# 85<sup>th</sup> Legislative Session – 2010

## Committee: 195, A, 3/11/2010 11:00:00 PM

Thursday, March 11, 2010

P - Present E - Excused A - Absent

# Roll Call

- P Hunhoff (Bernie)
- P Rausch
- P Rave, Chair
- P Heidepriem
- P Gray
- P Knudson, Chair

## OTHERS PRESENT: See Original Minutes

The meeting was called to order by Dave Knudson, Chair.

# MOTION: RECESS UNTIL 1:00 PM

Moved by:RaveSecond by:GrayAction:Prevailed by voice vote.

<u>SB 195: revise the refunds for new or expanded agricultural facilities and new or expanded business facilities and to sunset the refunds for new or expanded agricultural facilities and new or expanded business facilities.</u>

## Public Testimony:

Neil Fulton, Governor's Office Bill Van Camp, Nextera Energy Resources Steve Tomac, Basin Electric Power Coop Julie Johnson, Absolutely Aberdeen David Owen, SD Chamber of Commerce & Industry Steve Willard, SD Electric Utilities Brett Koenecke, SD Electric Utilities Ed Anderson, SD Rural Electric Association Robert Johnson, self, Buffalo Representative Kim Vanneman

MOTION: AMEND SB 195

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On page 1 of the Senate engrossed bill, delete lines 11 to 14, inclusive, and insert:

Section 2. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding any provision of chapter 10-45B or this Act, this section controls the amount of refunds payable under chapter 10-45B for any new agricultural processing facility or new business facility, except any wind energy facility, that has a construction date on or after January 1, 2010. For project cost incurred and paid from January 1, 2010, to December 31, 2012, inclusive, the amount of the refund shall be determined by applying the provisions of chapter 10-45B in effect on July 1, 2010. The amount of the tax refund for a new agricultural processing facility or new business facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund; and
- (2) For project costs of ten or more million dollars, there shall be a refund of forty percent of the taxes paid.

No tax refund may be given for any project cost incurred and paid on or after January 1, 2013. A wind energy facility shall be controlled by section 5 of this Act.

Section 3. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

The provisions of chapter 10-45B in effect prior to January 1, 2010, apply to any project where the construction date was before January 1, 2010.

Section 4. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

For the purposes of this chapter, the term, wind energy facility, means:

(1) Any new facility, or facility expansion, consisting of a commonly managed integrated

../195A.cc

system of towers, wind turbine generators with blades, power collection systems, and electric interconnection systems, that converts wind movement into electricity;

- (2) Any new or upgraded electric transmission line and associated facilities; or
- (3) Any new business facility that manufactures, assembles, or distributes wind or transmission components.

Section 5. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding any provision of chapter 10-45B or this Act, this section controls the amount of refunds payable under chapter 10-45B for any new business facility that is a wind energy facility and has a construction date on or after January 1, 2010. For project costs incurred and paid from January 1, 2010, to December 31, 2012, inclusive, the amount of the refund shall be determined by applying the provisions of chapter 10-45B in effect on July 1, 2010. The amount of the tax refund for a wind energy facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund; and
- (2) For project costs of ten or more million dollars, there shall be a refund of seventy percent of the taxes paid.

No tax refund may be given for any project cost incurred and paid on or after January 1, 2013.".

On page 2, delete lines 1 to 10, inclusive.

Moved by: Second by: Action:	Gray Rave Failed by roll call vote. (3-3-0-0)
Voting Yes:	Rausch, Rave, Gray
Voting No:	Hunhoff (Bernie), Heidepriem, Knudson
MOTION:	AMEND SB 195

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On page 7, after line 6 of the House State Affairs Committee engrossed bill, insert:

../195A.cc

Page 3

"

Section 18. That § 10-45B-1.1 be amended to read as follows:

10-45B-1.1. For the purposes of this chapter, the term, new business facility, means a new building or structure or the expansion of an existing building or structure, including a power generation facility, the construction of which is subject to the contractor's excise tax pursuant to chapter 10-46A or 10-46B. A new business facility does not include any building or structure:

- (1) Used predominantly for the sale of products at retail, other than the sale of electricity at retail, to individual consumers;
- (2) Used predominantly for residential housing or transient lodging;
- (3) Used predominantly to provide health care services; or
- (4) That is not subject to ad valorem real property taxation or equivalent taxes measured by gross receipts; or
- (5) Used predominantly for the transportation or transmission of oil or crude oil by means of a pipeline.".

Moved by: Second by: Action:	Heidepriem Hunhoff (Bernie) Failed by roll call vote. (2-4-0-0)
Voting Yes:	Hunhoff (Bernie), Heidepriem
Voting No:	Rausch, Rave, Gray, Knudson

MOTION: AMEND SB 195

On page 2, line 1, of the House State Affairs Committee engrossed bill, after "facility" insert ", except any wind energy facility,".

On page 2, line 4, delete everything after "2010" insert "; and".

On page 2, delete line 5.

On page 2, between lines 10 and 11, insert:

A wind energy facility shall be controlled by section 7 of this Act.".

On page 3, between lines 7 and 8 of the House State Affairs Committee engrossed bill, insert:

Section 6. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

For the purposes of this chapter, the term, wind energy facility, means a new facility, or facility expansion, consisting of a commonly managed integrated system of towers, wind turbine generators with blades, power collection systems, and electric interconnection systems, that converts wind movement into electricity.

Section 7. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding any provision of chapter 10-45B or this Act, this section controls the amount of refunds payable under chapter 10-45B for any new business facility that is a wind energy facility and has a construction date on or after July 1, 2010. For project costs incurred and paid on or after July 1, 2010, the amount of the refund shall be determined by applying the provisions of chapter 10-45B in effect on July 1, 2010. The amount of the tax refund for a wind energy facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund; and
- (2) For project costs of ten or more million dollars, there shall be a refund of fifty-five percent of the taxes paid.

Section 8. The provisions of section 2 of this Act are repealed on January 1, 2013.".

On page 7, delete line 6.

Moved by: Second by: Action:	Hunhoff (Bernie) Heidepriem Failed by roll call vote. (2-4-0-0)
Voting Yes:	Hunhoff (Bernie), Heidepriem
Voting No:	Rausch, Rave, Gray, Knudson
MOTION:	AMEND SB 195
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On the House State Affairs Committee engrossed bill, delete everything after the enacting clause and insert:

" Section 1. That § 10-45B-2 be amended to read as follows:

10-45B-2. Any person As provided in this chapter, any person holding a permit issued pursuant to § 10-45B-6 may apply for and obtain a refund or credit for contractors' excise taxes imposed and paid under the provisions of chapter 10-46A for the construction of a new agricultural processing facility and for sales or use taxes imposed and paid by such person under the provisions of chapters 10-45 and 10-46 for the purchase or use of agricultural processing equipment.

Section 2. That § 10-45B-4 be repealed.

10-45B-4. The refund of taxes for a new agricultural processing facility pertains only to project costs incurred and paid after April 1, 1997, and within thirty-six months of the construction date as stated on the application required by § 10-45B-6. No refund may be made unless:

(1) The project cost exceeds the sum of four million five hundred thousand dollars; and

(2) The person applying for the refund obtains a permit from the secretary as set forth in § 10-45B-6.

Section 3. That § 10-45B-4.1 be repealed.

10-45B-4.1. The refund of taxes pursuant to § 10-45B-2.1 pertains only to project costs incurred and paid after February 1, 2005, up to and including thirty-six months from the construction date if the project costs are sixty million dollars or less and after February 1, 2005, up to and including seventy-two months from the construction date if the project costs are more than sixty million dollars. There is no refund if the person applying for the refund does not obtain a permit from the secretary as set forth in § 10-45B-6.

Upon a showing of good cause, the time limits prescribed by this section may be extended by the secretary for a period not to exceed twenty-four months.

Section 4. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

The refund of taxes pursuant to §§ 10-45B-2 and 10-45B-2.1 pertains only to project costs incurred and paid after January 1, 2008, up to and including thirty-six months from the construction date. No refund may be paid unless the person applying for the refund obtains a permit from the secretary as set forth in § 10-45B-6.

Section 5. That § 10-45B-5 be repealed.

10-45B-5. If the project cost for a new agricultural processing facility exceeds four million five hundred thousand dollars, the refund shall be one hundred percent of the taxes attributed to the project cost.

Section 6. That § 10-45B-5.1 be repealed.

<u>10-45B-5.1.</u> The amount of the tax refund for a new business facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund;
- (2) For project costs of ten or more million dollars but less than fifteen million dollars there shall be a refund of twenty-five percent of the taxes paid;
- (3) For project costs of fifteen or more million dollars but less than twenty million dollars there shall be a refund of thirty-three percent of the taxes paid;
- (4) For project costs of twenty or more million dollars but less than forty million dollars there shall be a refund of fifty percent of the taxes paid;
- (5) For project costs of forty or more million dollars but less than sixty million dollars there shall be a refund of sixty-seven percent of the taxes paid;
- (6) For project costs of sixty million dollars or more but less than six hundred million dollars there shall be a refund of seventy-five percent of the taxes paid; and
- (7) For project costs of six hundred million dollars and greater there shall be a refund of ninety percent of the taxes paid.

Section 7. That § 10-45B-6.1 be repealed.

<u>10-45B-6.1. Any person issued a permit pursuant to this chapter prior to March 31, 1997, may continue to submit claims for the project.</u>

Section 8. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding any provision of chapter 10-45B or this Act, this section controls the amount of refunds payable under chapter 10-45B for any new agricultural processing facility or new business facility that has a construction date on or after January 1, 2010. For project cost incurred and paid from January 1, 2010, to December 31, 2012, inclusive, the amount of the refund shall be determined by applying the provisions of chapter 10-45B in effect on July 1, 2010. The amount of the tax refund for a new agricultural processing facility or new business facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund;
- (2) For project costs of ten or more million dollars but less than forty million dollars, there

shall be a refund of forty-five percent of the taxes paid;

- (3) For project costs of forty or more million dollars but less than five hundred million dollars, there shall be a refund of fifty-five percent of the taxes paid; and
- (4) For projects costs of five hundred million or more dollars, there shall be no refund.

No tax refund may be given for any project cost incurred and paid on or after January 1, 2013.

Section 9. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

The provisions of chapter 10-45B in effect prior to January 1, 2010, apply to any project where the construction date was before January 1, 2010.

Section 10. That § 10-45B-8 be amended to read as follows:

10-45B-8. Any person issued a permit pursuant to this chapter shall submit a claim for refund to the department no more frequently than on or before the last day of each month and no less frequently than on or before the last day of each month following each calendar quarter. The secretary shall determine and pay the amount of the tax refund within ninety days of receipt of the claim for refund. Ninety-five percent of the amount of refund shall be paid to the claimant in accordance with §§ 10-59-22 and 10-59-23, and five percent shall be withheld by the department. No interest may be paid on the refund amount. If electronic funds transfer is available to the secretary, the secretary shall pay the refund by electronic funds transfer if requested by the claimant. The secretary shall pay the refund by electronic funds transfer.

Section 11. That § 10-45B-8.1 be repealed.

<u>10-45B-8.1. No claim for refund pursuant to this chapter may be considered by the department</u> if the claim for refund is received after the following applicable time period:

- (1) Twelve months after the thirty-six month time period of § 10-45B-4;
- (2) Twelve months after the thirty-six month time period of § 10-45B-4.1 for projects with project costs of sixty million dollars or less;
- (3) Twelve months after the seventy-two month time period of § 10-45B-4.1 for projects with project costs of more than sixty million dollars; or
- (4) Twelve months after the extended time period of § 10-45B-4.1 for projects that have obtained a time limit extension from the secretary.

Moreover, any such claim is barred from any future refund eligibility.

Section 12. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

No claim for refund pursuant to this chapter may be considered by the department if the claim

for refund is received twelve months after the thirty-six month time period of section 4 of this Act. Moreover, any such claim is barred from any future refund eligibility.

Section 13. That § 10-45B-8.2 be repealed.

<u>10-45B-8.2. No document or record in support of any claim for refund may be considered by the</u> department if the documents or records in support of any claim for refund are received after the following applicable time period:

- (1) Twelve months after the thirty-six month time period of § 10-45B-4;
- (2) Twelve months after the thirty-six month time period of § 10-45B-4.1 for projects with project costs of sixty million dollars or less;
- (3) Twelve months after the seventy-two month time period of § 10-45B-4.1 for projects with project costs of more than sixty million dollars; or
- (4) Twelve months after the extended time period of § 10-45B-4.1 for projects that have obtained a time limit extension from the secretary.

Moreover, any such document or record is barred from any future consideration.

However, if the department requests any additional document or record from the project owner after a review of the claim for refund, and the request is made after the applicable time period provided by this section has expired, the project owner has sixty days to provide the requested document or record. No document or record received after this sixty-day period may be considered by the department. Moreover, any such document or record is barred from any future consideration.

Section 14. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

No document or record in support of any claim for refund may be considered by the department if the document or record in support of any claim for refund is received twelve months after the thirty-six month time period of section 4 of this Act. Moreover, any such document or record is barred from any future consideration.

However, if the department requests any additional document or record from the project owner after a review of the claim for refund, and the request is made after the applicable time period provided by this section has expired, the project owner has sixty days to provide the requested document or record. No document or record received after this sixty-day period may be considered by the department. Moreover, any such document or record is barred from any future consideration.

Section 15. That § 10-45B-8.3 be repealed.

<u>10-45B-8.3.</u> The provisions of §§ 10-45B-8.1 and 10-45B-8.2 apply to refunds for projects only if the permit was applied for after June 30, 2009.

Section 16. That § 10-45B-9 be amended to read as follows:

#### 195, A, 3/11/2010 11:00:00 PM Committee

10-45B-9. The amounts withheld by the department in accordance with § 10-45B-8 shall be retained until the project has been completed and the claimant has met all the conditions of  $\frac{10}{45B-4}$  or 10-45B-4.1 section 4 of this Act, at which time all sums retained shall be paid to claimant."

Moved by: Second by: Action:	Heidepriem Hunhoff (Bernie) Prevailed by roll call vote. (5-1-0-0)
Voting Yes:	Hunhoff (Bernie), Rausch, Rave, Heidepriem, Knudson
Voting No:	Gray
MOTION:	AMEND SB 195 BY DELETING THE PREVIOUSLY ADOPTED AMENDMENT 195oc WITH THE FOLLOWING:

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On the House State Affairs Committee engrossed bill, delete everything after the enacting clause and insert:

" Section 1. That § 10-45B-2 be amended to read as follows:

10-45B-2. Any person As provided in this chapter, any person holding a permit issued pursuant to § 10-45B-6 may apply for and obtain a refund or credit for contractors' excise taxes imposed and paid under the provisions of chapter 10-46A for the construction of a new agricultural processing facility and for sales or use taxes imposed and paid by such person under the provisions of chapters 10-45 and 10-46 for the purchase or use of agricultural processing equipment.

Section 2. That § 10-45B-4 be repealed.

(1) The project cost exceeds the sum of four million five hundred thousand dollars; and

(2) The person applying for the refund obtains a permit from the secretary as set forth in § 10-45B-6.

Section 3. That § 10-45B-4.1 be repealed.

10-45B-4.1. The refund of taxes pursuant to § 10-45B-2.1 pertains only to project costs incurred

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Page 10

and paid after February 1, 2005, up to and including thirty-six months from the construction date if the project costs are sixty million dollars or less and after February 1, 2005, up to and including seventy-two months from the construction date if the project costs are more than sixty million dollars. There is no refund if the person applying for the refund does not obtain a permit from the secretary as set forth in § 10-45B-6.

Upon a showing of good cause, the time limits prescribed by this section may be extended by the secretary for a period not to exceed twenty-four months.

Section 4. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

The refund of taxes pursuant to §§ 10-45B-2 and 10-45B-2.1 pertains only to project costs incurred and paid after January 1, 2008, up to and including thirty-six months from the construction date. No refund may be paid unless the person applying for the refund obtains a permit from the secretary as set forth in § 10-45B-6.

Section 5. That § 10-45B-5 be repealed.

<u>10-45B-5. If the project cost for a new agricultural processing facility exceeds four million five</u> hundred thousand dollars, the refund shall be one hundred percent of the taxes attributed to the project cost.

Section 6. That § 10-45B-5.1 be repealed.

<u>10-45B-5.1.</u> The amount of the tax refund for a new business facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund;
- (2) For project costs of ten or more million dollars but less than fifteen million dollars there shall be a refund of twenty-five percent of the taxes paid;
- (3) For project costs of fifteen or more million dollars but less than twenty million dollars there shall be a refund of thirty-three percent of the taxes paid;
- (4) For project costs of twenty or more million dollars but less than forty million dollars there shall be a refund of fifty percent of the taxes paid;
- (5) For project costs of forty or more million dollars but less than sixty million dollars there shall be a refund of sixty-seven percent of the taxes paid;
- (6) For project costs of sixty million dollars or more but less than six hundred million dollars there shall be a refund of seventy-five percent of the taxes paid; and
- (7) For project costs of six hundred million dollars and greater there shall be a refund of ninety percent of the taxes paid.

Section 7. That § 10-45B-6.1 be repealed.

<u>10-45B-6.1. Any person issued a permit pursuant to this chapter prior to March 31, 1997, may continue to submit claims for the project.</u>

Section 8. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding any provision of chapter 10-45B or this Act, this section controls the amount of refunds payable under chapter 10-45B for any new agricultural processing facility or new business facility that has a construction date on or after January 1, 2010. For project cost incurred and paid from July 1, 2010, to December 31, 2012, inclusive, the amount of the refund shall be determined by applying the provisions of chapter 10-45B in effect on July 1, 2010. The amount of the tax refund for a new agricultural processing facility or new business facility shall be a percentage of the taxes paid, as follows:

- (1) For project costs of less than ten million dollars, there shall be no refund;
- (2) For project costs of ten or more million dollars but less than forty million dollars, there shall be a refund of forty-five percent of the taxes paid;
- (3) For project costs of forty or more million dollars but less than five hundred million dollars, there shall be a refund of fifty-five percent of the taxes paid; and
- (4) For projects costs of five hundred million or more dollars, there shall be no refund.

No tax refund may be given for any project cost incurred and paid on or after January 1, 2013, except for performance retainage amounts, not to exceed ten percent, related to the project.

Section 9. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

The provisions of chapter 10-45B in effect prior to January 1, 2010, apply to any project where the construction date was before January 1, 2010.

Section 10. That § 10-45B-8 be amended to read as follows:

10-45B-8. Any person issued a permit pursuant to this chapter shall submit a claim for refund to the department no more frequently than on or before the last day of each month and no less frequently than on or before the last day of each month following each calendar quarter. The secretary shall determine and pay the amount of the tax refund within ninety days of receipt of the claim for refund. Ninety-five percent of the amount of refund shall be paid to the claimant in accordance with §§ 10-59-22 and 10-59-23, and five percent shall be withheld by the department. No interest may be paid on the refund amount. If electronic funds transfer is available to the secretary shall pay the refund by electronic funds transfer if requested by the claimant. The secretary shall pay the refund by electronic funds transfer.

Section 11. That § 10-45B-8.1 be repealed.

<u>10-45B-8.1. No claim for refund pursuant to this chapter may be considered by the department</u> if the claim for refund is received after the following applicable time period:

(1) Twelve months after the thirty-six month time period of § 10-45B-4;

- (2) Twelve months after the thirty-six month time period of § 10-45B-4.1 for projects with project costs of sixty million dollars or less;
- (3) Twelve months after the seventy-two month time period of § 10-45B-4.1 for projects with project costs of more than sixty million dollars; or
- (4) Twelve months after the extended time period of § 10-45B-4.1 for projects that have obtained a time limit extension from the secretary.

Moreover, any such claim is barred from any future refund eligibility.

Section 12. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

No claim for refund pursuant to this chapter may be considered by the department if the claim for refund is received twelve months after the thirty-six month time period of section 4 of this Act. Moreover, any such claim is barred from any future refund eligibility.

Section 13. That § 10-45B-8.2 be repealed.

<u>10-45B-8.2. No document or record in support of any claim for refund may be considered by the</u> department if the documents or records in support of any claim for refund are received after the following applicable time period:

(1) Twelve months after the thirty-six month time period of § 10-45B-4;

- (2) Twelve months after the thirty-six month time period of § 10-45B-4.1 for projects with project costs of sixty million dollars or less;
- (3) Twelve months after the seventy-two month time period of § 10-45B-4.1 for projects with project costs of more than sixty million dollars; or
- (4) Twelve months after the extended time period of § 10-45B-4.1 for projects that have obtained a time limit extension from the secretary.

Moreover, any such document or record is barred from any future consideration.

However, if the department requests any additional document or record from the project owner after a review of the claim for refund, and the request is made after the applicable time period provided by this section has expired, the project owner has sixty days to provide the requested document or record. No document or record received after this sixty-day period may be considered by the department. Moreover, any such document or record is barred from any future consideration.

Section 14. That chapter 10-45B be amended by adding thereto a NEW SECTION to read as follows:

No document or record in support of any claim for refund may be considered by the department if the document or record in support of any claim for refund is received twelve months after the thirty-six month time period of section 4 of this Act. Moreover, any such document or record is barred from any future consideration.

However, if the department requests any additional document or record from the project owner after a review of the claim for refund, and the request is made after the applicable time period provided by this section has expired, the project owner has sixty days to provide the requested document or record. No document or record received after this sixty-day period may be considered by the department. Moreover, any such document or record is barred from any future consideration.

Section 15. That § 10-45B-8.3 be repealed.

<u>10-45B-8.3.</u> The provisions of §§ 10-45B-8.1 and 10-45B-8.2 apply to refunds for projects only if the permit was applied for after June 30, 2009.

Section 16. That § 10-45B-9 be amended to read as follows:

10-45B-9. The amounts withheld by the department in accordance with § 10-45B-8 shall be retained until the project has been completed and the claimant has met all the conditions of  $\frac{10}{45B-4}$  or 10-45B-4.1 section 4 of this Act, at which time all sums retained shall be paid to claimant."

Moved by: Second by: Action:	Rave Heidepriem Prevailed by voice vote.
MOTION:	ADOPT THE CONFERENCE COMMITTEE REPORT
Moved by: Second by: Action:	Rave Heidepriem Prevailed by roll call vote. (5-1-0-0)
Voting Yes:	Hunhoff (Bernie), Rausch, Rave, Heidepriem, Knudson
Voting No:	Gray
MOTION:	ADJOURN
Moved by: Second by: Action:	Rave Rausch Prevailed by voice vote.

Rena Ortbahn Committee Secretary

Dave Knudson, Chair