

Sixty-third
Legislative Assembly
of North Dakota

REENGROSSED SENATE BILL NO. 2370

Introduced by

Senators Triplett, Armstrong, Lyson

Representatives Onstad, Sukut

1 A BILL for an Act to create and enact section 57-06-17.5 and a new subsection to section
2 57-51-02.2 of the North Dakota Century Code, relating to a new natural gas gathering and
3 collection systems property tax exemption and oil and gas gross production tax exemption; and
4 to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** Section 57-06-17.5 of the North Dakota Century Code is created and enacted
7 as follows:

8 **57-06-17.5. New natural gas gathering and collection systems property tax**
9 **exemption.**

10 A natural gas gathering pipeline, and its associated equipment, or a natural gas or natural
11 gas liquids collection system which is initially placed in service on or between January 1, 2013,
12 and December 31, 2017, is exempt from property taxes for the first taxable year after the line is
13 initially placed in service, and the taxable valuation as otherwise determined by law on the
14 gathering pipeline or collection system and the associated equipment must be reduced by:

- 15 1. Seventy-five percent for the second taxable year of operation of the gathering pipeline
- 16 or collection system.
- 17 2. Fifty percent for the third taxable year of operation of the gathering pipeline or
- 18 collection system.
- 19 3. Twenty five percent for the fourth taxable year of operation of the gathering pipeline or
- 20 collection system.

21 After the fourth taxable year of operation the gathering or collection system is no longer exempt,
22 in any way, from payment of full property taxes as otherwise determined by law. For purposes of
23 this section, "natural gas gathering pipeline" means an underground gas or liquid pipeline that is
24 designed for or capable of transporting natural gas produced in association with oil and which is

1 not subject to public service commission jurisdiction as a gas or liquid transmission line under
2 chapter 49-22. For purposes of this section, "initially placed in service" includes both new
3 construction and substantial expansion of a preexisting gathering or collection system, and
4 "substantial expansion" means a capacity increase of twenty percent or more. Associated
5 equipment includes compression, liquid separation facilities, and any other equipment
6 absolutely necessary to gather or collect natural gas and natural gas liquids. A "collection
7 system" is a system that collects at least seventy-five percent of the gas and natural gas liquids
8 from the well for compression to liquid or dense phase fluid for use as fuel or transport to a
9 processing facility, production of petrochemicals or fertilizer, or conversion to liquid fuels.
10 Natural gas processing and other natural gas liquid refining plants or facilities are expressly
11 excluded from this section.

12 **SECTION 2.** A new subsection to section 57-51-02.2 of the North Dakota Century Code is
13 created and enacted as follows:

14 An operator who collects natural gas at a well site by natural gas gathering line,
15 electrical generator, or collection system described in section 38-08-06.4 shall be
16 entitled to an exemption from the tax imposed under this section for a period of one
17 year from the day the natural gas is first collected.

18 **SECTION 3. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable years
19 beginning after December 31, 2012. Section 2 of this Act is effective for taxable events
20 occurring after June 30, 2013.