

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/05/2013**

Amendment to: 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				\$(14,100,000)		
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		\$(1,900,000)	
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).*

Engrossed HB 1134 with Senate Amendments creates a gross production tax exemption, a property tax exemption, a sales tax exemption, and an oil extraction tax exemption for the collecting and processing of natural gas that would otherwise be flared.

- 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.*

Engrossed HB 1134 with Senate Amendments creates incentives that will encourage the collection and use of natural gas that would otherwise be flared. Section 2 creates a new property tax exemption for natural gas gathering and collection systems. Section 3 expands a sales tax exemption to include tangible personal property used to construct or expand gas collection systems. Section 4 creates a one-year exemption from the oil and gas gross production tax for gas gathered from a qualifying new gathering system. Section 5 creates an additional gross production tax exemption for certain gas collected and used at the well site. Section 6 creates an oil extraction tax exemption for the liquids produced in association with a collection system.

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.*

If enacted, engrossed HB 1134 with Senate Amendments will reduce oil extraction, gross production, and sales tax revenues, and cause property tax shifts, all in amounts that cannot be determined because it is not known how many gas collection and gathering systems will be put in place. Only the broad-based gross production tax exemption contained in Section 4 can be estimated, and is expected to reduce oil and gas gross production tax revenues by an estimated \$16 million in the 2013-15 biennium. This reduction in oil and gas gross production tax revenues affects county distributions as well as the legacy and strategic investment and improvements funds, as shown above.

- 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.*

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