

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/21/2015**

Revised  
 Bill/Resolution No.: HB 1476

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$76,000,000		
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 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).*

HB 1476 replaces oil extraction tax "triggered" rate reductions with a single, permanent tax rate of 4.5 percent.

- 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 of HB 1476 imposes a 4.5 percent oil extraction tax rate and removes the triggered incentive provisions.

Section 4 removes additional oil extraction tax exemptions.

Section 6, along with the emergency clause in Section 7, would have made his bill effective on June 1, 2015, assuming the triggered exemptions and incentives would otherwise become effective. The official March 2015 revenue forecast assumes these incentives will be effective on June 1, therefore this bill, with the emergency clause, would also have become effective at that time. However, due to failure of the emergency clause in Section 7, the bill will become effective July 1, 2015. The 4.5 percent tax rate will apply to production beginning July 1, 2015, which will affect revenues collected in August 2015. Assuming the current law triggered incentive will be in effect for one month during the 2015-17 biennium as a result of failure of the emergency clause lowers the positive fiscal impact by an estimated \$44 million.

The removal of the triggered incentives and imposition of a 4.5% oil extraction tax rate is expected to increase oil extraction tax revenue by approximately \$465 million in FY 2016 and reduce oil extraction tax revenue by \$389 million in FY 2017, consistent with the provisions of the official March forecast. The fiscal impact is estimated to total +\$76 million for the 2015-17 biennium. This increase in revenues will be distributed among the legacy, common schools trust, foundation aid stabilization, resources trust, and strategic investment and improvements funds.

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.*

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701-328-3402

**Date Prepared:** 04/21/2015