

FISCAL NOTE
Requested by Legislative Council
04/05/2013

Amendment to: HB 1234

- 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 | | | \$4,200,000 | \$61,900,000 | | |
| 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 | | | |
| 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).*

Bill expands the prod. level for qual. stripper wells, eliminates stripper properties, allows withhold. on nonres. royalty pymts, creates incent. for wells outside the Bakken, repeals holiday. for drilling on Ind. lands, and modifies the revenue sharing agreement.

- 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.*

Section 3 authorizes income tax withholding on nonresident royalty payments. Section 4 increases the stripper incentive for Bakken wells producing 40 BOPD and closes another loophole by eliminating stripper tax treatment for new wells drilled in existing stripper properties. Section 5 creates an incentive for wells drilled outside the Bakken and Three Forks formations and repeals the existing 60-month oil extraction tax holiday for wells drilled on Indian nontrust lands. Section 7 makes changes to the oil and gas revenue sharing agreement with the Three Affiliated Tribes.

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 1234 with Senate Amendments is expected to increase state general fund revenues by \$4.2 million during the 2013-15 biennium due to a speed-up in individual income tax collections from the withholding on royalty provisions. The expanding of the stripper tax incentive to Bakken wells producing 40 BOPD is expected to reduce oil extraction tax revenues a modest \$14 million in the 2013-15 biennium, growing significantly in future biennia as the wave of Bakken wells reach 40 BOPD and achieve stripper exemption status years earlier than current law. The closing of the stripper property loophole is expected to increase oil extraction tax revenues an estimated \$105.3 million in the 2013-15 biennium. The incentive for new wells drilled outside the Bakken and Three Forks formations is expected to reduce oil extraction tax revenues by an estimated \$35.4 million in the 2013-15 biennium. The repeal of the 60-month Indian lands incentive is expected to increase oil extraction tax revenues by an estimated \$87 million in the 2013-15 biennium. Section 7 authorizes the redistribution this additional \$87 million 50% to the Tribe, and 50% to the state's oil extraction tax "buckets". Section 7 also authorizes the redistribution of

an additional estimated \$37.5 million from the state's "buckets" to the Three Affiliated Tribe under the provisions that change the split to 50% Tribe 50% State. The amount shown as "other funds" in IA is the net additional oil extraction tax revenue which is distributed to Legacy, Resources Trust, Foundation Aid Stabilization, Common Schools Trust and Strategic Investments and Improvement Funds.

- 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.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 04/09/2013