

HB 679-FN - AS INTRODUCED

2015 SESSION

15-0808
10/08

HOUSE BILL **679-FN**

AN ACT establishing tax deferrals for expansion of natural gas distribution systems.

SPONSORS: Rep. Shattuck, Hills 1

COMMITTEE: Ways and Means

ANALYSIS

This bill establishes a 5-year tax deferral from the business profits tax, the business enterprise tax, and the utility property tax for the expansion of natural gas distribution systems. The bill also allows municipalities to adopt a 5-year deferral for local property taxes.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears [~~in brackets and struck through.~~]
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fifteen

AN ACT establishing tax deferrals for expansion of natural gas distribution systems.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Section; Business Profits Tax; Tax Deferral for Natural Gas Distribution Systems.

2 Amend RSA 77-A by inserting after section 15 the following new section:

3 77-A:15-a Tax Deferral for Natural Gas Distribution Systems.

4 I. Upon application by a qualifying business organization engaged in the expansion of
5 natural gas distribution systems in this state, the commissioner shall grant a deferral of the
6 payment of all taxes under this chapter for a 5-year period. The deferral shall be for the tax due
7 each year during the 5-year period and for interest accrued at 5 percent annually on the amount due.

8 II. A business organization qualifies and may apply for the tax deferral under paragraph I if:

9 (a) The business organization is engaged in the expansion of primary, lateral, and local
10 natural gas lines and related facilities located within the state of New Hampshire attributable to
11 expanded gas distribution systems.

12 (b) The business organization has obtained certification of compliance with best
13 management practices established by the department of environmental services for:

14 (1) Exploration, drilling, and production of natural gas;

15 (2) Transportation of natural gas; and

16 (3) Distribution of natural gas to users and retail sellers.

17 (c) The business organization provides a performance bond or other security determined
18 by the commissioner to ensure payment of the deferred taxes and interest when due.

19 III. In this section:

20 (a) "Primary natural gas line" means a pipeline that transports natural gas from its
21 production source.

22 (b) "Lateral natural gas line" means a pipeline that transports natural gas from a
23 primary gas line to a local distribution system.

24 (c) "Local natural gas line" means a pipeline that transports natural gas from a primary
25 or lateral gas line to users or retail sellers.

26 (d) "Related facilities" includes compressor stations and facilities for retail sale of
27 natural gas.

28 (e) "Natural gas" means gas mixture of mainly methane (CH₄) and incidental quantities
29 of propane (C₃H₆) and butane (C₄H₁₀). Transportation of product consisting mainly of propane and
30 other related light hydrocarbons is not natural gas for purposes of tax deferrals under this section.

31 IV. The commissioner of revenue administration shall adopt rules under RSA 541-A for the

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1 administration and implementation of this section.

2 2 New Section; Business Enterprise Tax; Tax Deferral for Natural Gas Distribution Systems.
3 Amend RSA 77-E by inserting after section 11 the following new section:

4 77-E:11-a Tax Deferral for Natural Gas Distribution Systems.

5 I. Upon application by a qualifying business enterprise engaged in the expansion of natural
6 gas distribution systems in this state, the commissioner shall grant a deferral of the payment of all
7 taxes under this chapter for a 5-year period. The deferral shall be for the tax due each year during
8 the 5-year period and for interest accrued at 5 percent annually on the amount due.

9 II. A business enterprise qualifies and may apply for the tax deferral under paragraph I if:

10 (a) The business enterprise is engaged in the expansion of primary, lateral, and local
11 natural gas lines and related facilities located within the state of New Hampshire attributable to
12 expanded gas distribution systems.

13 (b) The business enterprise has obtained certification of compliance with best
14 management practices established by the department of environmental services for:

15 (1) Exploration, drilling, and production of natural gas;

16 (2) Transportation of natural gas; and

17 (3) Distribution of natural gas to users and retail sellers.

18 (c) The business enterprise provides a performance bond or other security determined by
19 the commissioner to ensure payment of the deferred taxes and interest when due.

20 III. In this section:

21 (a) "Primary natural gas line" means a pipeline that transports natural gas from its
22 production source.

23 (b) "Lateral natural gas line" means a pipeline that transports natural gas from a
24 primary gas line to a local distribution system.

25 (c) "Local natural gas line" means a pipeline that transports natural gas from a primary
26 or lateral gas line to users or retail sellers.

27 (d) "Related facilities" includes compressor stations and facilities for retail sale of
28 natural gas.

29 (e) "Natural gas" means gas mixture of mainly methane (CH₄) and incidental quantities
30 of propane (C₃H₆) and butane (C₄H₁₀). Transportation of product consisting mainly of propane and
31 other related light hydrocarbons is not natural gas for purposes of tax deferrals under this section.

32 IV. The commissioner of revenue administration shall adopt rules under RSA 541-A for the
33 administration and implementation of this section.

34 3 New Section; Utility Property Tax; Tax Deferral for Natural Gas Distribution Systems.
35 Amend RSA 83-F by inserting after section 7 the following new section:

36 83-F:7-a Tax Deferral for Natural Gas Distribution Systems.

37 I. Upon application by a qualifying utility engaged in the expansion of natural gas

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1 distribution systems in this state, the commissioner shall grant a deferral of the payment of all taxes
2 under this chapter for a 5-year period. The deferral shall be for the tax due each year during the 5-
3 year period and for interest accrued at 5 percent annually on the amount due.

4 II. A utility qualifies and may apply for the tax deferral under paragraph I if:

5 (a) The utility is engaged in the expansion of primary, lateral, and local natural gas lines
6 and related facilities located within the state of New Hampshire attributable to expanded gas
7 distribution systems.

8 (b) The utility has obtained certification of compliance with best management practices
9 established by the department of environmental services for:

10 (1) Exploration, drilling, and production of natural gas;

11 (2) Transportation of natural gas; and

12 (3) Distribution of natural gas to users and retail sellers.

13 (c) The utility provides a performance bond or other security determined by the
14 commissioner to ensure payment of the deferred taxes and interest when due.

15 III. In this section:

16 (a) "Primary natural gas line" means a pipeline that transports natural gas from its
17 production source.

18 (b) "Lateral natural gas line" means a pipeline that transports natural gas from a
19 primary gas line to a local distribution system.

20 (c) "Local natural gas line" means a pipeline that transports natural gas from a primary
21 or lateral gas line to users or retail sellers.

22 (d) "Related facilities" includes compressor stations and facilities for retail sale of
23 natural gas.

24 (e) "Natural gas" means gas mixture of mainly methane (CH₄) and incidental quantities
25 of propane (C₃H₆) and butane (C₄H₁₀). Transportation of product consisting mainly of propane and
26 other related light hydrocarbons is not natural gas for purposes of tax deferrals under this section.

27 IV. The commissioner of revenue administration shall adopt rules under RSA 541-A for the
28 administration and implementation of this section.

29 4 New Section; Property Taxation. Amend RSA 72 by inserting after section 42 the following
30 new section:

31 72:42-a Local Option; Tax Deferral for Natural Gas Distribution Systems. A town or city may
32 adopt a tax deferral for natural gas distribution systems under this section in the same manner as
33 the procedures for exemptions and credits in RSA 72:27-a.

34 I. Upon application by a qualifying business entity engaged in the expansion of natural gas
35 distribution systems in this state, the commissioner shall grant a deferral of the payment of all taxes
36 under this chapter for a 5-year period. The deferral shall be for the tax due each year during the 5-
37 year period and for interest accrued at 5 percent annually on the amount due.

1 II. A business entity qualifies and may apply for the tax deferral under paragraph I if:

2 (a) The business entity is engaged in the expansion of primary, lateral, and local natural
3 gas lines and related facilities located within the state of New Hampshire attributable to expanded
4 gas distribution systems.

5 (b) The business entity has obtained certification of compliance with best management
6 practices established by the department of environmental services for:

7 (1) Exploration, drilling, and production of natural gas;

8 (2) Transportation of natural gas; and

9 (3) Distribution of natural gas to users and retail sellers.

10 (c) The business entity provides a performance bond or other security determined by the
11 commissioner to ensure payment of the deferred taxes and interest when due.

12 III. In this section:

13 (a) "Primary natural gas line" means a pipeline that transports natural gas from its
14 production source.

15 (b) "Lateral natural gas line" means a pipeline that transports natural gas from a
16 primary gas line to a local distribution system.

17 (c) "Local natural gas line" means a pipeline that transports natural gas from a primary
18 or lateral gas line to users or retail sellers.

19 (d) "Related facilities" includes compressor stations and facilities for retail sale of
20 natural gas.

21 (e) "Natural gas" means gas mixture of mainly methane (CH₄) and incidental quantities
22 of propane (C₃H₆) and butane (C₄H₁₀). Transportation of product consisting mainly of propane and
23 other related light hydrocarbons is not natural gas for purposes of tax deferrals under this section.

24 IV. The commissioner of revenue administration shall adopt rules under RSA 541-A for the
25 administration and implementation of this section.

26 5 Effective Date. This act shall take effect July 1, 2015.

HB 679-FN FISCAL NOTE

AN ACT establishing tax deferrals for expansion of natural gas distribution systems.

FISCAL IMPACT:

The Department of Revenue Administration states this bill, **as introduced**, will increase state expenditures, and decrease state and local revenue by an indeterminable amount in FY 2016 and each year thereafter. There will be no fiscal impact on county and local revenue or expenditures.

METHODOLOGY:

The Department of Revenue Administration (DRA) states this bill establishes a tax deferral on the Business Profits Tax (BPT), the Business Enterprise Tax (BET), the Utility Property Tax (UPT) and Property Tax for natural gas distribution systems. A qualifying business may apply to the commissioner of DRA for a 5-year tax deferral of the BPT, BET and UPT for taxes due each year during the 5-year period and for interest accrued at 5% annually on the amount due.

A qualifying business organization, business enterprise, utility or business entity must engage in the expansion of primary, lateral, and local natural gas lines and related facilities located within New Hampshire (NH) attributable to the expanded gas distribution systems. They must have obtained a certification of compliance with best management practices established by the Department of Environmental Services. The qualified business must provide a performance bond or other security determined by the commissioner of DRA to ensure payment of the deferred taxes and interest when due. The Department is unable to determine the amount of qualifying business for natural gas distribution that will request a tax and interest deferral and the deferral amount over a 5-year period. The Department assumes additional personnel would be needed to revise forms, reprogram computers, write rules and administer the bill, but is unable to determine the amount of staffing needed at this time. The Department is also unable to estimate the reduction in revenues to the General Fund, Education Trust Funds and local revenues during the deferral period. The Department assumes the bill could take effect as early as FY 2016, so the DRA assumes the reduction in revenues would begin in FY 2016 and carry forward until repayment of the deferral of taxes and interest begins.