

**SENATE BILL NO. 2332**

Introduced by

Senators O'Connell, Kinnoin, Wardner

Representatives Drovdal, Solberg, Sveen

1 A BILL for an Act to create and enact a new section to chapter 57-51 of the North Dakota  
2 Century Code, relating to an oil and gas gross production tax exemption for stripper wells; to  
3 amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of  
4 oil and gas gross production tax revenue; and to provide an effective date.

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

6 **SECTION 1.** A new section to chapter 57-51 of the North Dakota Century Code is  
7 created and enacted as follows:

8 **Stripper well gross production tax rate.** Production of oil from a stripper well  
9 property, as defined in section 57-51.1-01, is exempt from the gross production tax imposed by  
10 section 57-51-02. Production of oil from a stripper well property is subject to a separate tax of  
11 two and one-half per centum of the gross value of the well. The tax under this section applies  
12 to the whole production, including the royalty interest. All revenue from the tax under this  
13 section must be transferred to the county in which the taxable oil was produced and allocated  
14 within the county in the manner provided in subsection 3 of section 57-51-15.

15 **SECTION 2. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17 **57-51-15. Apportionment and use of proceeds of tax.** The gross production tax  
18 provided for in ~~this chapter~~ section 57-51-02 must be apportioned as follows:

19 1. First the tax revenue collected under this chapter equal to one percent of the gross  
20 value at the well of the oil and one-fifth of the tax on gas must be deposited with  
21 the state treasurer, who shall credit thirty-three and one-third percent of the  
22 revenues to the oil and gas impact grant fund, but not in an amount exceeding five  
23 million dollars per biennium including any amounts otherwise appropriated for oil

- 1 and gas impact grants for the biennium by the legislative assembly, and who shall  
2 credit the remaining revenues to the state general fund.
- 3 2. The first one million dollars of annual revenue after the deduction of the amount  
4 provided for in subsection 1 from oil or gas produced in any county must be  
5 allocated seventy-five percent to that county and twenty-five percent to the state  
6 general fund. The second one million dollars of annual revenue after the deduction  
7 of the amount provided for in subsection 1 from oil or gas produced in any county  
8 must be allocated fifty percent to that county and fifty percent to the state general  
9 fund. All annual revenue after the deduction of the amount provided for in  
10 subsection 1 above two million dollars from oil or gas produced in any county must  
11 be allocated twenty-five percent to that county and seventy-five percent to the state  
12 general fund. However, the amount to which each county is entitled pursuant to  
13 this subsection must be limited based upon the population of the county according  
14 to the last official decennial federal census as follows:
- 15 a. Counties having a population of three thousand or less shall receive no more  
16 than three million nine hundred thousand dollars for each fiscal year.
- 17 b. Counties having a population of over three thousand but less than six  
18 thousand shall receive no more than four million one hundred thousand  
19 dollars for each fiscal year.
- 20 c. Counties having a population of six thousand or more shall receive no more  
21 than four million six hundred thousand dollars for each fiscal year.
- 22 Any allocations for any county pursuant to this subsection which exceed the  
23 applicable limitation for that county as provided in subdivisions a through c must be  
24 deposited instead in the state's general fund.
- 25 3. Forty-five percent of all revenues as may by the legislative assembly be allocated  
26 to any county hereunder must be credited by the county treasurer to the county  
27 general fund. Thirty-five percent of all revenues allocated to any county must be  
28 apportioned by the county treasurer no less than quarterly to school districts within  
29 the county on the average daily attendance distribution basis, as certified to him by  
30 the county superintendent of schools. However, no school district may receive in  
31 any single academic year an amount under this subsection greater than the county

1 average per-pupil cost multiplied by seventy percent, then multiplied by the number  
2 of pupils in average daily attendance or the number of children of school age in the  
3 school census for the county, whichever is greater. Provided, however, that in any  
4 county in which the average daily attendance or the school census, whichever is  
5 greater, is fewer than four hundred, the county is entitled to one hundred twenty  
6 percent of the county average per-pupil cost multiplied by the number of pupils in  
7 average daily attendance or the number of children of school age in the school  
8 census for the county, whichever is greater. Once this level has been reached  
9 through distributions under this subsection, all excess funds to which the school  
10 district would be entitled as part of its thirty-five percent share must be deposited  
11 instead in the county general fund. The county superintendent of schools of each  
12 oil-producing county shall certify to the county treasurer by July first of each year  
13 the amount to which each school district is limited pursuant to this subsection. As  
14 used in this subsection, "average daily attendance" means the average daily  
15 attendance for the school year immediately preceding the certification by the  
16 county superintendent of schools required by this subsection. Twenty percent of  
17 all revenues allocated to any county hereunder must be paid no less than quarterly  
18 by the state treasurer to the incorporated cities of the county based upon the  
19 population of each incorporated city according to the last official decennial federal  
20 census. However, no city may receive in any fiscal year an amount under this  
21 subsection greater than five hundred dollars per capita. Once this level has been  
22 reached through distributions under this subsection, all excess funds to which any  
23 city would be entitled except for this limitation must be deposited instead in that  
24 county's general fund. Provided, however, that in determining the population of  
25 any city in which total employment increases by more than two hundred percent  
26 seasonally due to tourism, the population of that city for purposes of determining  
27 the per capita limitation in this section must be increased by adding to the  
28 population of the city as determined by the last official decennial federal census a  
29 number to be determined as follows:

- 1           a.   Seasonal employees of state and federal tourist facilities within five miles  
2                   [8.05 kilometers] of the city must be included by adding the months all such  
3                   employees were employed during the prior year and dividing by twelve.
- 4           b.   Seasonal employees of all private tourist facilities within the city and seasonal  
5                   employees employed by the city must be included by adding the months all  
6                   such employees were employed during the prior year and dividing by twelve.
- 7           c.   The number of visitors to the tourist attraction within the city or within five  
8                   miles [8.05 kilometers] of the city which draws the largest number of visitors  
9                   annually must be included by taking the smaller of either of the following:
- 10                   (1)   The total number of visitors to that tourist attraction the prior year  
11                               divided by three hundred sixty-five; or
- 12                   (2)   Four hundred twenty.

13           **SECTION 3. EFFECTIVE DATE.** This Act is effective for oil extracted from the earth  
14 after June 30, 1999.