

Sixty-fifth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1166**

Introduced by

Representatives Carlson, Dockter, Headland, Toman

1 A BILL for an Act to amend and reenact sections 57-51.1-02 and 57-51.1-03.1 ~~and subsection 3-~~  
2 ~~of section 57-51.2-02~~ of the North Dakota Century Code, relating to the removal of triggered oil  
3 extraction tax rate changes; 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.** Section 57-51.1-03.1 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8 **57-51.1-03.1. Stripper well, new well, ~~work-over~~, and secondary or tertiary project**  
9 **certification for tax exemption or rate reduction - Filing requirement.**

- 10 1. To receive the benefits of a tax exemption or tax rate reduction, a certification of  
11 qualifying well status prepared by the industrial commission must be submitted to the  
12 tax commissioner as follows:
- 13 ~~1. a.~~ To receive, from the first day of eligibility, a tax exemption on production from a  
14 stripper well property or individual stripper well under subsection 2 of section  
15 57-51.1-03, the industrial commission's certification must be submitted to the tax  
16 commissioner within eighteen months after the end of the stripper well property's  
17 or stripper well's qualification period.
- 18 ~~2.~~ To receive, from the first day of eligibility, a tax exemption under subsection 3 of  
19 section 57-51.1-03 and a rate reduction on production from a new well under section  
20 57-51.1-02, the industrial commission's certification must be submitted to the tax  
21 commissioner within eighteen months after a new well is completed.
- 22 ~~3.~~ To receive, from the first day of eligibility, a tax exemption under subsection 4 of  
23 section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02,  
24 the industrial commission's certification must be submitted to the tax commissioner  
25 within eighteen months after the work-over project is completed.
- 26 ~~4. b.~~ To receive, from the first day of eligibility, a tax exemption under subsection 3 of  
27 section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on  
28 production from a secondary or tertiary project, the industrial commission's  
29 certification must be submitted to the tax commissioner within the following time-  
30 periods:

- 1           a. For a tax exemption, within eighteen months after the month in which the first  
2           incremental oil was produced.
- 3           b. For a tax rate reduction, within eighteen months after the end of the period  
4           qualifying the project for the rate reduction.
- 5           5. c. To receive, from the first day of eligibility, a tax exemption or the reduction on  
6           production for which any other tax exemption or rate reduction may apply, the  
7           industrial commission's certification must be submitted to the tax commissioner  
8           within eighteen months of the completion, recompletion, or other qualifying date.
- 9           6. To receive, from the first day of eligibility, a tax exemption under subsection 6 of  
10          section 57-51.1-03 on production from a two-year inactive well, the industrial  
11          commission's certification must be submitted to the tax commissioner within eighteen  
12          months after the end of the two-year inactive well's qualification period.
- 13          2. If the industrial commission's certification is not submitted to the tax commissioner  
14          within the eighteen-month period provided in this section, then the exemption or rate  
15          reduction does not apply for the production periods in which the certification is not on  
16          file with the tax commissioner. When the industrial commission's certification is  
17          submitted to the tax commissioner after the eighteen-month period, the tax exemption  
18          or rate reduction applies to prospective production periods only and the exemption or  
19          rate reduction is effective the first day of the month in which the certification is  
20          received by the tax commissioner.

21       ~~SECTION 3. AMENDMENT. Subsection 3 of section 57-51.2-02 of the North Dakota-~~  
22       ~~Century Code is amended and reenacted as follows:—~~

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

27       **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
28       June 30, 2017.