

FISCAL NOTE
Requested by Legislative Council
01/09/2013

Bill/Resolution No.: HB 1134

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(28,160,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties		\$(3,840,000)	
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1134 deals with natural gas at the well site that would otherwise be flared and provides a gross production tax exemption. It also provides a sales tax exemption for equipment used in qualifying gas collection systems.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1134 adds a new "gas collection system" option for gas that would otherwise be flared, and allows the gas to be covered by a new, broadened gross production tax exemption contained in Section 3. Section 2 of HB 1134 broadens the existing sales tax exemption to include gas collection systems. It is not known what additional sales might be exempted by this provision. Section 3 creates a 2-year gross production tax exemption for gas gathered at the well site.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The fiscal impact of the 2-year exemption in Section 3 relative to existing gas production that is subject to gross production tax is estimated to be -\$32 million for the 2013-15 biennium. The expansion to include gas collection systems cannot be determined. This gross production exemption is expected to reduce county revenue by an estimated \$3.84 million and "other funds" by \$28.16 million in the 2013-15 biennium. The "other funds" include the legacy and strategic investment and improvements funds.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

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