

SENATE BILL NO. 510

INTRODUCED BY S. FITZPATRICK

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR ALTERNATIVE FUEL PRODUCTION; PROVIDING A PROPERTY TAX ABATEMENT FOR RENEWABLE DIESEL AND SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF RENEWABLE DIESEL AND SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES; PROVIDING DEFINITIONS; AMENDING SECTIONS 15-6-157, 15-6-158, 15-24-3102, AND 15-24-3111, MCA; AND PROVIDING 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) energy storage facilities of a centrally assessed electric power company;

(j) energy storage 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;

(k) noncentrally assessed energy storage facilities owned or operated by any electrical energy producer;

(l) energy storage facilities owned or operated by cooperative rural electrical associations described under 15-6-137;

(m) battery energy storage systems that comply with federal standards on the manufacture and installation of the systems that are owned and operated by an electrical energy storage producer, electrical energy producer, or energy trading entity or by the owner or operator of an electrical vehicle charging site;

(n) all property of a biodiesel production facility, as defined in 15-24-3102, that has commenced construction after June 1, 2007;

(o) all property of a biogas production facility, as defined in 15-24-3102, that has commenced construction after June 1, 2007;

(p) all property of a biomass gasification facility, as defined in 15-24-3102;

(q) all property of a coal gasification facility, as defined in 15-24-3102, except for property in subsection (1)(t) of this section, that sequesters carbon dioxide;

(r) all property of an ethanol production facility, as defined in 15-24-3102, that has commenced construction after June 1, 2007;

(s) all property of a geothermal facility, as defined in 15-24-3102;

(t) all property of an integrated gasification combined cycle facility, as defined in 15-24-3102, that sequesters carbon dioxide, as required by 15-24-3111(4)(c);

(u) all property or a portion of the property of a renewable energy manufacturing facility, as defined in 15-24-3102, that has commenced construction after June 1, 2007;

(v) all property of a natural gas combined cycle facility;

(w) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(x) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections, other than property classified under 15-6-159, that:

(i) originate in Montana with a converter station located in Montana east of the continental divide and that are constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(y) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(z) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007;

(aa) all property of a renewable diesel production facility, as defined in 15-24-3102, that has commenced construction after December 31, ~~2020~~ 2022; and

(bb) all property of a sustainable aviation fuel production facility, as defined in 15-24-3102, that has commenced construction after December 31, ~~2020~~ 2022.

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

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

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

(3) Class fourteen property does not include facilities:

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

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

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

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

(b) (i) "Compressed air energy storage" means the conversion of electrical energy to compressed air by using an electrically powered turbocompressor for storage in vessels designed for that purpose and in the earth, including but not limited to deep saline formations, basalt formations, aquifers, depleted oil or gas reservoirs, abandoned mines, and mined rock cavities.

(ii) The term includes the conversion of compressed air into electrical energy by using turboexpander equipment and electrical generation equipment.

(c) (i) "Energy storage facilities" means hydroelectric pumped storage property, compressed air energy storage property, regenerative fuel cells, batteries, flywheel storage property, or any combination of energy storage facilities directly connected to the electrical power grid and associated property, appurtenant land and improvements, and personal property that are designed to:

(A) receive and store electrical energy as potential energy; and

(B) convert the stored energy into electrical energy for sale as an energy commodity or as electricity services to balance energy flow on the electrical power grid in order to maintain a stable transmission

1 grid, including but not limited to frequency regulation ancillary services and frequency control.

2 (ii) The term includes only property that in the aggregate can store at least 0.25 megawatt hour
3 and has a power rating of at least 1 megawatt for a period of at least 0.25 hour.

4 (iii) The term does not include property, including associated property and appurtenant land and
5 improvements, that is used to hold water in ponds, reservoirs, or impoundments related to hydroelectric
6 pumped storage as defined in subsection (4)(e).

7 (d) "Flywheel storage" means a process that stores energy kinetically in the form of a rotating
8 flywheel. Energy stored by the rotating flywheel can be converted to electrical energy through the flywheel's
9 integrated electric generator.

10 (e) "Hydroelectric pumped storage" means a process that converts electrical energy to potential
11 energy by pumping water to a higher elevation, where it can be stored indefinitely and then released to pass
12 through hydraulic turbines and generate electrical energy.

13 (f) (i) "Regenerative fuel cell" means a device that produces hydrogen and oxygen from electricity
14 and water and alternately produces electrical energy and water from stored hydrogen and oxygen.

15 (ii) The term does not include a green hydrogen facility, green hydrogen pipeline, or green
16 hydrogen storage system as defined in 15-6-163.

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

20 (5) (a) The department of environmental quality shall determine whether to certify that a
21 transmission line meets the criteria of subsection (1)(x), (1)(y), or (1)(z), as applicable, based on an application
22 provided for in 15-24-3112. The department of environmental quality shall review the certification 10 years after
23 the line is operational, and if the property no longer meets the requirements of subsection (1)(x), (1)(y), or
24 (1)(z), the certification must be revoked.

25 (b) If the department of revenue finds that a certification previously granted was based on an
26 application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-
27 6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest
28 from the time that the certification was in effect.

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

2

3 **Section 2.** Section 15-6-158, MCA, is amended to read:

4 **"15-6-158. Class fifteen property -- description -- taxable percentage.** (1) Class fifteen property
5 includes:

6 (a) carbon dioxide pipelines certified by the department of environmental quality under 15-24-3112
7 for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil
8 recovery operations;

9 (b) qualified liquid pipelines certified by the department of environmental quality under 15-24-3112;

10 (c) carbon sequestration equipment;

11 (d) equipment used in closed-loop enhanced oil recovery operations; and

12 (e) all property of pipelines, including pumping and compression equipment, carrying products
13 other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product
14 carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or
15 facility.

16 (2) For the purposes of this section, the following definitions apply:

17 (a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or
18 facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop
19 enhanced oil recovery operation.

20 (b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide
21 pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale
22 formations, depleted oil and gas reservoirs, unminable coal beds, and closed-loop enhanced oil recovery
23 operations.

24 (c) "Carbon sequestration equipment" means the equipment used for carbon sequestration,
25 including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to
26 retain carbon dioxide in the sequestration location.

27 (d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for
28 sequestration.

1 applied for after December 31, 2014, do not qualify under subsection (3)(d).

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

4 (5) To qualify for an abatement, the facility or clean advanced coal research and development
5 equipment and renewable energy research and development equipment must be certified as provided in 15-24-
6 3112.

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

9 (7) For the purposes of this section, "qualifying period" means the construction period and the first
10 15 years after the facility commences operation or the clean advanced coal research and development
11 equipment or renewable energy research and development equipment is purchased. The total time of the
12 qualifying period may not exceed 19 years."

13
14 NEW SECTION. Section 5. Applicability. [This act] applies to a renewable diesel production facility
15 or a sustainable aviation fuel production facility that commences construction after December 31, ~~2020~~ 2022,
16 and the abatement provided by [this act] applies to property tax years beginning after December 31, 2023.

17 - END -