

# SENATE BILL No. 1370

August 9, 2006, Introduced by Senators KUIPERS, McMANUS, JELINEK, PATTERSON, VAN WOERKOM, ALLEN, BARCIA, OLSHOVE, THOMAS, SWITALSKI and BRATER and referred to the Committee on Finance.

A bill to amend 1975 PA 228, entitled  
"Single business tax act,"  
(MCL 208.1 to 208.145) by adding section 33.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1        SEC. 33. (1) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2006  
2        AND BEFORE JANUARY 1, 2010, A QUALIFIED TAXPAYER MAY CLAIM A CREDIT  
3        AGAINST THE TAX IMPOSED BY THIS ACT EQUAL TO 1 OR BOTH OF THE  
4        FOLLOWING:

5            (A) THE NUMBER OF TONS OF ELIGIBLE REDUCTIONS IN EMISSIONS OF  
6        CARBON DIOXIDE MULTIPLIED BY THE PER TON MARKET PRICE FOR COMMODITY  
7        CARBON DIOXIDE.

8            (B) THE ANNUAL CAPACITY IN TONS OF CRITICAL CARBON DIOXIDE  
9        SEQUESTRATION INFRASTRUCTURE INCLUDING, BUT NOT LIMITED TO, CARBON

1 DIOXIDE PIPELINES AND OTHER RELATED EQUIPMENT DEVELOPED BY THE  
2 TAXPAYER MULTIPLIED BY THE PER TON MARKET PRICE FOR COMMODITY  
3 CARBON DIOXIDE.

4 (2) A QUALIFIED TAXPAYER SHALL APPLY TO THE DEPARTMENT FOR A  
5 CREDIT UNDER THIS SUBSECTION. AN APPLICATION UNDER THIS SUBSECTION  
6 SHALL STATE THE AMOUNT OF ELIGIBLE REDUCTIONS THE QUALIFIED  
7 TAXPAYER WILL MAKE IN THE TAX YEAR AND THE CORRESPONDING AMOUNT OF  
8 A CREDIT FOR WHICH THE QUALIFIED TAXPAYER IS APPLYING. THE  
9 DEPARTMENT SHALL APPROVE OR DENY AN APPLICATION UNDER THIS  
10 SUBSECTION NOT MORE THAN 45 DAYS AFTER RECEIPT OF THE APPLICATION.  
11 IF THE DEPARTMENT DOES NOT APPROVE OR DENY AN APPLICATION WITHIN 45  
12 DAYS AFTER THE APPLICATION IS RECEIVED BY THE DEPARTMENT, THE  
13 APPLICATION IS CONSIDERED APPROVED AS WRITTEN. IF THE DEPARTMENT  
14 APPROVES AN APPLICATION FOR A CREDIT UNDER THIS SECTION, THE  
15 DEPARTMENT SHALL ISSUE AN APPROVAL LETTER THAT STATES THAT THE  
16 TAXPAYER IS A QUALIFIED TAXPAYER AND THE MAXIMUM TOTAL CREDIT THE  
17 QUALIFIED TAXPAYER IS ELIGIBLE TO CLAIM IN THE TAX YEAR. IF AN  
18 APPLICATION IS DENIED UNDER THIS SUBSECTION, A TAXPAYER IS NOT  
19 PROHIBITED FROM SUBSEQUENTLY APPLYING FOR A CREDIT UNDER THIS  
20 SECTION FOR ANOTHER TAX YEAR. APPROVAL LETTERS SHALL BE ISSUED TO  
21 QUALIFIED TAXPAYERS IN THE ORDER IN WHICH THE APPLICATIONS ARE  
22 RECEIVED UNTIL THE MAXIMUM TOTAL AMOUNT OF CREDITS FOR THE CALENDAR  
23 YEAR HAS BEEN APPROVED.

24 (3) THE MAXIMUM TOTAL AMOUNT OF A CREDIT FOR ANY 1 TAX YEAR  
25 FOR EACH QUALIFIED TAXPAYER IS \$20,000,000.00 PER QUALIFIED  
26 FACILITY.

27 (4) THE DEPARTMENT SHALL APPROVE A MAXIMUM TOTAL AMOUNT OF ALL

1 CREDITS UNDER THIS SECTION EQUAL TO \$250,000,000.00 EACH CALENDAR  
2 YEAR. OF THE TOTAL AMOUNT AVAILABLE EACH CALENDAR YEAR, 10% SHALL  
3 BE APPROVED FOR CRITICAL CARBON DIOXIDE SEQUESTRATION  
4 INFRASTRUCTURE, INCLUDING, BUT NOT LIMITED TO, CARBON DIOXIDE  
5 PIPELINES AND OTHER RELATED EQUIPMENT.

6 (5) THE CREDIT ALLOWED UNDER THIS SECTION SHALL BE CALCULATED  
7 AFTER THE APPLICATION OF ALL OTHER CREDITS ALLOWED UNDER THIS ACT.

8 (6) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX YEAR  
9 AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED UNDER THIS  
10 SECTION EXCEED THE TAX LIABILITY OF THE TAXPAYER FOR THE TAX YEAR,  
11 THE EXCESS SHALL NOT BE REFUNDED, BUT MAY BE CARRIED FORWARD AS AN  
12 OFFSET TO THE TAX LIABILITY IN SUBSEQUENT TAX YEARS FOR 3 TAX YEARS  
13 OR UNTIL THE EXCESS CREDIT IS USED UP, WHICHEVER OCCURS FIRST.

14 (7) THE DEPARTMENT SHALL DEVELOP POLICIES AND PROCEDURES TO  
15 IMPLEMENT THIS SECTION NOT LATER THAN 60 DAYS AFTER THE EFFECTIVE  
16 DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION. THE POLICIES  
17 AND PROCEDURES SHALL ADDRESS ALL OF THE FOLLOWING:

18 (A) MONITORING, REPORTING, AND INDEPENDENT THIRD PARTY  
19 VERIFICATION OF THE CAPTURE AND GEOLOGIC SEQUESTRATION OF CARBON  
20 DIOXIDE IN THIS STATE.

21 (B) REVIEW AND APPROVAL OF APPLICATION FOR CREDITS UNDER THIS  
22 SECTION INCLUDING, BUT NOT LIMITED TO, CRITERIA FOR ALL OF THE  
23 FOLLOWING:

24 (i) VOLUME OF CARBON DIOXIDE SEQUESTERED.

25 (ii) SEQUESTRATION RESERVOIR AND FORMATION TYPE.

26 (iii) SEQUESTRATION ZONE DEPTH.

27 (iv) SEAL CHARACTERISTICS AND QUALITY.

1 (v) WELL DENSITY.

2 (vi) CARBON DIOXIDE INJECTION RATE PER INJECTION WELL.

3 (C) DEVELOPMENT OF A DATABASE FOR TRACKING EMISSION REDUCTIONS  
4 AND GEOLOGIC SEQUESTRATION OF CARBON DIOXIDE IN THIS STATE.

5 (8) THE DEPARTMENT SHALL EVALUATE THE MARKET PRICING STRUCTURE  
6 FOR COMMODITY CARBON DIOXIDE ONCE EVERY 2 YEARS BEGINNING IN 2008  
7 AND MAKE ADJUSTMENTS TO REFLECT FUTURE DEVELOPMENTS IN CARBON  
8 DIOXIDE MARKETS IN THIS STATE, IN THE UNITED STATES, AND  
9 INTERNATIONALLY.

10 (9) THE DEPARTMENT SHALL REPORT TO THE LEGISLATURE ON THE  
11 STATUS OF CARBON DIOXIDE GEOLOGIC SEQUESTRATION IN THIS STATE.

12 (10) AS USED IN THIS SECTION:

13 (A) "DIRECT EMISSION REDUCTIONS" MEANS EMISSION REDUCTIONS  
14 ACHIEVED AT A QUALIFIED FACILITY.

15 (B) "ELIGIBLE REDUCTIONS IN EMISSIONS OF CARBON DIOXIDE" MEANS  
16 THE VOLUNTARY REDUCTIONS IN EMISSIONS OF CARBON DIOXIDE THAT ARE  
17 SEQUESTERED WITHIN THIS STATE IN THE TAX YEAR IF THE DEPARTMENT  
18 DETERMINES THAT THE VOLUNTARY REDUCTIONS IN EMISSIONS OF CARBON  
19 DIOXIDE THAT ARE SEQUESTERED WITHIN THIS STATE ARE REAL,  
20 VERIFIABLE, PERMANENT, AND DOCUMENTED. VOLUNTARY REDUCTIONS IN  
21 EMISSIONS OF CARBON DIOXIDE THAT ARE SEQUESTERED WITHIN THIS STATE  
22 INCLUDE BOTH DIRECT EMISSION REDUCTIONS AND INDIRECT EMISSION  
23 REDUCTIONS.

24 (C) "INDIRECT EMISSION REDUCTIONS" MEANS EMISSION REDUCTIONS  
25 THAT ARE NOT ACHIEVED AT A QUALIFIED FACILITY BUT ARE ACQUIRED BY  
26 THE TAXPAYER BY CONTRACT. INDIRECT EMISSION REDUCTIONS INCLUDE  
27 SEQUESTERED CARBON DIOXIDE EMISSIONS AND REDUCTIONS IN EMISSIONS OF

1 CARBON DIOXIDE ACHIEVED AT THE QUALIFIED FACILITY OF A QUALIFIED  
2 TAXPAYER THAT IS NOT THE FACILITY OF THE QUALIFIED TAXPAYER THAT IS  
3 USING THE REDUCTION IN EMISSIONS OF CARBON DIOXIDE TO CALCULATE A  
4 CREDIT UNDER THIS SECTION.

5 (D) "PER TON MARKET PRICE FOR COMMODITY CARBON DIOXIDE" MEANS,  
6 EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, THE CLOSING PRICE  
7 FOR 1 ALLOWANCE IN THE EUROPEAN UNION EMISSIONS TRADING SYSTEM  
8 EQUIVALENT TO 1 METRIC TON OF CARBON DIOXIDE ON DECEMBER 31 OR  
9 \$50.00 PER METRIC TON OF CARBON DIOXIDE, WHICHEVER IS GREATER. FOR  
10 A QUALIFIED FACILITY THAT HAS A CLASSIFICATION WITH A NORTH  
11 AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM (NAICS) OF 3361 OR 3363,  
12 PER TON MARKET PRICE FOR COMMODITY CARBON DIOXIDE MEANS TWICE THE  
13 CLOSING PRICE FOR 1 ALLOWANCE IN THE EUROPEAN UNION EMISSIONS  
14 TRADING SYSTEM ON DECEMBER 31 OR \$100.00 PER METRIC TON OF CARBON  
15 DIOXIDE, WHICHEVER AMOUNT IS GREATER.

16 (E) "QUALIFIED FACILITY" MEANS A FEE-SUBJECT FACILITY AS THAT  
17 TERM IS DEFINED IN SECTION 5501 OF THE NATURAL RESOURCES AND  
18 ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.5501.

19 (F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT MEETS EITHER OF  
20 THE FOLLOWING CRITERIA:

21 (i) OWNS OR OPERATES A QUALIFIED FACILITY THAT ANNUALLY EMITS  
22 AT LEAST 10,000 METRIC TONS OF CARBON DIOXIDE.

23 (ii) OWNS OR OPERATES AN INDUSTRIAL FACILITY THAT VOLUNTARILY  
24 ACHIEVES AT LEAST 10,000 METRIC TONS OF ELIGIBLE REDUCTIONS IN  
25 EMISSIONS OF CARBON DIOXIDE.

26 (G) "SEQUESTERED CARBON DIOXIDE EMISSIONS" MEANS THE INJECTION  
27 OF CARBON DIOXIDE INTO GEOLOGIC FORMATIONS, INCLUDING, BUT NOT

- 1 LIMITED TO, OIL RESERVOIRS, COAL SEAMS, NATURAL GAS RESERVOIRS, OR
- 2 OTHER FORMATIONS.