FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2034

Introduced by

Legislative Management

(Energy Development and Transmission Committee)

1 A BILL for an Act to create and enact section 57-39.2-04.13 and a new subdivision to

2 subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code, relating to a sales and

3 use tax exemption for materials used in transmission of oil through gathering lines; and to

4 provide an expiration date.

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

6   **SECTION 1.** Section 57-39.2-04.13 of the North Dakota Century Code is created and

7 enacted as follows:

8   **57-39.2-04.13. Sales and use tax exemption for materials used in transmission of oil**

9 **through a gathering pipeline.**

10   1.   Gross receipts from sales of tangible personal property used to construct or expand a

11   system to transmit oil, from an oil or gas well in this state, through a gathering pipeline

12   are exempt from taxes under this chapter. Tangible personal property used to replace

13   an existing system to collect oil from an oil or gas well in this state and transmit that oil

14   through a gathering pipeline does not qualify for exemption under this section unless

15   the replacement creates an expansion of the system or the system's capacity.

16   2.   For purposes of this section, a system to transmit oil from an oil or gas well or tank

17   battery in this state through a gathering pipeline includes tangible personal property

18   that is incorporated as a physical component of a gathering pipeline or incorporated as

19   an essential component in moving or monitoring the flow of oil through a gathering

20   pipeline. A gathering pipeline begins immediately after the oil is measured from a

21   well's storage tank or tank battery and into the gathering system. A system to transmit

22   oil from the lease site of an oil or gas well in this state through a gathering pipeline

23   does not include tank batteries or other storage on or off the well site and does not

24   include metering equipment that measures the oil moving from storage into the

1   gathering system. The gathering pipeline status ends after the oil is measured out of

2   the gathering pipeline into a storage or shipping terminal or into a transmission

3   pipeline.

4   3.   To receive the exemption under this section at the time of purchase, the owner of the

5   system to transmit oil from the lease site of an oil or gas well in this state through a

6   gathering pipeline must receive from the tax commissioner a certificate that the

7   tangible personal property used to construct or expand that system which the owner

8   intends to purchase qualifies for exemption. If a certificate is not received before the

9   purchase, the owner shall pay the applicable tax imposed by this chapter and apply to

10   the tax commissioner for a refund.

11   4.   If the tangible personal property is purchased or installed by a contractor subject to the

12   tax imposed by this chapter, the owner of the system to transmit oil from the lease site

13   of an oil or gas well in this state through a gathering pipeline may apply to the tax

14   commissioner for a refund of the difference between the amount remitted by the

15   contractor and the exemption imposed or allowed by this section. Application for a

16   refund must be made at the times and in the manner directed by the tax commissioner

17   and must include sufficient information to permit the tax commissioner to verify the

18   sales and use taxes paid and the exempt status of the sale or use.

19   **SECTION 2.** A new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota

20   Century Code is created and enacted as follows:

21   Tangible personal property used to construct or expand a qualifying oil gathering

22   system as authorized or approved for exemption by the tax commissioner under

23   section 57-39.2-04.13.

24   **SECTION 3. EXPIRATION DATE.** This Act is effective through May 30, 2017, and after that

25   date is ineffective.