

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1210

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Diana G. Hall
Operator's Signature

10/2/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1210

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Doreen Hall
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1210

House Finance and Taxation Committee

Conference Committee

Hearing Date January 22, 2003

Tape Number	Side A	Side B	Meter #
1	X		0.5

Committee Clerk Signature

Janie Stein

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. DAVE WEILER, DIST. 30, BISMARCK Introduced the bill. See attached written testimony.

REP. CLARK What is the taxable effect on the well, if they don't get the exemption?

REP. WEILER Deferred the question to someone else.

LYNN HELMS, DIRECTOR OF THE OIL & GAS DIVISION, NORTH DAKOTA

INDUSTRIAL COMMISSION Testified in support of the bill, see written testimony.

REP. CLARK This exemption they are filing for, what is it for?

LYNN HELMS It is a ten year exemption on the extraction tax, on the two year inactive wells which is the 6 1/2% tax. The well will still pay the 5% gross production tax, which mostly, goes back to the county, school districts and cities.

REP. CLARK Is the exemption tax per well or amount of oil produced?

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Ball
Operator's Signature

1/22/03
Date

Page 2
House Finance and Taxation Committee
Bill/Resolution Number HB 1210
Hearing Date January 22, 2003

LYNN HELMS The extraction tax is 6 1/2% of the value of oil produced, but it is administered on a well by well basis. Any individual well that is idle for more than two years time, would qualify. The concept behind it, is to encourage companies to go back into some seven hundred odd idle wells that we have in North Dakota, to look at them and give them the incentive to put them back into production.

REP. WINRICH If a well is inactive for two years, then the owner chooses to put it back into production, they will get an exemption from the extraction tax for the next ten years?

LYNN HELMS Yes, if they invest the money and put that well into production, then it is exempt from the extraction tax for the next ten years.

REP. WINRICH What is the limit to eighteen months on tax refund?

LYNN HELMS The idea there, is to make sure they get their filing in, and that we don't pay back tax refunds for more than eighteen months. What happened back in the mid 90's when some of these tax exemptions were put in place, was, companies would do the work, and they would qualify, but they wouldn't file for several years, because the tax department paid ten percent interest on back taxes, so it was a really good investment, to wait six years. This eighteen months will make them get their forms in, if they want the full exemption. All they will ever get in back taxes, is eighteen months.

REP. WINRICH Thought they filed within a month.

LYNN HELMS Stated under the current definition they do. Under the new definition, they will have eighteen months to file.

REP. WINRICH Is there a reason for picking eighteen months?

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dorinda G. Ball
Operator's Signature

10/2/03
Date

Page 3
House Finance and Taxation Committee
Bill/Resolution Number HB 1210
Hearing Date January 22, 2003

LYNN HELMS Stated the eighteen months is consistent with all the other extraction tax incentives. How eighteen months was chosen in the first place, Kevin Schatz could answer that better.

REP. KLEIN How many wells are producing now?

LYNN HELMS Currently, there are 3300 wells producing, but 700 are idle. This legislation will go a long ways to get those 700 back on stream.

REP. IVERSON These 700 wells that are inactive, have companies approached you and said they will go back and start reworking those wells?

LYNN HELMS This legislation has been in place since 1995. We have had, in the neighborhood of fifteen wells qualify, out of the seven hundred, for this exemption. Related to what happened a year ago. He stated several companies went in and started doing the work, but did not qualify for the tax exemption. It really put a lid on it. How many of the seven hundred would be impacted, is pretty much a guess, I would say a couple dozen at least.

JOHN MORRISON, ATTORNEY ON BEHALF OF THE NORTH DAKOTA GAS & OIL

COUNCIL Testified in support of the bill. See written testimony and a proposed amendment.

What the amendment does, is add one phrase. After July 31, 1995, on page 1, line 19. The purpose is to ensure that the universal wells which are eligible for the tax exemption, would be reentered after the effective date of August 1, 1995. The Tax Department requested this phrase, and we have no objection to it.

SEN. RON NICHOLS, DIST. #4 Testified in support of the bill. He stated they have some of those wells in his part of the country, which have been abandoned. If they can put those wells

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dorena G. Baller
Operator's Signature

1/22/03
Date

Page 4
House Finance and Taxation Committee
Bill/Resolution Number HB 1210
Hearing Date January 22, 2003

back into production, even if they are low producing wells, they will be paying some taxes,
which help with the schools, etc. Also, it will keep people employed.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-27-03 Tape 1, Side B, Meter #16.0

REP. CLARK Made a motion to adopt the amendments which were presented. These
amendments clarify the date the well is put back into production.

REP. HEADLAND Second the motion. **MOTION CARRIED.**

REP. WEILER Made a motion for a **DO PASS AS AMENDED**

REP. KLEIN Second the motion. **MOTION CARRIED**

13 YES 0 NO 1 ABSENT

REP. IVERSON Was given the floor assignment.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna G. Bell
Operator's Signature

1/21/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/13/2003

Bill/Resolution No.: HB 1210

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1210 is expected to have no fiscal impact.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/21/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Kathryn L. Strombeck
 Operator's Signature

1/21/03
 Date

