April 15, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1439

- Page 1, line 1, remove "to create and enact section 47-31-09 of the North Dakota Century Code;"
- Page 1, line 2, remove "relating to injecting substances for oil, gas, and mineral production;"
- Page 1, line 2, after "reenact" insert "sections 57-06-17.1 and 57-39.2-04.14,"
- Page 1, line 3, after "57-51.1-03" insert ", and section 57-60-06"
- Page 1, line 3, after "to" insert "a property tax exemption for pipelines used for secure geologic storage, a sales and use tax exemption for materials used for secure geologic storage,"
- Page 1, line 5, after "dioxide" insert ", and property classification of secure geologic storage equipment for coal conversion tax purposes"
- Page 1, replace lines 7 through 15 with:

"SECTION 1. AMENDMENT. Section 57-06-17.1 of the North Dakota Century Code is amended and reenacted as follows:

57-06-17.1. Carbon dioxide pipeline exemption.

Property, not including land, is exempt from taxation during construction and for the first ten full taxable years following initial operation if it consists of a pipeline, constructed after 1996, and necessary associated equipment for the transportation or storage of carbon dioxide for <u>secure geologic storage or</u> use in enhanced recovery of oil or natural gas.

SECTION 2. AMENDMENT. Section 57-39.2-04.14 of the North Dakota Century Code is amended and reenacted as follows:

57-39.2-04.14. Sales and use tax exemption for materials used in compressing, gathering, collecting, storing, transporting, or injecting carbon dioxide for <u>secure geologic storage or</u> use in enhanced recovery of oil or natural gas.

1. Gross receipts from sales of tangible personal property used to construct or expand a system used to compress, gather, collect, store, transport, or inject carbon dioxide for <u>secure geologic storage or</u> use in enhanced recovery of oil or natural gas in this state are exempt from taxes under this chapter. To be exempt, the tangible personal property must be incorporated into a system used to compress, gather, collect, store, transport, or inject carbon dioxide for <u>secure geologic storage or</u> use in enhanced recovery of oil or natural gas. Tangible personal property used to replace an existing system to compress, gather, collect, store, transport, or inject carbon dioxide for <u>secure geologic storage or</u> use in enhanced recovery of oil or natural gas does not qualify for exemption under this section unless the replacement creates an expansion of the system.

- 2. To receive the exemption under this section at the time of purchase, the owner of the gas compressing, gathering, collecting, storing, transporting, or injecting system must receive from the tax commissioner a certificate that the tangible personal property used to construct or expand a system used to compress, gather, collect, store, transport, or inject carbon dioxide for secure geologic storage or use in enhanced recovery of oil or natural gas qualifies for the exemption. If a certificate is not received before the purchase, the owner shall pay the applicable tax imposed by this chapter and apply to the tax commissioner for a refund.
- 3. If the tangible personal property is purchased or installed by a contractor subject to the tax imposed by this chapter, the owner of the gas compressing, gathering, collecting, storing, transporting, or injecting system may apply to the tax commissioner for a refund of the difference between the amount remitted by the contractor and the exemption imposed or allowed by this section. Application for a refund must be made at the time and in the manner directed by the tax commissioner to verify the sales and use taxes paid and the exempt status of the sale or use.
- 4. This chapter and chapter 57-40.2 apply to the exemption under this section."

Page 6, after line 24, insert:

"SECTION 4. AMENDMENT. Section 57-60-06 of the North Dakota Century Code is amended and reenacted as follows:

57-60-06. Property classified and exempted from ad valorem taxes - In lieu of certain other taxes - Credit for certain other taxes.

Each coal conversion facility and any carbon dioxide capture system located at the coal conversion facility, and any equipment directly used for <u>secure geologic</u> <u>storage of carbon dioxide or</u> enhanced recovery of oil or natural gas must be classified as personal property and is exempt from all ad valorem taxes except for taxes on the land on which the facility, capture system, or equipment is located. The exemption provided by this section may not be interpreted to apply to tangible personal property incorporated as a component part of a carbon dioxide pipeline but this restriction does not affect eligibility of such a pipeline for the exemption under section 57-06-17.1. The taxes imposed by this chapter are in lieu of ad valorem taxes on the property so classified as personal property."

Page 6, line 25, replace "This Act becomes" with "Section 3 of this Act becomes"

Page 6, line 25, after the period insert "Sections 1 and 4 of this Act are effective for taxable years beginning after December 31, 2018. Section 2 of this Act is effective for taxable events occurring after June 30, 2019."

Renumber accordingly