

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~~ section 57-51.1-03.1 and  
 2 subsection 3 of section 57-51.2-02 of the North Dakota Century Code, relating to ~~the removal of~~  
 3 ~~triggered oil extraction tax rate changes~~ filing requirements for oil extraction tax exemptions and  
 4 rate reductions and the oil extraction tax rate attributable to revenue sharing agreements with  
 5 tribal governing bodies; and to provide an effective date.

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

7 ~~— **SECTION 1. AMENDMENT.** Section 57-51.1-02 of the North Dakota Century Code is-~~  
 8 ~~amended and reenacted as follows:~~

9 ~~— **57-51.1-02. Imposition of oil extraction tax.**~~

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

1 ~~thirtieth of that year and the indexed trigger price so determined is the trigger price for the~~  
2 ~~following calendar year.~~

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

8 **SECTION 1. AMENDMENT.** Section 57-51.1-03.1 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10 **57-51.1-03.1. Stripper well, new well, ~~work-over~~, and secondary or tertiary project**  
11 **certification for tax exemption or rate reduction - Filing requirement.**

- 12 1. To receive the benefits of a tax exemption or tax rate reduction, a certification of  
13 qualifying well status prepared by the industrial commission must be submitted to the  
14 tax commissioner as follows:
- 15 4. a. To receive, from the first day of eligibility, a tax exemption on production from a  
16 stripper well property or individual stripper well under subsection 2 of section  
17 57-51.1-03, the industrial commission's certification must be submitted to the tax  
18 commissioner within eighteen months after the end of the stripper well property's  
19 or stripper well's qualification period.
- 20 2. ~~To receive, from the first day of eligibility, a tax exemption under subsection 3 of~~  
21 ~~section 57-51.1-03 and a rate reduction on production from a new well under section~~  
22 ~~57-51.1-02, the industrial commission's certification must be submitted to the tax~~  
23 ~~commissioner within eighteen months after a new well is completed.~~
- 24 3. ~~To receive, from the first day of eligibility, a tax exemption under subsection 4 of~~  
25 ~~section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02,~~  
26 ~~the industrial commission's certification must be submitted to the tax commissioner~~  
27 ~~within eighteen months after the work-over project is completed.~~
- 28 4. b. To receive, from the first day of eligibility, a tax exemption under subsection 3 of  
29 section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on  
30 production from a secondary or tertiary project, the industrial commission's

1 certification must be submitted to the tax commissioner within the following time-  
2 periods:

3 a. ~~For a tax exemption, within~~ eighteen months after the month in which the first  
4 incremental oil was produced.

5 b. ~~For a tax rate reduction, within eighteen months after the end of the period~~  
6 ~~qualifying the project for the rate reduction.~~

7 ~~5. c.~~ To receive, from the first day of eligibility, a tax exemption or the reduction on  
8 production for which any other tax exemption or rate reduction may apply, the  
9 industrial commission's certification must be submitted to the tax commissioner  
10 within eighteen months of the completion, recompletion, or other qualifying date.

11 ~~6. To receive, from the first day of eligibility, a tax exemption under subsection 6 of~~  
12 ~~section 57-51.1-03 on production from a two-year inactive well, the industrial~~  
13 ~~commission's certification must be submitted to the tax commissioner within eighteen~~  
14 ~~months after the end of the two-year inactive well's qualification period.~~

15 2. If the industrial commission's certification is not submitted to the tax commissioner  
16 within the eighteen-month period provided in this section, ~~then~~ the exemption or rate  
17 reduction does not apply for the production periods in which the certification is not on  
18 file with the tax commissioner. When the industrial commission's certification is  
19 submitted to the tax commissioner after the eighteen-month period, the tax exemption  
20 or rate reduction applies to prospective production periods only and the exemption or  
21 rate reduction is effective the first day of the month in which the certification is  
22 received by the tax commissioner.

23 **SECTION 2. AMENDMENT.** Subsection 3 of section 57-51.2-02 of the North Dakota  
24 Century Code is amended and reenacted as follows:

25 3. The state's oil extraction tax under chapter 57-51.1 ~~as applied~~ must apply to oil and  
26 gas production attributable to trust lands on the reservation and on trust properties  
27 outside reservation boundaries ~~may not exceed six and one-half percent but may be~~  
28 ~~reduced through negotiation between the governor and the tribal governing body.~~

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