department of environmental quality shall promulgate rules specifying procedures, including timeframes for certification application, and definitions necessary to identify air and water pollution control equipment for certification and compliance. The department of revenue shall promulgate rules pertaining to the valuation of qualifying air and water pollution control equipment. The department of environmental quality shall identify and track compliance in the use of certified air and water pollution control equipment and report continuous acts or patterns of noncompliance at a facility to the department of revenue. Casual or isolated incidents of noncompliance at a facility do not affect certification.

(d) A person may appeal the certification, classification, and valuation of the property to the state tax appeal board. Appeals on the property certification must name the department of environmental quality as the respondent, and appeals on the classification or valuation of the equipment must name the department of revenue as the respondent.

(3) (a) "Carbon dioxide sequestration equipment" means identifiable equipment designed and constructed primarily for the purpose of the capture, transport, or geological sequestration of carbon dioxide that would otherwise be released into the atmosphere. Property that results in a reduction in carbon dioxide emissions through operational techniques, facility improvement, or without the use of specifically designed and constructed equipment is not carbon dioxide sequestration equipment classified under this section.

(b) The department shall provide, by rule, specific criteria necessary for the classification of carbon dioxide sequestration equipment. The rules relating to carbon dioxide sequestration must be adopted based upon rules adopted by the board of environmental review pursuant to [section 2 of Senate Bill No. 218]. The rules must also address application procedures, definitions, valuation of the equipment, and other matters that the

department considers necessary for the administration of the classification of carbon dioxide sequestration equipment.

~~(3)~~(4) (a) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

(b) New industrial property does not include:

(i) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions unless the business or profession meets the requirements of subsection ~~(4)(b)(v)~~ (5)(b)(v);

(ii) a plant that will create adverse impact on existing state, county, or municipal services; or

(iii) property used or employed in an industrial plant that has been in operation in this state for 3 years or longer.

~~(4)~~(5) (a) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials;

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual prepared by the United States office of management and budget;

(iv) engage in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of an industry's gross sales or receipts are earned from outside the state; or

(v) earn 50% or more of their annual gross income from out-of-state sales.

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

**NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter ~~6, part 2 32~~, and the provisions of Title 15, chapter ~~6, part 2 32~~, apply to [section 1].

NEW SECTION. SECTION 4. CONTINGENT VOIDNESS. IF SENATE BILL NO. 218 IS NOT PASSED AND APPROVED,  
THEN [THIS ACT] IS VOID.

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