

January 28, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1205

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 57-39.2 and a new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code, relating to a sales tax exemption for materials used to construct a straddle plant or fractionator;"

Page 1, line 8, overstrike "state"

Page 1, line 8, overstrike "health" and insert immediately thereafter "environmental quality"

Page 1, after line 12, insert:

**"SECTION 2.** A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

**Sales tax exemption for materials used to construct a qualified straddle plant or a qualified fractionator.**

1. Gross receipts from sales of tangible personal property used to construct or expand a qualified straddle plant or a qualified fractionator in this state are exempt from the tax imposed under this chapter. To qualify for the exemption, the tangible personal property must be incorporated into a qualifying straddle plant or a qualifying fractionator plant, or used in the construction process to the point of having no residual economic value. Replacement of tangible personal property does not qualify for the exemption under this section unless the replacement creates an expansion of the plant.
2. To receive the exemption at the time of purchase, the owner of the plant must receive from the tax commissioner a certificate that the tangible personal property used to construct the plant qualifies for the exemption. If a certificate is not received prior to the purchase, the plant owner shall pay the applicable tax imposed by this chapter and apply to the tax commissioner for a refund.
3. If the tangible personal property is purchased or installed by a contractor subject to the tax imposed by this chapter, the owner may apply for a refund of the difference between the amount remitted by the contractor and the exemption allowed by this section. Application for a refund must be made at the time and in the manner directed by the tax commissioner, and must include sufficient information to permit the tax commissioner to verify the sales and use taxes paid and the exempt status of the sale or use.
4. For purposes of this section:
  - a. "Deep cut fractionator" means a plant that processes a mixed natural gas liquids stream into purity natural gas liquids, including ethane, propane, butane, and C-five plus.
  - b. "Expansion" means an increase in production volume, employment, or the type of products produced.

- c. "Qualified fractionator" means a deep cut fractionator located in this state with a daily design capacity of at least forty-five thousand barrels of ethane, fifteen thousand barrels of propane, thirteen thousand barrels of butane, and three thousand barrels of C-five plus.
- d. "Qualified straddle plant" means a straddle plant located in this state that is either connected to a qualified fractionator or produces Y-grade liquids that are dedicated for use by a qualified fractionator.
- e. "Straddle plant" means a gas processing plant located on or near a gas transmission line, which removes residual natural gas liquids from the gas stream and returns the residue gas to the transmission line.

**SECTION 3.** A new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code is created and enacted as follows:

Tangible personal property used to construct a qualified straddle plant or a qualified fractionator as authorized or approved for exemption by the tax commissioner under section 2 of this Act."

Renumber accordingly