

Introduced by

Representatives Thoreson, Belter, Haak, Headland, Owens

Senators Cook, O'Connell, Oehlke

1 A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North
2 Dakota Century Code, relating to a sales tax exemption for liquified natural gas used for railroad
3 purposes; to amend and reenact section 57-39.2-04.5, subsection 5 of section 57-40.2-04, and
4 section 57-43.2-02.3 of the North Dakota Century Code, relating to exemption from sales and
5 use and special fuels taxes for liquified natural gas used for railroad purposes and materials
6 used to liquify natural gas; and to provide an effective date.

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

8 **SECTION 1.** A new subsection to section 57-39.2-04 of the North Dakota Century Code is
9 created and enacted as follows:

10 Gross receipts from sales of liquified natural gas used for railroad purposes as defined
11 in section 57-43.2-01.

12 **SECTION 2. AMENDMENT.** Section 57-39.2-04.5 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-39.2-04.5. Sales and use tax exemption for materials used in compressing,**
15 **processing, gathering, liquifying, or refining of gas.**

16 1. Gross receipts from sales of tangible personal property used to construct or expand a
17 system used to compress, process, gather, liquify, or refine gas recovered or sourced
18 from an oil or gas well in this state or used to expand or build a gas processing facility
19 in this state are exempt from taxes under this chapter. To be exempt, the tangible
20 personal property must be incorporated into a system used to compress, process,
21 gather, liquify, or refine gas. Tangible personal property used to replace an existing
22 system to compress, process, gather, liquify, or refine gas does not qualify for
23 exemption under this section unless the replacement creates an expansion of the
24 system.

- 1 2. To receive the exemption under this section at the time of purchase, the owner of the
2 gas compressing, processing, gathering, liquifying, or refining system must receive
3 from the tax commissioner a certificate that the tangible personal property used to
4 construct or expand a system used to compress, process, gather, liquify, or refine gas
5 recovered or sourced from an oil or gas well in this state or used to expand or build a
6 gas processing facility in this state which the owner intends to purchase qualifies for
7 exemption. If a certificate is not received before the purchase, the owner shall pay the
8 applicable tax imposed by this chapter and apply to the tax commissioner for a refund.
- 9 3. If the tangible personal property is purchased or installed by a contractor subject to the
10 tax imposed by this chapter, the owner of the gas compressing, processing, gathering,
11 liquifying, or refining system may apply to the tax commissioner for a refund of the
12 difference between the amount remitted by the contractor and the exemption imposed
13 or allowed by this section. Application for a refund must be made at the times and in
14 the manner directed by the tax commissioner and must include sufficient information
15 to permit the tax commissioner to verify the sales and use taxes paid and the exempt
16 status of the sale or use.

17 **SECTION 3. AMENDMENT.** Subsection 5 of section 57-40.2-04 of the North Dakota
18 Century Code is amended and reenacted as follows:

- 19 5. Railway cars and locomotives used in interstate commerce; and tangible personal
20 property which becomes a component part thereof and liquified natural gas used for a
21 railroad purpose as defined in section 57-43.2-01.

22 **SECTION 4. AMENDMENT.** Section 57-43.2-02.3 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **57-43.2-02.3. Exemptions.**

- 25 1. Special fuel commonly known as diesel fuel which is dyed for federal fuel tax
26 exemption purposes and sold for an agricultural, industrial, or railroad purpose is
27 exempt from the special fuel tax imposed by section 57-43.2-02 at the time the fuel is
28 sold to the consumer and is subject instead to the tax imposed by section 57-43.2-03.
29 Special fuel known as diesel fuel which is dyed for federal fuel tax exemption purposes
30 and sold for use as heating fuel is exempt from the special fuel tax imposed by

1 sections 57-43.2-02 and 57-43.2-03. Fuel purchased for use in a licensed motor
2 vehicle is not exempt from the tax imposed by section 57-43.2-02.

3 2. Special fuel, other than diesel fuel, sold for an agricultural, industrial, or railroad
4 purpose is exempt from the special fuel tax imposed by section 57-43.2-02 at the time
5 the fuel is sold to the consumer and is subject instead to the tax imposed by section
6 57-43.2-03. Propane sold for use as heating fuel is exempt from the special fuel tax
7 imposed by sections 57-43.2-02 and 57-43.2-03 at the time the fuel is sold to the
8 consumer. Special fuel, other than diesel fuel and propane, sold for use as heating fuel
9 is exempt from the special fuel tax imposed by sections 57-43.2-02 and 57-43.2-03 at
10 the time the fuel is sold to the consumer. Fuel purchased for use in a licensed motor
11 vehicle is not exempt from the tax imposed by section 57-43.2-02.

12 3. A consumer purchasing special fuel for a use in which it becomes an ingredient or a
13 component part of tangible personal property intended to be sold ultimately at retail is
14 exempt from the tax imposed by section 57-43.2-02 and is not subject to the tax
15 imposed by section 57-43.2-03.

16 4. Liquified natural gas sold or used for a railroad purpose is exempt from the special fuel
17 tax imposed by sections 57-43.2-02 and 57-43.2-03.

18 **SECTION 5. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
19 June 30, 2013.