

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

Representative Thorpe

1 A BILL for an Act to provide for taxation of severed mineral interests; to repeal subsection 32 of
2 section 57-02-08 and sections 57-02-24 and 57-02-25 of the North Dakota Century Code,
3 relating to property tax exemption of minerals in place in the earth and assessment of severed
4 mineral interests; and to provide an effective date.

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

6 **SECTION 1. Mineral interest defined.** For purposes of this Act, "mineral interest"
7 means an interest in any minerals, including gas, coal, oil, uranium, or other similar interests in
8 real estate excluding interests in gravel and clay, which is owned separately and apart from the
9 fee title to the surface of the real property.

10 **SECTION 2. Taxation of severed mineral interests.** Mineral interests that are filed
11 of record in the office of the county recorder are subject to taxation as provided in this section,
12 unless specifically excluded by this section. A tax of two dollars per acre, or portion of an acre,
13 of mineral interests is imposed and is payable annually at the time and in the manner other real
14 property taxes are payable, except that no discount applies to early payment of the tax under
15 this Act. If an interest is a fractional interest in an area, the tax due on the interest per acre or
16 portion of an acre is equal to the product obtained by multiplying the fractional interest times
17 two dollars, computed to the nearest cent. However, the minimum annual tax on any mineral
18 interest owner is two dollars on each separately recorded mineral interest of that owner. No tax
19 on mineral interests under this section is imposed on mineral interests that are presently
20 producing minerals and paying severance or production taxes or on mineral interests that are
21 exempt from taxation under state or federal law. Taxes collected under this section must be
22 deposited in the county general fund. If there are any unpaid taxes under this chapter against
23 mineral interests underlying a property, a lease of the mineral interest may not be recorded and
24 a drilling permit may not be issued for that property.

1 **SECTION 3. Delinquency - Penalty - Redemption.** Any taxes due and unpaid under
2 this Act draw interest at the rate of twelve percent per annum from the due date of the tax. A
3 mineral interest on which the taxes unpaid under this Act, and the owner of that mineral
4 interest, are subject to all of the provisions of law regarding delinquent and unpaid real property
5 taxes except the period to satisfy the property tax lien for unpaid taxes on mineral interests
6 under this Act is twelve months from the date the tax became due. Before foreclosure of a tax
7 lien on a severed mineral interest, the surface owner of the property overlying that mineral
8 interest must be offered the right of first refusal to acquire ownership of that mineral interest by
9 payment of the delinquent tax with penalty and interest. The county treasurer shall provide
10 mailed written notice to the surface owner of the person's right of first refusal under this section
11 at the person's address shown in the records of the county treasurer.

12 **SECTION 4. REPEAL.** Subsection 32 of section 57-02-08 and 57-02-24, and 57-02-25
13 of the North Dakota Century Code are repealed.

14 **SECTION 5. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
15 December 31, 2008.