

**HOUSE BILL NO. 1205**

Introduced by

Representatives Dockter, Headland, Howe, Porter

Senator Cook

1 A BILL for an Act to create and enact a new section to chapter 57-39.2 and a new subdivision to  
2 subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code, relating to a sales tax  
3 exemption for materials used to construct a straddle plant or fractionator; to amend and reenact  
4 subsection 2 of section 57-39.2-04.15 of the North Dakota Century Code, relating to a sales and  
5 use tax exemption for materials used to construct a fertilizer or chemical processing facility; and  
6 to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Subsection 2 of section 57-39.2-04.15 of the North Dakota  
9 Century Code is amended and reenacted as follows:

10 2. On or before June 30, ~~2019~~2023, the owner of the fertilizer or chemical processing  
11 plant must receive from the ~~state~~ department of ~~health~~environmental quality an air  
12 quality permit or a notice that the air quality permit application is complete. The owner  
13 shall provide this documentation to the tax commissioner to qualify for the exemption  
14 under this section. Denial, expiration, or revocation of a permit terminates the  
15 exemption under this section.

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

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

20 1. Gross receipts from sales of tangible personal property used to construct or expand a  
21 qualified straddle plant or a qualified fractionator in this state are exempt from the tax  
22 imposed under this chapter. To qualify for the exemption, the tangible personal  
23 property must be incorporated into a qualifying straddle plant or a qualifying  
24 fractionator plant, or used in the construction process to the point of having no residual

1 economic value. Replacement of tangible personal property does not qualify for the  
2 exemption under this section unless the replacement creates an expansion of the  
3 plant.

4 2. To receive the exemption at the time of purchase, the owner of the plant must receive  
5 from the tax commissioner a certificate that the tangible personal property used to  
6 construct the plant qualifies for the exemption. If a certificate is not received prior to  
7 the purchase, the plant owner shall pay the applicable tax imposed by this chapter and  
8 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 may apply for a refund of the difference  
11 between the amount remitted by the contractor and the exemption allowed by this  
12 section. Application for a refund must be made at the time and in the manner directed  
13 by the tax commissioner, and must include sufficient information to permit the tax  
14 commissioner to verify the sales and use taxes paid and the exempt status of the sale  
15 or use.

16 4. For purposes of this section:

17 a. "Deep cut fractionator" means a plant that processes a mixed natural gas liquids  
18 stream into purity natural gas liquids, including ethane, propane, butane, and  
19 C-five plus.

20 b. "Expansion" means an increase in production volume, employment, or the type of  
21 products produced.

22 c. "Qualified fractionator" means a deep cut fractionator located in this state with a  
23 daily design capacity of at least forty-five thousand barrels of ethane, fifteen  
24 thousand barrels of propane, thirteen thousand barrels of butane, and three  
25 thousand barrels of C-five plus.

26 d. "Qualified straddle plant" means a straddle plant located in this state that is either  
27 connected to a qualified fractionator or produces Y-grade liquids that are  
28 dedicated for use by a qualified fractionator.

29 e. "Straddle plant" means a gas processing plant located on or near a gas  
30 transmission line, which removes residual natural gas liquids from the gas stream  
31 and returns the residue gas to the transmission line.

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

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

6 | **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable periods beginning after  
7 | June 30, 2019.