

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1166

Introduced by

Representatives Carlson, Dockter, Headland, Toman

1 A BILL for an Act to amend and reenact sections 57-51.1-02 and 57-51.1-03.1 of the North
2 Dakota Century Code, relating to the removal of triggered oil extraction tax rate changes; and to
3 provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-51.1-02 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-51.1-02. Imposition of oil extraction tax.**

8 There is hereby imposed an excise tax, to be known as the "oil extraction tax", upon the
9 activity in this state of extracting oil from the earth, and every owner, including any royalty
10 owner, of any part of the oil extracted is deemed for the purposes of this chapter to be engaged
11 in the activity of extracting that oil. The rate of tax is five percent of the gross value at the well of
12 the oil extracted. However, if the average price of a barrel of crude oil exceeds the trigger price
13 of ninety dollars for each month in any consecutive three-month period, then the rate of tax on
14 oil extracted from all taxable wells is six percent of the gross value at the well of the oil
15 extracted until the average price of a barrel of crude oil is less than the trigger price of ninety
16 dollars for each month in any consecutive three-month period, in which case the rate of tax
17 reverts to five percent of the gross value at the well of the oil extracted. By December thirty-first
18 of each year, the tax commissioner shall determine an indexed trigger price under this section
19 by applying to the current trigger price an adjustment equal to the percentage rate of change of
20 the producer price index for industrial commodities as calculated and published by the United
21 States department of labor, bureau of labor statistics, for the twelve months ending June
22 thirtieth of that year and the indexed trigger price so determined is the trigger price for the
23 following calendar year.

1 For purposes of this section, "average price" of a barrel of crude oil means the monthly
2 average of the daily closing price for a barrel of west Texas intermediate cushing crude oil, as
3 those prices appear in the Wall Street Journal, midwest edition. When computing the monthly
4 average price, the most recent previous daily closing price must be considered the daily closing
5 price for the days on which the market is closed.

6 **SECTION 2. AMENDMENT.** Section 57-51.1-03.1 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-51.1-03.1. Stripper well, new well, ~~work-over~~, and secondary or tertiary project**
9 **certification for tax exemption or rate reduction - Filing requirement.**

10 1. To receive the benefits of a tax exemption or tax rate reduction, a certification of
11 qualifying well status prepared by the industrial commission must be submitted to the
12 tax commissioner as follows:

13 1. a. To receive, from the first day of eligibility, a tax exemption on production from a
14 stripper well property or individual stripper well under subsection 2 of section
15 57-51.1-03, the industrial commission's certification must be submitted to the tax
16 commissioner within eighteen months after the end of the stripper well property's
17 or stripper well's qualification period.

18 2. ~~To receive, from the first day of eligibility, a tax exemption under subsection 3 of~~
19 ~~section 57-51.1-03 and a rate reduction on production from a new well under section~~
20 ~~57-51.1-02, the industrial commission's certification must be submitted to the tax~~
21 ~~commissioner within eighteen months after a new well is completed.~~

22 3. ~~To receive, from the first day of eligibility, a tax exemption under subsection 4 of~~
23 ~~section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02,~~
24 ~~the industrial commission's certification must be submitted to the tax commissioner~~
25 ~~within eighteen months after the work-over project is completed.~~

26 4. b. To receive, from the first day of eligibility, a tax exemption under subsection 3 of
27 section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on
28 production from a secondary or tertiary project, the industrial commission's
29 certification must be submitted to the tax commissioner within the following time-
30 periods:

- 1 a. For a tax exemption, within eighteen months after the month in which the first
2 incremental oil was produced.
- 3 ~~b. For a tax rate reduction, within eighteen months after the end of the period~~
4 ~~qualifying the project for the rate reduction.~~
- 5 5. c. To receive, from the first day of eligibility, a tax exemption or the reduction on
6 production for which any other tax exemption or rate reduction may apply, the
7 industrial commission's certification must be submitted to the tax commissioner
8 within eighteen months of the completion, recompletion, or other qualifying date.
- 9 ~~6. To receive, from the first day of eligibility, a tax exemption under subsection 6 of~~
10 ~~section 57-51.1-03 on production from a two-year inactive well, the industrial~~
11 ~~commission's certification must be submitted to the tax commissioner within eighteen~~
12 ~~months after the end of the two-year inactive well's qualification period.~~
- 13 2. If the industrial commission's certification is not submitted to the tax commissioner
14 within the eighteen-month period provided in this section, then the exemption or rate
15 reduction does not apply for the production periods in which the certification is not on
16 file with the tax commissioner. When the industrial commission's certification is
17 submitted to the tax commissioner after the eighteen-month period, the tax exemption
18 or rate reduction applies to prospective production periods only and the exemption or
19 rate reduction is effective the first day of the month in which the certification is
20 received by the tax commissioner.

21 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
22 June 30, 2017.