

Sixty-third  
Legislative Assembly  
of North Dakota

## ENGROSSED 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 of a three-inch [7.62-centimeter] diameter or smaller, or  
11 having a pressure of twenty-five pounds per square inch [1.75 per kilograms per square  
12 centimeter] or less, and its associated equipment, or a natural gas or natural gas liquids  
13 collection system which is initially placed in service on or between January 1, 2013, and  
14 December 31, 2017, is exempt from property taxes for the first taxable year after the line is  
15 initially placed in service, and the taxable valuation as otherwise determined by law on the  
16 gathering pipeline or collection system and the associated equipment must be reduced by:

- 17 1. Seventy-five percent for the second taxable year of operation of the gathering pipeline.  
18 2. Fifty percent for the third taxable year of operation of the gathering pipeline.  
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 and collection systems are no longer  
22 exempt, in any way, from payment of full property taxes as otherwise determined by law. For  
23 purposes of this section, "initially placed in service" includes both new construction and  
24 substantial expansion of a preexisting gathering or collection system, and "substantial

1 expansion" means a capacity increase of twenty percent or more. Associated equipment  
2 includes compression, liquid separation facilities, and any other equipment absolutely  
3 necessary to gather or collect natural gas and natural gas liquids. A "collection system" is a  
4 system that collects at least seventy-five percent of the gas and natural gas liquids from the well  
5 for compression to liquid or dense phase fluid for use as fuel or transport to a processing facility,  
6 production of petrochemicals or fertilizer, or conversion to liquid fuels. Natural gas processing  
7 and other natural gas liquid refining plants or facilities are expressly excluded from this section.

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

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

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