

IN THE HOUSE

APRIL 18, 1991

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 19, 1991

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *HOUSE* BILL NO. *701* *Bob Spitzels*
 2 INTRODUCED BY *Edward Southworth* *Ray* *Tom*
 3 *Bob Spitzels* *Bob Spitzels* *Bob Spitzels*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING STATE FUNDING *Hager*
 5 FOR CLEAN COAL TECHNOLOGY PROJECTS; AUTHORIZING PROPERTY TAX *Bradley*
 6 EXEMPTIONS FOR CLEAN COAL TECHNOLOGY PROJECTS; CREATING A
 7 CLEAN COAL TECHNOLOGY DEMONSTRATION FUND IN THE COAL *Whalen*
 8 SEVERANCE TAX TRUST FUND; AUTHORIZING INVESTMENT LOANS FOR
 9 CLEAN COAL TECHNOLOGY PROJECTS AUTHORIZED BY THE
 10 LEGISLATURE; AUTHORIZING THE FIRST PROJECT TO BE ELIGIBLE
 11 FOR A LOAN; AMENDING SECTION 17-5-703, MCA; AND PROVIDING AN
 12 EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because it grants rulemaking authority to the department of natural resources and conservation. In adopting rules to implement this bill, the department should model its rules on the water development project loans that it currently administers.

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

NEW SECTION. Section 1. Definitions. As used in [section 2], the following definitions apply:

(1) "Clean coal technology project" means a project

1 that uses coal as a method of generating energy, that is an
2 effective and efficient method of coal energy generation
3 and, that results in substantially reduced pollutant
4 emissions compared to the commercial methods of coal energy
5 generation in use at the time.

(2) "Department" means the department of natural resources and conservation established in 2-15-3301.

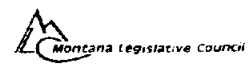
(3) "Local government" means a county, consolidated government, incorporated city or town, and school district.

NEW SECTION. Section 2. Clean coal technology tax exemption -- procedure -- termination. (1) A clean coal technology project is eligible for an exemption from property taxes as provided in this section. A project must be designated as a clean coal technology project by the department under criteria contained in [section 8].

(2) In order to qualify for the tax exemption described in this section, the legislature shall approve the project and the governing body of each affected local government shall approve the tax exemption by resolution, after notice and hearing.

(3) If the governing body of each affected local government approves a resolution granting the tax exemption for a clean coal technology project, the project is exempt from all state and local property taxes.

(4) Funds made available to a clean coal technology



1 project as a result of the tax exemption under this section
2 must be used for project development, construction, or
3 operation or for payment of debt service on instruments used
4 to fund project development, construction, or operation.

5 (5) A tax exemption granted under this section is
6 effective for the life of the project or 25 years, whichever
7 occurs first. The termination of the exemption applies on
8 January 1 of the taxable year following the expiration of
9 the exemption.

10 **Section 3.** Section 17-5-703, MCA, is amended to read:

11 "17-5-703. Coal severance tax trust funds. (1) The
12 trust established under Article IX, section 5, of the
13 Montana constitution shall be composed of the following
14 funds:

15 (a) a coal severance tax bond fund into which the
16 constitutionally dedicated receipts from the coal severance
17 tax shall be deposited;

18 (b) a clean coal technology demonstration fund;

19 ~~(b)(c)~~ a coal severance tax permanent fund; and

20 ~~(c)(d)~~ a coal severance tax income fund.

21 (2) The state treasurer shall ~~from--time--to--time~~
22 ~~transfer--to--the--coal--severance--tax--permanent--fund--all--money~~
23 ~~in--the--coal--severance--tax--bond--fund--except~~ determine the
24 amount necessary to meet all principal and interest payments
25 on bonds payable from the coal severance tax bond fund on

1 the next two ensuing semiannual payment dates and retain
2 that amount in the coal severance tax bond fund.

3 (3) Beginning on July 1, 1991, and ending on June 30,
4 1997, the state treasurer shall transfer from the excess
5 amount in the coal severance tax bond fund \$5 million a year
6 to the clean coal technology demonstration fund and any
7 remaining amount to the coal severance tax permanent fund."

8 NEW SECTION. Section 4. Clean coal technology
9 demonstration fund. (1) There is a clean coal technology
10 demonstration fund in the state treasury. The fund consists
11 of money that would otherwise be deposited in the coal
12 severance tax permanent fund from the coal severance tax
13 bond fund, the principal and interest received from the
14 repayment of loans made from the fund, and money from any
15 other source the legislature determines.

16 (2) The clean coal technology demonstration fund may be
17 invested by the department of natural resources and
18 conservation in loans to clean coal technology projects
19 approved by the legislature.

20 NEW SECTION. Section 5. Definitions. As used in
21 [sections 6 through 9], the following definitions apply:

22 (1) "Clean coal technology project" means a project,
23 that employs an effective and efficient method of using coal
24 to generate energy and that results in substantially reduced
25 pollutant emissions compared to the commercial methods of

1 coal energy generation in use at the time.

2 (2) "Department" means the department of natural
3 resources and conservation established in 2-15-3301.

4 (3) "Person" means an individual, association,
5 partnership, corporation, or other entity.

6 **NEW SECTION. Section 6. Clean coal technology**
7 **demonstration loans.** (1) The department shall make clean
8 coal technology demonstration loans from the clean coal
9 technology demonstration fund for clean coal technology
10 projects authorized by the legislature. The department shall
11 review loan applications and make recommendations to the
12 legislature concerning loans.

13 (2) Loans may be secured or unsecured in nature and
14 must contain repayment provisions using income sources that
15 do not jeopardize the financial viability of the projects.
16 Repayment may be made from operating income, net project
17 income, revenue from the licensing or sale of technology,
18 sale or lease of the project, or other sources determined by
19 the department.

20 (3) The department may determine the payment dates for
21 the loan, a rate of interest for the loan, and other
22 provisions as part of the loan agreement. The rate of
23 interest, security provisions, and other terms that increase
24 the likelihood of repayment may not be less than those
25 related to any federal funds dedicated to a project.

1 Payments of principal and interest on loans must be
2 deposited in the clean coal technology demonstration fund
3 created in [section 4].

4 **NEW SECTION. Section 7. Applications for clean coal**
5 **technology demonstration loans.** A person may apply for a
6 clean coal technology demonstration loan for a clean coal
7 technology project to be conducted in Montana. An
8 application for a loan must be in a form prescribed by the
9 department and contain or be accompanied by any information
10 necessary to adequately describe the proposed project and
11 necessary to evaluate the proposed project.

12 **NEW SECTION. Section 8. Eligibility for loan -- clean**
13 **coal technology project designation.** (1) In order for a
14 project to be eligible for a clean coal technology
15 demonstration loan, the department shall designate the
16 project as a clean coal technology project. The department
17 shall ensure, based on the application and the department's
18 investigation and evaluation of the proposal, that the
19 project loan will be:

20 (a) used for a clean coal technology project in a
21 commercial testing, pilot plant, or initial commercial
22 capitalization phase; and

23 (b) matched on at least a 4:1 basis from federal or
24 private sources.

25 (2) Loans may not be recommended for early stage

1 planning or basic research activities.

2 NEW SECTION. **Section 9.** Rulemaking. The department may
3 adopt rules to implement [sections 5 through 9].

4 NEW SECTION. **Section 10.** Project approval. The
5 legislature authorizes the installation of MHD technology at
6 the J.E. Corette power plant in Billings, Montana, as the
7 first clean coal technology project. The project is eligible
8 to apply to local governments for a property tax exemption
9 under [section 2]. The project is designated as a clean coal
10 technology project eligible to receive a clean coal
11 technology demonstration loan.

12 NEW SECTION. **Section 11.** Transfer of funds. There is
13 transferred from the coal severance tax permanent fund \$25
14 million to the clean coal technology demonstration fund.

15 NEW SECTION. **Section 12.** Codification instruction. (1)
16 [Sections 1 and 2] are intended to be codified as an
17 integral part of Title 15, chapter 24, and the provisions of
18 Title 15, chapter 24, apply to [sections 1 and 2].

19 (2) [Sections 4 through 9] are intended to be codified
20 as an integral part of Title 90, chapter 4, and the
21 provisions of Title 90, chapter 4, apply to [sections 4
22 through 9].

23 NEW SECTION. **Section 13.** Effective date. [This act] is
24 effective July 1, 1991.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0701, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


This bill: 1) provides state funding for clean coal technology projects; 2) authorizes property tax exemptions for clean coal technology projects; 3) creates a clean coal technology demonstration fund in the coal severance tax trust fund; 4) authorizes investment loans for clean coal technology projects authorized by the legislature; and 5) authorizes the first project to be eligible for a loan.

ASSUMPTIONS:

1. Assume no other legislation is passed that affects the CST trust.
2. DNRC will establish criteria for eligible projects and write rules for the loan process during FY92.
3. Assume \$25 million is moved from the permanent trust to the new clean coal demonstration fund account within the trust.
4. The rate of return on clean coal technology loans will be equal to the interest earned by the permanent trust fund; therefore, the general fund and the school foundation program will not experience a loss of revenue.
5. The property tax exemption applies only to additional land, plant, and equipment purchased which is associated with a clean coal technology project.
6. Only one project, the MHD-Corette project in Billings, will qualify as a clean coal technology project beginning in FY92 but no loans from the trust will be made without legislative approval.
7. All local governments concerned must approve the tax exemption for the MHD-Corette clean coal technology project before such exemptions could be effective.

FISCAL IMPACT:

No fiscal impact.



ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning



JERRY L. DRISCOLL, PRIMARY SPONSOR DATE

Fiscal Note for HB0701, as introduced

HB 701

APPROVED BY COMMITTEE
ON TAXATION

1 HOUSE BILL NO. 701

2 INTRODUCED BY DRISCOLL, SOUTHWORTH, CRIPPEN, RYE,

3 TOWE, PIPINICH, QUILICI, MENAHAN, JACOBSON, CODY,

4 HARRINGTON, T. NELSON, B. BROWN, KIMBERLEY, BLAYLOCK,

5 HAGER, LYNCH, YELLOWTAIL, KENNEDY, FRITZ, FARRELL,

6 BRADLEY, ANDERSON, NOBLE, WEEDING, WILLIAMS, DEVLIN,

7 BURNETT, BENGTSON, THAYER, HARP, GAGE, DOHERTY, T. BECK, NATHE,

8 MCCARTHY, MCCULLOCH, STICKNEY, WHALEN, KEATING, R. JOHNSON

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14 SEVERANCE TAX TRUST FUND; AUTHORIZING INVESTMENT LOANS FOR
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16 LEGISLATURE; AUTHORIZING THE FIRST PROJECT TO BE ELIGIBLE
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9 and, that results in substantially reduced pollutant
10 emissions compared to the commercial methods of coal energy
11 generation in use at the time.

12 (2) "Department" means the department of natural
13 resources and conservation established in 2-15-3301.

14 (3) "Local government" means a county, consolidated
15 government, incorporated city or town, and school district.

16 NEW SECTION. **Section 2. Clean coal technology tax**
17 **exemption -- procedure -- termination.** (1) A THE BUILDINGS,
18 FACILITIES, OR EQUIPMENT INSTALLED UNDER A clean coal
19 technology project is eligible for an exemption from
20 property taxes as provided in this section. A project must
21 be designated as a clean coal technology project by the
22 department under criteria contained in [section 8].

23 (2) In order to qualify for the tax exemption described
24 in this section, the legislature ~~shall--approve~~ MUST HAVE
25 APPROVED the project and the governing body of each affected

1 local government ~~shall--approve~~ MUST HAVE APPROVED the tax
 2 exemption by resolution, after notice and hearing. THE
 3 GOVERNING BODY OF EACH AFFECTED LOCAL GOVERNMENT MUST BE
 4 NOTIFIED IN WRITING OF THE BUILDINGS, FACILITIES, AND
 5 EQUIPMENT PROPOSED TO BE EXEMPT FROM TAXATION AND THE VALUE
 6 OF THE BUILDINGS, FACILITIES, AND EQUIPMENT. A TAX EXEMPTION
 7 MAY NOT BE GRANTED UNDER THIS SECTION UNLESS IT IS APPROVED
 8 BY EVERY LOCAL GOVERNMENT THAT WOULD BE AFFECTED BY THE
 9 PROJECT.

10 (3) If the governing body of each affected local
 11 government approves a resolution granting the tax exemption
 12 for a clean coal technology project, the BUILDINGS,
 13 FACILITIES, OR EQUIPMENT INSTALLED UNDER THE project is
 14 exempt from ~~all~~ THE SPECIFIED PERCENTAGE OF state and local
 15 property taxes AS APPROVED BY THE GOVERNING BODIES. THE
 16 PERCENTAGE AMOUNT MAY BE ANY AMOUNT UP TO 100%, BUT IT MUST
 17 BE THE SAME FOR ALL STATE AND LOCAL PROPERTY TAXES.

18 (4) Funds made available to a clean coal technology
 19 project as a result of the tax exemption under this section
 20 must be used for project development, construction, or
 21 operation or for payment of debt service on instruments used
 22 to fund project development, construction, or operation.

23 (5) THE DEPARTMENT SHALL, IN WRITING, NOTIFY THE
 24 DEPARTMENT OF REVENUE'S AGENT IN THE COUNTY OR COUNTIES IN
 25 WHICH THE PROJECT IS LOCATED OF THE DATE THE FINAL APPROVAL

1 FOR THE TAX EXEMPTION OF THE PROPERTY WAS GRANTED UNDER THIS
 2 SECTION AND SHALL SPECIFICALLY IDENTIFY EACH PIECE OF REAL
 3 OR PERSONAL PROPERTY SUBJECT TO THE TAX EXEMPTION. A tax
 4 exemption granted under this section is effective for the
 5 life of the project or 25 years, whichever occurs first. THE
 6 TAX EXEMPTION BEGINS ON JANUARY 1 OF THE YEAR AFTER THE
 7 DEPARTMENT OF REVENUE RECEIVES NOTIFICATION OF THE FINAL
 8 APPROVAL UNDER THIS SECTION. THE DEPARTMENT SHALL, IN
 9 WRITING, NOTIFY THE DEPARTMENT OF REVENUE'S AGENT IN THE
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 21 tax shall be deposited;

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23 ~~(b)~~(c) a coal severance tax permanent fund; and

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25 (2) The state treasurer shall ~~from--time--to--time~~

1 ~~transfer to the coal severance tax permanent fund all money~~
 2 ~~in the coal severance tax bond fund except~~ determine the
 3 amount necessary to meet all principal and interest payments
 4 on bonds payable from the coal severance tax bond fund on
 5 the next two ensuing semiannual payment dates and retain
 6 that amount in the coal severance tax bond fund.

7 (3) Beginning on July 1, 1991, and ending on June 30,
 8 1997, the state treasurer shall FROM TIME TO TIME transfer
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 10 \$5 million a year to the clean coal technology demonstration
 11 fund and any remaining amount to the coal severance tax
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 14 demonstration fund. (1) There is a clean coal technology
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7 NEW SECTION. Section 9. Rulemaking. The department may
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 11 the J.E. Corette power plant in Billings, Montana, as the
 12 first clean coal technology project. The project is eligible
 13 to apply to local governments for a property tax exemption
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 15 technology project eligible to receive a clean coal
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 20 million to the clean coal technology demonstration fund.

21 NEW SECTION. Section 12. Codification instruction. (1)
 22 [Sections 1 and 2] are intended to be codified as an
 23 integral part of Title 15, chapter 24, and the provisions of
 24 Title 15, chapter 24, apply to [sections 1 and 2].

25 (2) [Sections 4 through 9] are intended to be codified

HB 0701/02

1 as an integral part of Title 90, chapter 4, and the
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4 NEW SECTION. **Section 13.** **Effective date.** [This act] is
5 effective July 1, 1991.

-End-

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2 INTRODUCED BY DRISCOLL, SOUTHWORTH, CRIPPEN, RYE,

3 TOWE, PIPINICH, QUILICI, MENAHAN, JACOBSON, CODY,

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 4 to generate energy and that results in substantially reduced
 5 pollutant emissions compared to the commercial methods of
 6 coal energy generation in use at the time.

7 (2) "Department" means the department of natural
 8 resources and conservation established in 2-15-3301.

9 (3) "Person" means an individual, association,
 10 partnership, corporation, or other entity.

11 NEW SECTION. Section 6. Clean coal technology
 12 demonstration loans. (1) The department shall make clean
 13 coal technology demonstration loans from the clean coal
 14 technology demonstration fund for clean coal technology
 15 projects authorized by the legislature. The department shall
 16 review loan applications and make recommendations to the
 17 legislature concerning loans.

18 (2) Loans may be secured or unsecured in nature and
 19 must contain repayment provisions using income sources that
 20 do not jeopardize the financial viability of the projects.
 21 Repayment may be made from operating income, net project
 22 income, revenue from the licensing or sale of technology,
 23 sale or lease of the project, or other sources determined by
 24 the department.

25 (3) The department may determine the payment dates for

1 the loan, a rate of interest for the loan, and other
 2 provisions as part of the loan agreement. The rate of
 3 interest, security provisions, and other terms that increase
 4 the likelihood of repayment may not be less than those
 5 related to any federal funds dedicated to a project.
 6 Payments of principal and--interest on loans must be
 7 deposited in the clean coal technology demonstration fund
 8 created in [section 4].

9 NEW SECTION. Section 7. Applications for clean coal
 10 technology demonstration loans. A person may apply for a
 11 clean coal technology demonstration loan for a clean coal
 12 technology project to be conducted in Montana. An
 13 application for a loan must be in a form prescribed by the
 14 department and contain or be accompanied by any information
 15 necessary to adequately describe the proposed project and
 16 necessary to evaluate the proposed project.

17 NEW SECTION. Section 8. Eligibility for loan -- clean
 18 coal technology project designation. (1) In order for a
 19 project to be eligible for a clean coal technology
 20 demonstration loan, the department shall designate the
 21 project as a clean coal technology project. The department
 22 shall ensure, based on the application and the department's
 23 investigation and evaluation of the proposal, that the
 24 project loan will be:

25 (a) used for a clean coal technology project in a

1 commercial testing, pilot plant, or initial commercial
 2 capitalization COMMERCIALIZATION phase; and

3 (b) matched on at least a 4:1 basis from federal or
 4 private sources.

5 (2) Loans may not be recommended for early stage
 6 planning or basic research activities.

7 NEW SECTION. Section 9. Rulemaking. The department may
 8 adopt rules to implement [sections 5 through 9].

9 NEW SECTION. Section 10. Project approval. The
 10 legislature authorizes the installation of MHD technology at
 11 the J.E. Corette power plant in Billings, Montana, as the
 12 first clean coal technology project. The project is eligible
 13 to apply to local governments for a property tax exemption
 14 under [section 2]. The project is designated as a clean coal
 15 technology project eligible to receive a clean coal
 16 technology demonstration loan IN AN AMOUNT UP TO \$25
 17 MILLION.

18 NEW SECTION. Section 11. Transfer of funds. There is
 19 transferred from the coal severance tax permanent fund \$25
 20 million to the clean coal technology demonstration fund.

21 NEW SECTION. Section 12. Codification instruction. (1)
 22 [Sections 1 and 2] are intended to be codified as an
 23 integral part of Title 15, chapter 24, and the provisions of
 24 Title 15, chapter 24, apply to [sections 1 and 2].

25 (2) [Sections 4 through 9] are intended to be codified

1 as an integral part of Title 90, chapter 4, and the
2 provisions of Title 90, chapter 4, apply to [sections 4
3 through 9].

4 NEW SECTION. **Section 13.** Effective date. [This act] is
5 effective July 1, 1991.

-End-

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 15, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 701 (third reading copy -- blue), respectfully report that House Bill No. 701 be amended and as so amended be concurred in:

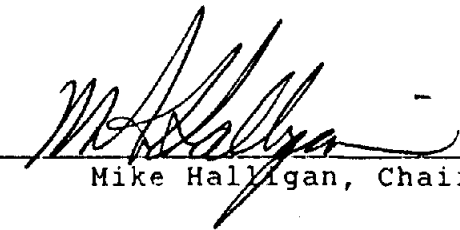
1. Page 9.

Following: line 3

Insert: "NEW SECTION. Section 13. Coordination instruction. If House Bill No. 795 is passed and approved, then the clean coal technology demonstration fund created in 17-5-703(1)(b) of [this act] becomes 17-5-703(1)(c) and the code commissioner shall change references to the coal severance tax bond fund in [section 3(3) of this act] and [section 4(1) of this act] to the coal severance tax infrastructure fund."

Renumber: subsequent section

Signed: _____


Mike Halligan, Chairman

KA 4-15-91
And. Coord.

SP 4-15
Sec. of Senate

SENATE
HB 701

1 HOUSE BILL NO. 701

2 INTRODUCED BY DRISCOLL, SOUTHWORTH, CRIPPEN, RYE,

3 TOWE, PIPINICH, QUILICI, MENAHAN, JACOBSON, CODY,

4 HARRINGTON, T. NELSON, B. BROWN, KIMBERLEY, BLAYLOCK,

5 HAGER, LYNCH, YELLOWTAIL, KENNEDY, FRITZ, FARRELL,

6 BRADLEY, ANDERSON, NOBLE, WEEDING, WILLIAMS, DEVLIN,

7 BURNETT, BENGTON, THAYER, HARP, GAGE, DOHERTY, T. BECK, NATHE,

8 MCCARTHY, MCCULLOCH, STICKNEY, WHALEN, KEATING, R. JOHNSON

9
10 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING STATE FUNDING
11 FOR CLEAN COAL TECHNOLOGY PROJECTS; AUTHORIZING PROPERTY TAX
12 EXEMPTIONS FOR CLEAN COAL TECHNOLOGY PROJECTS; CREATING A
13 CLEAN COAL TECHNOLOGY DEMONSTRATION FUND IN THE COAL
14 SEVERANCE TAX TRUST FUND; AUTHORIZING INVESTMENT LOANS FOR
15 CLEAN COAL TECHNOLOGY PROJECTS AUTHORIZED BY THE
16 LEGISLATURE; AUTHORIZING THE FIRST PROJECT TO BE ELIGIBLE
17 FOR A LOAN; AMENDING SECTION 17-5-703, MCA; AND PROVIDING AN
18 EFFECTIVE DATE."
19

20 STATEMENT OF INTENT

21 A statement of intent is required for this bill because
22 it grants rulemaking authority to the department of natural
23 resources and conservation. In adopting rules to implement
24 this bill, the department should model its rules on the
25 water development project loans that it currently

1 administers.

2
3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:4 NEW SECTION. **Section 1. Definitions.** As used in
5 [section 2], the following definitions apply:6 (1) "Clean coal technology project" means a project
7 that uses coal as a method of generating energy, that is an
8 effective and efficient method of coal energy generation
9 and, that results in substantially reduced pollutant
10 emissions compared to the commercial methods of coal energy
11 generation in use at the time.12 (2) "Department" means the department of natural
13 resources and conservation established in 2-15-3301.14 (3) "Local government" means a county, consolidated
15 government, incorporated city or town, and school district.16 NEW SECTION. **Section 2. Clean coal technology tax**
17 **exemption -- procedure -- termination.** (1) A THE BUILDINGS,
18 FACILITIES, OR EQUIPMENT INSTALLED UNDER A clean coal
19 technology project is eligible for an exemption from
20 property taxes as provided in this section. A project must
21 be designated as a clean coal technology project by the
22 department under criteria contained in [section 8].23 (2) In order to qualify for the tax exemption described
24 in this section, the legislature ~~shall~~approve MUST HAVE
25 APPROVED the project and the governing body of each affected

1 local government ~~shall--approve~~ MUST HAVE APPROVED the tax
 2 exemption by resolution, after notice and hearing. THE
 3 GOVERNING BODY OF EACH AFFECTED LOCAL GOVERNMENT MUST BE
 4 NOTIFIED IN WRITING OF THE BUILDINGS, FACILITIES, AND
 5 EQUIPMENT PROPOSED TO BE EXEMPT FROM TAXATION AND THE VALUE
 6 OF THE BUILDINGS, FACILITIES, AND EQUIPMENT. A TAX EXEMPTION
 7 MAY NOT BE GRANTED UNDER THIS SECTION UNLESS IT IS APPROVED
 8 BY EVERY LOCAL GOVERNMENT THAT WOULD BE AFFECTED BY THE
 9 PROJECT.

10 (3) If the governing body of each affected local
 11 government approves a resolution granting the tax exemption
 12 for a clean coal technology project, the BUILDINGS,
 13 FACILITIES, OR EQUIPMENT INSTALLED UNDER THE project is
 14 exempt from ~~all~~ THE SPECIFIED PERCENTAGE OF state and local
 15 property taxes AS APPROVED BY THE GOVERNING BODIES. THE
 16 PERCENTAGE AMOUNT MAY BE ANY AMOUNT UP TO 100%, BUT IT MUST
 17 BE THE SAME FOR ALL STATE AND LOCAL PROPERTY TAXES.

18 (4) Funds made available to a clean coal technology
 19 project as a result of the tax exemption under this section
 20 must be used for project development, construction, or
 21 operation or for payment of debt service on instruments used
 22 to fund project development, construction, or operation.

23 (5) THE DEPARTMENT SHALL, IN WRITING, NOTIFY THE
 24 DEPARTMENT OF REVENUE'S AGENT IN THE COUNTY OR COUNTIES IN
 25 WHICH THE PROJECT IS LOCATED OF THE DATE THE FINAL APPROVAL

1 FOR THE TAX EXEMPTION OF THE PROPERTY WAS GRANTED UNDER THIS
 2 SECTION AND SHALL SPECIFICALLY IDENTIFY EACH PIECE OF REAL
 3 OR PERSONAL PROPERTY SUBJECT TO THE TAX EXEMPTION. A tax
 4 exemption granted under this section is effective for the
 5 life of the project or 25 years, whichever occurs first. THE
 6 TAX EXEMPTION BEGINS ON JANUARY 1 OF THE YEAR AFTER THE
 7 DEPARTMENT OF REVENUE RECEIVES NOTIFICATION OF THE FINAL
 8 APPROVAL UNDER THIS SECTION. THE DEPARTMENT SHALL, IN
 9 WRITING, NOTIFY THE DEPARTMENT OF REVENUE'S AGENT IN THE
 10 COUNTY OR COUNTIES IN WHICH THE PROJECT IS LOCATED WHEN THE
 11 EXEMPTION HAS EXPIRED. The termination of the exemption
 12 applies on January 1 of the taxable year following the
 13 expiration of the exemption.

14 **Section 3.** Section 17-5-703, MCA, is amended to read:

15 "17-5-703. Coal severance tax trust funds. (1) The
 16 trust established under Article IX, section 5, of the
 17 Montana constitution shall be composed of the following
 18 funds:

19 (a) a coal severance tax bond fund into which the
 20 constitutionally dedicated receipts from the coal severance
 21 tax shall be deposited;

22 (b) a clean coal technology demonstration fund;

23 ~~(b)~~(c) a coal severance tax permanent fund; and

24 ~~(c)~~(d) a coal severance tax income fund.

25 (2) The state treasurer shall ~~from--time--to--time~~

1 ~~transfer to the coal severance tax permanent fund all money~~
 2 ~~in the coal severance tax bond fund except determine~~ the
 3 amount necessary to meet all principal and interest payments
 4 on bonds payable from the coal severance tax bond fund on
 5 the next two ensuing semiannual payment dates and retain
 6 that amount in the coal severance tax bond fund.

7 (3) Beginning on July 1, 1991, and ending on June 30,
 8 1997, the state treasurer shall FROM TIME TO TIME transfer
 9 from the excess amount in the coal severance tax bond fund
 10 \$5 million a year to the clean coal technology demonstration
 11 fund and any remaining amount to the coal severance tax
 12 permanent fund."

13 NEW SECTION. Section 4. Clean coal technology
 14 demonstration fund. (1) There is a clean coal technology
 15 demonstration fund in the state treasury. The fund consists
 16 of money that would otherwise be deposited in the coal
 17 severance tax permanent fund from the coal severance tax
 18 bond fund, the principal and interest received from the
 19 repayment of loans made from the fund, and money from any
 20 other source the legislature determines.

21 (2) The clean coal technology demonstration fund may be
 22 invested by the department of natural resources and
 23 conservation in loans to clean coal technology projects
 24 approved by the legislature.

25 NEW SECTION. Section 5. Definitions. As used in

1 [sections 6 through 9], the following definitions apply:

2 (1) "Clean coal technology project" means a project,
 3 that employs an effective and efficient method of using coal
 4 to generate energy and that results in substantially reduced
 5 pollutant emissions compared to the commercial methods of
 6 coal energy generation in use at the time.

7 (2) "Department" means the department of natural
 8 resources and conservation established in 2-15-3301.

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 10 partnership, corporation, or other entity.

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 20 do not jeopardize the financial viability of the projects.
 21 Repayment may be made from operating income, net project
 22 income, revenue from the licensing or sale of technology,
 23 sale or lease of the project, or other sources determined by
 24 the department.

25 (3) The department may determine the payment dates for

1 the loan, a rate of interest for the loan, and other
 2 provisions as part of the loan agreement. The rate of
 3 interest, security provisions, and other terms that increase
 4 the likelihood of repayment may not be less than those
 5 related to any federal funds dedicated to a project.
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 7 deposited in the clean coal technology demonstration fund
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 10 technology demonstration loans. A person may apply for a
 11 clean coal technology demonstration loan for a clean coal
 12 technology project to be conducted in Montana. An
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 19 project to be eligible for a clean coal technology
 20 demonstration loan, the department shall designate the
 21 project as a clean coal technology project. The department
 22 shall ensure, based on the application and the department's
 23 investigation and evaluation of the proposal, that the
 24 project loan will be:

25 (a) used for a clean coal technology project in a

1 commercial testing, pilot plant, or initial ~~commercial~~
 2 ~~capitalization~~ COMMERCIALIZATION phase; and

3 (b) matched on at least a 4:1 basis from federal or
 4 private sources.

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 6 planning or basic research activities.

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 8 adopt rules to implement [sections 5 through 9].

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 11 the J.E. Corette power plant in Billings, Montana, as the
 12 first clean coal technology project. The project is eligible
 13 to apply to local governments for a property tax exemption
 14 under [section 2]. The project is designated as a clean coal
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 19 transferred from the coal severance tax permanent fund \$25
 20 million to the clean coal technology demonstration fund.

21 NEW SECTION. Section 12. Codification instruction. (1)
 22 [Sections 1 and 2] are intended to be codified as an
 23 integral part of Title 15, chapter 24, and the provisions of
 24 Title 15, chapter 24, apply to [sections 1 and 2].

25 (2) [Sections 4 through 9] are intended to be codified

1 as an integral part of Title 90, chapter 4, and the
2 provisions of Title 90, chapter 4, apply to [sections 4
3 through 9].

4 NEW SECTION. SECTION 13. COORDINATION INSTRUCTION. IF
5 HOUSE BILL NO. 795 IS PASSED AND APPROVED, THEN THE CLEAN
6 COAL TECHNOLOGY DEMONSTRATION FUND CREATED IN 17-5-703(1)(B)
7 OF [THIS ACT] BECOMES 17-5-703(1)(C) AND THE CODE
8 COMMISSIONER SHALL CHANGE REFERENCES TO THE COAL SEVERANCE
9 TAX BOND FUND IN [SECTION 3(3) OF THIS ACT] AND [SECTION
10 4(1) OF THIS ACT] TO THE COAL SEVERANCE TAX INFRASTRUCTURE
11 FUND.

12 NEW SECTION. Section 14. Effective date. [This act] is
13 effective July 1, 1991.

-End-