

HOUSE BILL NO. 424

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY INCLUDED IN CLASS SEVENTEEN AS DATA CENTER PROPERTY; EXTENDING THE TIMEFRAME IN WHICH THE DATA CENTER PROPERTY MUST BE BUILT; REVISING OWNERSHIP REQUIREMENTS; PROVIDING THAT THE SCHOOL EQUALIZATION MILLS MUST BE PAID ON CLASS SEVENTEEN PROPERTY WITHIN A DISTRICT THAT USES TAX INCREMENT FINANCING; PROVIDING REQUIREMENTS FOR THE SALE OF POWER PRODUCED BY A DATA CENTER; PROVIDING A DEFINITION; AMENDING SECTIONS 7-15-4286, 15-6-156, AND 15-6-162, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. SECTION 1. SALE OF POWER PRODUCED BY DATA CENTER. (1) IF ELECTRICAL POWER PRODUCED BY A GENERATOR OWNED BY A QUALIFIED DATA CENTER IS SOLD TO A PUBLIC UTILITY OR AN ELECTRIC COOPERATIVE, THE PRICE MAY NOT EXCEED THE COST OF PRODUCTION.

(2) THE COST OF PRODUCTION INCLUDES:

(A) THE CAPITAL COST OF CONSTRUCTING THE GENERATOR;

(B) DEPRECIATION;

(C) WAGES, SALARIES, AND EMPLOYEE BENEFITS OF PERSONNEL LOCATED AT THE GENERATOR WHO OPERATE AND MAINTAIN THE FACILITY;

(D) FUEL;

(E) OPERATING SUPPLIES AND MATERIALS;

(F) UTILITIES; AND

(G) CONTRACTED SERVICES NECESSARY TO OPERATE AND MAINTAIN THE GENERATOR.

(3) THE COST OF THE PRODUCTION DOES NOT INCLUDE:

- 1 (A) ANY COST FOR CORPORATION ADMINISTRATION;
- 2 (B) TRAVEL; OR
- 3 (C) CORPORATE LEGAL SERVICES.
- 4 (4) THE PUBLIC UTILITY OR ELECTRIC COOPERATIVE HAS THE RIGHT TO ANNUALLY AUDIT THE OPERATING
- 5 COSTS OF THE GENERATOR AT THE UTILITY'S SOLE EXPENSE.
- 6 (5) AS USED IN THIS SECTION:
- 7 (A) "ELECTRIC COOPERATIVE" HAS THE SAME MEANING AS "COOPERATIVE" AS PROVIDED IN 35-18-102.
- 8 (B) "PUBLIC UTILITY" HAS THE SAME MEANING AS PROVIDED IN 69-3-101.
- 9 (C) "QUALIFIED DATA CENTER" HAS THE SAME MEANING AS PROVIDED IN 15-6-162.

10

11 **SECTION 2. SECTION 7-15-4286, MCA, IS AMENDED TO READ:**

12 **"7-15-4286. Procedure to determine and disburse tax increment -- remittance of excess portion**

13 **of tax increment for targeted economic development district.** (1) (a) Except as provided in subsection

14 (1)(b), mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision must be

15 calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all

16 taxable property located outside the urban renewal area or targeted economic development district and the

17 base taxable value of all taxable property located within the area or district. The mill rate determined must be

18 levied against the sum of the actual taxable value of all taxable property located within as well as outside the

19 area or district.

20 (b) If a mill levy is excluded from the tax increment calculation pursuant to subsections (2)(b)

21 through (2)(d), the calculation pursuant to subsection (1)(a) must use the total taxable value of all property

22 located within the area or district.

23 (2) (a) Except as provided in 15-6-162 and subsections (2)(b) through (2)(d) and (3) of this section,

24 the tax increment, if any, received in each year from the levy of the combined mill rates of all the affected taxing

25 bodies against the incremental taxable value within the area or district must be paid into a special fund held by

26 the treasurer of the local government and used as provided in 7-15-4282 through 7-15-4294.

27 (b) For targeted economic development districts and urban renewal areas created before April 6,

28 2017, the combined mill rates used to calculate the tax increment may not include the mill rates for the

1 university system mills levied pursuant to 15-10-109 and 20-25-439.

2 (c) For targeted economic development districts created on or after April 6, 2017, and before July
3 1, 2022, and urban renewal areas created on or after April 6, 2017, the combined mill rates used to calculate
4 the tax increment may not include mill rates for:

5 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and

6 (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
7 increment provision.

8 (d) For targeted economic development districts created after June 30, 2022, the combined mill
9 rates used to calculate the tax increment may not include mill rates for:

10 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;

11 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
12 331, 20-9-333, and 20-9-360;

13 (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
14 increment provision; and

15 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax
16 increment.

17 (3) (a) Subject to 7-15-4287 and subsection (3)(b) of this section, a targeted economic
18 development district with a tax increment provision adopted after October 1, 2019, may expend or accumulate
19 tax increment for:

20 (i) the payment of the costs listed in 7-15-4288;

21 (ii) the cost of issuing bonds; or

22 (iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds
23 issued pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not
24 to exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.

25 (b) Any excess tax increment remaining after the use or accumulation of funds as set forth in
26 subsection (3)(a) must be:

27 (i) remitted to each taxing jurisdiction for which the mill rates are included in the calculation of the
28 tax increment as provided in subsections (1) and (2); and

- 1 (ii) proportional to the taxing jurisdiction's share of the total mills levied.
- 2 (c) A targeted economic development district is not subject to the provisions of this subsection (3)
- 3 if bonds have not been issued to finance the project.
- 4 (4) Any portion of the excess tax increment remitted to a school district pursuant to subsection (3)
- 5 is subject to the provisions of 7-15-4291(2) through (5).
- 6 (5) The balance of the taxes collected in each year must be paid to each of the taxing bodies as
- 7 otherwise provided by law."

8

9 **Section 3.** Section 15-6-156, MCA, is amended to read:

10 **"15-6-156. Class thirteen property -- description -- taxable percentage.** (1) Except as provided in

11 subsections (2)(a) through (2)(i), class thirteen property includes:

12 (a) electrical generation facilities, except wind generation facilities, biomass generation facilities,

13 and energy storage facilities classified under 15-6-157, of a centrally assessed electric power company;

14 (b) electrical generation facilities, except wind generation facilities, biomass generation facilities,

15 and energy storage facilities classified under 15-6-157, owned or operated by an exempt wholesale generator

16 or an entity certified as an exempt wholesale generator pursuant to 42 U.S.C. 16451;

17 (c) noncentrally assessed electrical generation facilities, except wind generation facilities, biomass

18 generation facilities, and energy storage facilities classified under 15-6-157, owned or operated by any

19 electrical energy producer;

20 (d) allocations of centrally assessed telecommunications services companies; and

21 (e) dedicated communications infrastructure OR ELECTRICAL GENERATION SYSTEMS described in 15-

22 6-162(5) for which construction commenced after June 30, ~~2027~~ 2037, or for which the ~~15-year~~ ~~25-year~~ 10-

23 YEAR period provided for in 15-6-162(5)(e) has expired.

24 (2) Class thirteen property does not include:

25 (a) property owned by cooperative rural electric cooperative associations classified under 15-6-

26 135;

27 (b) property owned by cooperative rural electric cooperative associations classified under 15-6-137

28 or 15-6-157;

- 1 (c) allocations of electric power company property under 15-6-141;
- 2 (d) electrical generation facilities included in another class of property;
- 3 (e) property owned by cooperative rural telephone associations and classified under 15-6-135;
- 4 (f) property owned by organizations providing telecommunications services and classified under
- 5 15-6-135;
- 6 (g) generation facilities that are exempt under 15-6-225;
- 7 (h) qualified data centers classified under 15-6-162; and
- 8 (i) property classified under 15-6-163.

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

- 10 (a) (i) "Electrical generation facilities" means any combination of a physically connected generator
- 11 or generators, associated prime movers, and other associated property, including appurtenant land and
- 12 improvements and personal property, that are normally operated together to produce electric power. The term
- 13 includes but is not limited to generating facilities that produce electricity from coal-fired steam turbines, oil or
- 14 gas turbines, turbine generators that are driven by falling water, or solar panel systems.
- 15 (ii) The term does not include electrical generation facilities used for noncommercial purposes or
- 16 exclusively for agricultural purposes.
- 17 (iii) (A) The term also does not include a qualifying facility certified by the federal energy regulatory
- 18 commission.
- 19 (B) To qualify for consideration of an abatement as allowed in 15-24-1402, the requesting entity
- 20 must disclose, in writing, its intent to request certification as a qualifying facility to the governing body.
- 21 (C) If the intent is not disclosed and an abatement granted, abatement may be rescinded by the
- 22 governing body.
- 23 (D) Certified qualifying facilities are classified under 15-6-134 and 15-6-138.
- 24 (iv) The term also does not include a facility that is owned and operated by a person not primarily
- 25 engaged in the generation or sale of electricity other than power from a small power production facility and
- 26 classified under 15-6-134 and 15-6-138.
- 27 (b) (i) "Fiber optic or coaxial cable" means any fiber optic or coaxial cable, including all capitalized
- 28 costs associated with installing and placing in service the fiber optic or coaxial cable, and other property that is

1 normally operated when installing and placing in service fiber optic or coaxial cable to deliver digital
2 communication and access to the internet.

3 (ii) The term does not include routers, head-end equipment, central office equipment and other
4 electronics, or hardware or software not directly associated with installing and placing in service fiber optic or
5 coaxial cable or the buildings used to house equipment.

6 (4) (a) Except as provided in ~~subsection~~ SUBSECTIONS (4)(b) AND (4)(C), class thirteen property is
7 taxed at 6% of its market value.

8 (b) (i) Except as provided in subsection (4)(b)(ii), fiber optic or coaxial cable installed and placed in
9 service on or after July 1, 2021, is exempt from taxation for a period of 5 years starting from the date the fiber
10 optic or coaxial cable was placed in service, after which the property exemption is phased out at a rate of 20%
11 a year, with the property being assessed at 100% of its taxable value after a 10-year period. In order to
12 maintain the exemption, the owner of fiber optic or coaxial cable shall reinvest the tax savings from the
13 exemption by installing and placing in service new fiber optic or coaxial cable in Montana within 2 years from
14 the date the owner first claimed the exemption provided for in this subsection (4)(b) without charging those
15 costs to the consumer. The cost of installing or placing into service fiber optic or coaxial cable with the
16 reinvested tax savings without charging those costs to the consumer must be equal to or greater than the value
17 of the tax savings received from the tax incentive.

18 (ii) Fiber optic or coaxial cable installed using federal funds received pursuant to Section 9901 of
19 the American Rescue Plan Act is not eligible for exemption from taxation under this section.

20 (iii) An entity that claims a tax exemption under this subsection (4)(b) shall maintain adequate
21 books and records demonstrating the investment the owner made when installing and placing in service fiber
22 optic or coaxial cable in Montana. The property owners shall make those records available to the department
23 for inspection upon request.

24 (C) PROPERTY DESCRIBED IN SUBSECTION (1)(E) IS TAXED AT HALF THE RATE PROVIDED FOR IN
25 SUBSECTION (4)(A) FOR 10 YEARS AFTER THE 10-YEAR PERIOD PROVIDED FOR IN 15-6-162(5) HAS EXPIRED.

26 (5) (a) The property taxes exempted from taxation by subsection (4)(b) are subject to termination
27 or recapture if the department determines that the owner failed to install and place in service new coaxial or
28 fiber cable in Montana as provided in subsection (4)(b) or otherwise violates the provisions of this section.

1 (b) Upon notice from the department that the owner's exemption has terminated, any local
2 governing body may recapture taxes previously exempted in that jurisdiction, plus interest and penalties for
3 nonpayment of property taxes as provided in 15-16-102, during any tax year in which an exemption under the
4 provisions of this section was improper. Any recapture must occur within 10 years after the end of the calendar
5 year in which the exemption was first claimed.

6 (c) The recapture of abated taxes may be cancelled, in whole or in part, if the local governing body
7 determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control
8 of the taxpayer."
9

10 **Section 4.** Section 15-6-162, MCA, is amended to read:

11 **"15-6-162. Class seventeen property -- description -- taxable percentage.** (1) Class seventeen
12 property includes the land, improvements, furniture, fixtures, equipment, tools that are not exempt under 15-6-
13 219, and supplies except those included in class five under 15-6-135 of a qualified data center.

14 (2) (a) "Qualified data center" means the land, improvements, and personal property of a facility
15 designed or modified to house networked computers or equipment supporting computing, networking, or data
16 storage that is composed of one or more buildings under single ownership, provided that a single ownership
17 entity includes a wholly owned subsidiary or a parent company with 100% ownership interest, on contiguous
18 parcels of land that consist of at least:

19 (i) 300,000 square feet, where the total cost of land, improvements, personal property, and
20 software is at least \$150 million with construction commencing after June 30, 2017; or

21 (ii) 25,000 square feet of new or expanded area, where the total cost of land, improvements,
22 personal property, and software is at least \$50 million invested during a 48-month period with construction
23 commencing after January 1, 2019.

24 (b) The term includes but is not limited to:

25 (i) cooling systems, cooling towers, and other temperature infrastructure;

26 (ii) power infrastructure for transformation, distribution, or management of electricity used for the
27 maintenance and operation of the facility, such as including:

28 (A) exterior dedicated business-owned substations;

1 (B) backup power generation systems, battery systems, and related infrastructure; and

2 (C) electrical generation and storage systems THAT COMMENCE OPERATION AFTER [THE EFFECTIVE
3 DATE OF THIS ACT] AND ARE located on the facility side of the utility meter and primarily used by a qualified data
4 center for onsite power, ~~UNLESS THE QUALIFIED DATA CENTER HAS A DOCUMENTED HISTORY OF ALREADY BEING~~
5 ~~SERVED BY AN ELECTRICAL GENERATION OR STORAGE SYSTEM LOCATED ON THE FACILITY SIDE OF THE UTILITY METER;~~
6 ~~and OR~~

7 (iii) any other equipment necessary for the maintenance and operation of the facility.

8 (3) During construction, property not meeting the requirements of subsection (2) must be classified
9 as class seventeen property if, prior to March 1 of the first tax year for which the classification will be applied,
10 the taxpayer certifies to the department that the facility under construction will meet the requirements of
11 subsection (2) within 2 years of the date of the certification.

12 (4) ~~The~~ Except as provided in subsection (5), the taxable property of a qualified data center must
13 be locally assessed.

14 (5) (a) Class seventeen property includes centrally assessed interstate or intrastate dedicated
15 communications infrastructure that is owned or leased by the owner of a qualified data center and is composed
16 of telecommunication or data lines, equipment, and services, including but not limited to copper or fiber optic
17 lines or microwave, satellite, or other wireless communication systems.

18 (b) To qualify under this subsection (5), construction of the owned or leased interstate or intrastate
19 communications infrastructure must commence after June 30, 2017, and before July 1, ~~2027~~ 2037, and must
20 satisfy the criteria of this section.

21 (c) Dedicated communications infrastructure provided for in this subsection (5) is taxed at the rate
22 provided for in subsection ~~(6)~~ (8) for a period of ~~15-25~~ 10 years from the time that construction commences.
23 After the ~~15-year~~ ~~25-year~~ 10-YEAR period, the dedicated communications infrastructure is taxed as class
24 thirteen property at the rate provided in 15-6-156.

25 (D) ELECTRICAL GENERATION SYSTEMS PROVIDED FOR IN SUBSECTION (2)(B)(II)(C) ARE TAXED AT THE
26 RATE PROVIDED FOR IN SUBSECTION (8) FOR A PERIOD OF 10 YEARS FROM THE TIME THAT CONSTRUCTION COMMENCES.
27 AFTER THE 10-YEAR PERIOD, THE ELECTRICAL GENERATION SYSTEMS ARE TAXED AS CLASS THIRTEEN PROPERTY AT THE
28 RATE PROVIDED IN 15-6-156.

