

HOUSE BILL NO. 1286

Introduced by

Representatives Headland, D. Anderson, Bosch, Lefor, Nathe, Porter, Vigesaa

Senators Bekkedahl, Hogue, Kessel, Patten, Rummel

1 A BILL for an Act to amend and reenact section 57-51.1-02 and subsection 3 of section
2 57-51.2-02 of the North Dakota Century Code, relating to the removal of triggered oil extraction
3 tax rate changes; to provide for application; and to 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.** Subsection 3 of section 57-51.2-02 of the North Dakota
7 Century Code is amended and reenacted as follows:

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

12 **SECTION 3. APPLICATION.** Section 2 of this Act applies to agreements entered under
13 chapter 57-51.2 after June 30, 2023.

14 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
15 June 30, 2023.