

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2419

Introduced by

Senator Stenehjem

Representative Berg

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to create and enact chapter 57-51.2 of the North Dakota Century Code,
2 relating to agreements with Indian tribes to share revenue from state taxes on mineral
3 production from Indian reservations; to amend and reenact subsection 8 of section 57-51.1-03
4 of the North Dakota Century Code, relating to an oil extraction tax exemption on production
5 from wells on Indian reservations, Indian trust land, and land owned by an Indian tribe; to
6 provide a continuing appropriation; and to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Subsection 8 of section 57-51.1-03 of the North Dakota
9 Century Code is amended and reenacted as follows:

10 8. The initial production of oil from a well is exempt from any taxes imposed under
11 this chapter for a period of sixty months if:

- 12 a. The well is located within the boundaries of an Indian reservation;
13 b. The well is drilled and completed on lands held in trust by the United States
14 for an Indian tribe or individual Indian; or
15 c. The well is drilled and completed on lands held by an Indian tribe if the
16 interest is in existence on August 1, 1997.

17 The exemption provided in this subsection is inapplicable to production from a well
18 within the boundaries of an Indian reservation covered by an agreement entered
19 under chapter 57-51.2.

20 **SECTION 2.** Chapter 57-51.2 of the North Dakota Century Code is created and
21 enacted as follows:

22 **57-51.2-01. Authority to enter agreements.** The governor, in consultation with the
23 tax commissioner, may enter into agreements with Indian tribes to share tax revenue under
24 chapters 57-51 and 57-51.1 from wells within the boundaries of an Indian reservation.

1 **57-51.2-02. Agreement requirements.** Agreements under this chapter are subject to
2 the following:

- 3 1. The only taxes subject to agreement are those attributable to wells located within
4 the boundaries of an Indian reservation.
- 5 2. No more than fifty percent of the taxes may be allocated to the tribe.
- 6 3. An administrative fee to compensate the state for its costs in collecting the taxes
7 and administering the agreement must be deducted from the share allocated to the
8 tribe.
- 9 4. To address situations in which the state returns to a taxpayer taxes paid, the
10 agreement must allow the state to either recoup from the tribe payments already
11 made to it or to offset future distributions to the tribe.
- 12 5. The state must retain exclusive authority to administer and enforce chapters 57-51
13 and 57-51.1.
- 14 6. The agreement must address the regulatory regime governing the oil and gas
15 industry's on-reservation activities to provide the industry with an acceptable level
16 of regulatory consistency and certainty.

17 **57-51.2-03. Statutory inconsistencies superseded.** The terms in agreements
18 entered under this chapter supersede any inconsistent provisions in chapters 57-51 and
19 57-51.1 dealing with the distribution and use of taxes collected under those chapters.
20 Agreements entered under this chapter are subject to the provisions of chapter 54-40.2 except
21 for those in section 54-40.2-08.

22 **SECTION 3. CONTINUING APPROPRIATION.** The amounts necessary to fund
23 agreements entered under chapter 57-51.2 are appropriated out of any moneys in the general
24 fund in the state treasury, not otherwise appropriated, as a standing and continuing
25 appropriation to the state treasurer, to be disbursed upon direction of the governor.

26 **SECTION 4. EFFECTIVE DATE.** This Act is effective for oil production after June 30,
27 2007.