

1999 HOUSE FINANCE AND TAXATION

HB 1203

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1203

House Finance and Taxation Committee

Conference Committee

Hearing Date January 18, 1999

Tape Number	Side A	Side B	Meter #
1	X		1
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. FRANK WALD, DIST. 37, DICKINSON, Introduced the bill as the prime sponsor.

He stated this was just a housekeeping bill. This bill gives unallocated revenue which cannot be identified, goes to the counties in the same proportion as their current tax revenue. If Stark County received eight percent of the total revenue, then all of this unidentified tax money would go to the county by that same proportion.

VICKY STEINER, ND ASSOC. OF OIL & GAS PRODUCING COUNTIES, Testified in support of the bill. See written testimony. Also attached is information on the fiscal year distributions of the unallocated gross production tax collections since passage of HB 1492 in the 1993 legislative session.

REP. GRANDE Asked for clarification on which counties the oil is extracted from.

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House Finance and Taxation Committee

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KEVIN SCHATZ, STATE TAX DEPARTMENT, Answered the question. One of the reasons we don't know where the oil comes from is, a major portion of this unallocated fund is what is called volume gain. A purchaser will haul oil to a central tank facility then meter it into a pipe line, in a lot of instances, the meter will read more barrels than was actually handled, and they pay tax on that. That central tank facility may collect oil from multiple counties, so they have no idea which county it comes from, so they report it as unallocated oil.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-18-99, Tape #2, Side A, Meter #49.2

REP. WINRICH Made a motion for a DO PASS.

REP. HERBEL Second the motion. MOTION CARRIED.

13 Yes 0 No 2 Absent.

REP. HERBEL Was given the floor assignment.

FISCAL NOTE

Return original and 14 copies)

Bill/Resolution No.: HB 1203

Amendment to: _____

Requested by Legislative Council

Date of Request: 1/8/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: HB 1203 if enacted would change the allocation among counties of a small portion of the oil and gas gross production tax revenue. The net change in revenues to the counties would be zero.

2. **State fiscal effect in dollar amounts:**

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						

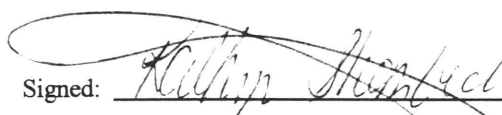
3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: _____

4. **County, city, and school district** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed
attach a supplemental sheet.

Signed: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 12, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 1-18-99

Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1203

House HOUSE FINANCE & TAX Committee

- Subcommittee on _____
- Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Winrich Seconded By Rep. Herbel

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH	A				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER	✓				
MICKELSON	A				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER	✓				

Total 13 0
(Yes) (No)

Absent 2

Floor Assignment Rep. Herbel

If the vote is on an amendment, briefly indicate intent:

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)
January 18, 1999 3:38 p.m.

Module No: HR-10-0786
Carrier: Herbel
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1203: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1203 was placed on the Eleventh order on the calendar.

1999 SENATE FINANCE AND TAXATION

HB 1203

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1203

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2-8-99

Tape Number	Side A	Side B	Meter #
HB 1203 #1	X		0 - 1058
Committee Clerk Signature <i>Anita Wald</i>			

Minutes:

Sen Urlacher called the hearing to order, roll call taken. A BILL RELATING TO THE ALLOCATION OF REVENUE FROM OIL & GAS GROSS PRODUCTION TAXES FROM UNIDENTIFIED SOURCES.

Sen Bowman - The oil area is definitely in my district. Excess money here and it has to be distributed back, this bill fairly distributes it back.

Vicki Steiner - Testimony submitted and attached.

Kevin Schatz - Tax Dept. Most of the oil that makes up the funds that go in to the unallocated fund comes from the volume gain. Oil CO will hand gauge they haul to another place and measure it again through a meter and have a different reading in volumes. That extra volume is still taxable. The oil may come from 3 or 4 different counties, and they have no idea what county that oil came from. Report it as unallocated funds. Keep the money in a separate fund and then

let the treasure know and she allocates it to the county that has received the lowest amount for that year.

Sen Kinnoin - What county received the less amount?

Kevin Schatz - The county who's getting it now is Hettinger County.

Sen. Kinnoin - Is this shared on a %?

Vicki Steiner - Yes, funds are distributed on basis of %. Hettinger County is the lowest in production.

Sen. Urlacher - Any testimony or opposition?

Sen Wardner made a motion to Do Pass and seconded by Sen. Kinnoin. Vote 7 Y 0 N and Sen. Wardner will be the carrier.

Date: 2-8-99
Roll Call Vote #: (1)

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1203

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Kinnoin

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment Sen. Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 8, 1999 1:05 p.m.

Module No: SR-24-2168
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1203: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1203 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

HB 1203



North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

Ron Block
President
Bottineau County

Roger Chinn
McKenzie County

Julian Gunlikson
Williams County

Dennis Hartman
Killdeer

Dean Koppelman
Dickinson PSD

Dick Ross
Ray

David Rust
Past President
Tioga PSD

Allen Ryberg
Bowbells

Sherman Sylling
McKenzie County PSD

Jane Erickson
Secretary/Treasurer
Killdeer

In support of HB 1203

My name is Vicky Steiner. I represent 133 oil and gas producing counties, cities and school districts in western North Dakota. I live in Dickinson and my state lobby number is #228.

This bill changes the way the county unallocated portion of the gross production tax is paid. Under current law, the money goes to the smallest producing county. This has caused some problems when the money has to be paid back to the state. This change will fix that problem caused when a small producing county has to pay back. It's not a great sum of money, only about \$20,000. The state deducts paybacks from a county's next quarterly check. The smallest oil-producing county may only produce three barrels of oil. There are no future checks. The change prorates the money back to the counties according to their production. It's certainly a more fair distribution than current law.

Our Association supports the passage of this bill.

Thank you for your consideration.

VICKY STEINER - EXECUTIVE DIRECTOR

859 Senior Ave. - Dickinson, ND 58601-3755 - Phone: (701) 225-0884 - Fax: (701) 227-3040
E-mail: ndoicos@dickinson.ctctel.com - Web: www.ND-oilcounties.org

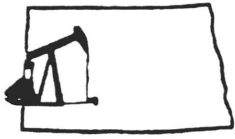
Ray Gedeon - Permit Operator

409 East 21st Street - Williston, ND 58801 - Evenings: (701) 572-6808 - E-mail: rgedeon@host1.dia

The following will provide the fiscal year distributions of the unallocated gross production tax collections since passage of HB 1492 in the 1993 legislative session:

<u>Fiscal Year</u>	<u>County</u>	<u>Amount</u>	
1994	Slope	\$1,781.36	
1995	McHenry	\$2,390.31	
1996	Slope	\$9,957.92	
1997	Hettinger	\$13,547.02	Distribution
		<u>(\$3,810.41)</u>	Recouped refund from amended return
		\$9,736.61	Net distribution
1998	Hettinger	\$25,894.67	Unallocated fund total (not yet distributed)

Note: The unallocated fund total has not been distributed for fiscal year 1998 because a taxpayer had submitted a request for refund prior to the date the distribution was to be made. To prevent having to distribute the unallocated funds to Hettinger County and subsequently recouping the funds to issue the refund, the distribution is being delayed until a review of the refund request and amended returns can be completed and a refund of the tax and refund interest can be issued. The gross production tax refund request totaled \$18,020.15, which is also subject to refund interest to the date the refund is issued.



North Dakota Association of Oil & Gas Producing Counties

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Dick Ross
Ray

David Rust
Past President
Logan PSD

Allen Ryberg
Bowbells

Sherman Sylling
McKenzie County PSD

Jane Erickson
Secretary/Treasurer
Killdeer

In support of HB 1203

Chairman Urlacher and Members of Senate Finance and Taxation

My name is Vicky Steiner. I represent the North Dakota Association of Oil and Gas Producing Counties. We have 133 member county, cities and school districts.

Several years ago we asked if this unallocated county oil tax revenue could be distributed in a prorated manner. At that time, the treasurers office turned us down and said it would cost the state more money to prorate it rather than one distribution to the smallest county.

Last summer, an staff member from the tax department called me and said that the state treasurers' office would be able to prorate the money and would like to change the law.

We were delighted to pursue the change under this bill. This bill changes the way the county portion of the oil gross production tax is paid.

Under current law, the money goes to the smallest producing county. Sometimes the state gets sued by oil companies who are protesting the taxes they pay. If the court finds in the oil companies' favor, the state has to go back and collect the revenue already paid to the county. Normally, the state would just deduct the refund from the next quarterly oil check but in Hettinger County, today's smallest oil producing county, they may not have any revenue coming in. They might only have one well-producing and this law could put a burden on them.

It's only fair to prorate this unallocated, which by definition, means the state doesn't know which counties this revenue should be attributed to. The larger oil producing counties probably did produce this unallocated oil revenue and are due their share back. It really is a housekeeping bill and we recommend a do pass recommendation. Thank you.

VICKY STEINER - EXECUTIVE DIRECTOR

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