

**HOUSE BILL NO. 1279**

Introduced by

Representatives Novak, Berg, Hagert, Headland, J. Olson, S. Olson, Porter, Tveit

Senators Boehm, Patten, Thomas

1 A BILL for an Act to amend and reenact sections 57-60-02, 57-60-02.2, 57-60-14, and 57-61-01  
2 of the North Dakota Century Code, relating to an exemption from the coal conversion facilities  
3 tax and the imposition of a lignite research tax, allocation of the coal conversion facilities  
4 privilege tax and the lignite research tax, and an exemption from the coal severance tax; to  
5 provide an effective date; and to provide an expiration date.

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

7 **SECTION 1. AMENDMENT.** Section 57-60-02 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9 **57-60-02. Imposition of taxes. (Effective through June 30, 20262036)**

10 There is hereby imposed upon the operator of each coal conversion facility a tax paid  
11 monthly for the privilege of producing products of such coal conversion facility. The rate of the  
12 tax must be computed as follows:

- 13 1. For all coal conversion facilities, except as otherwise provided in this section, the tax is  
14 measured by the gross receipts derived from the facility for the preceding month and is  
15 in the amount of two percent of its gross receipts. Gross receipts derived from the sale  
16 of a capital asset are not subject to the tax imposed by this subsection.
- 17 2. For electrical generating plants, the tax is at a rate of sixty-five one-hundredths of  
18 one mill times sixty percent of the installed capacity of each unit times the number of  
19 hours in the taxable period. All electrical energy generating units that begin  
20 construction or complete repowering are exempt from eighty-five percent of the tax  
21 imposed by this subsection for five years from the date of the first taxable production  
22 or from the date of the first taxable production after repowering from the unit. If a unit  
23 is incapable of generating electricity for eighteen consecutive months, the tax on that  
24 unit for taxable periods beginning after the eighteenth month must be reduced by the

- 1 ratio that the cost of repair of the unit bears to the original cost of the unit. This  
2 reduced rate remains in effect until the unit is capable of generating electricity.
- 3 3. For electrical generating plants, in addition to the tax imposed by subsection 2, there is  
4 a tax at the rate of twenty-five one-hundredths of one mill on each kilowatt hour of  
5 electricity produced for the purpose of sale. For all electrical generating plants that  
6 begin construction or complete repowering, the production from the plants is exempt  
7 from the tax imposed by this subsection for five years from the date of the first taxable  
8 production or from the date of the first taxable production after repowering from the  
9 plant.
- 10 4. For coal gasification plants, the tax is the greater of either the amount provided in  
11 subsection 1 or thirteen and one-half cents on each one thousand cubic feet  
12 [28316.85 liters] of synthetic natural gas produced for the purpose of sale but not  
13 including any amount of synthetic natural gas in excess of one hundred ten million  
14 cubic feet per day.
- 15 5. For all coal conversion facilities, other than electrical generating plants, the production  
16 from the facilities is exempt from eighty-five percent of the tax imposed by this section  
17 for a period of five years from the date of first taxable production from the facility. The  
18 operator of each facility applying for exemption under this subsection shall certify to  
19 the tax commissioner the date of first taxable production of the facility.
- 20 6. For coal beneficiation plants, the tax is twenty cents on each ton of two thousand  
21 pounds [907.18 kilograms] of beneficiated coal produced for the purpose of sale, or  
22 one and one-quarter percent of the gross receipts derived from such facility for the  
23 preceding month, whichever amount is greater. Any amount of beneficiated coal  
24 produced in excess of eighty percent of the design capacity of the coal beneficiation  
25 plant or produced for use within a coal conversion facility is exempt from such tax.
- 26 7. With the exception of the tax imposed under subsection 3, the board of county  
27 commissioners, by resolution, may grant the operator of a plant or facility located  
28 within the county a partial or complete exemption from up to fifteen percent of the tax  
29 imposed under this section for a period not to extend past June 30, ~~2026~~2036. If a  
30 board of county commissioners grants a partial or complete exemption for a specific  
31 plant or facility under this subsection, subsection 2 of section 57-60-14 does not apply.

1           Notwithstanding section 57-60-14, any tax collected from a plant or facility subject to  
2           the exemption provided by this subsection must be allocated entirely to the county for  
3           allocation as provided in section 57-60-15.

4           **Imposition of taxes. (Effective after June 30, ~~2026~~2036)** There is hereby imposed upon  
5           the operator of each coal conversion facility a tax paid monthly for the privilege of producing  
6           products of such coal conversion facility. The rate of the tax must be computed as follows:

7           1. For all coal conversion facilities, except as otherwise provided in this section, the tax is  
8           measured by the gross receipts derived from the facility for the preceding month and is  
9           in the amount of two percent of its gross receipts. Gross receipts derived from the sale  
10          of a capital asset are not subject to the tax imposed by this subsection.

11          2. For electrical generating plants, the tax is at a rate of sixty-five one-hundredths of one  
12          mill times sixty percent of the installed capacity of each unit times the number of hours  
13          in the taxable period. All electrical energy generating units that begin construction or  
14          complete repowering are exempt from eighty-five percent of the tax imposed by this  
15          subsection for five years from the date of the first taxable production or from the date  
16          of the first taxable production after repowering from the unit. The board of county  
17          commissioners may, by resolution, grant to the operator of an electrical generating  
18          plant located within the county partial or complete exemption from the remaining  
19          fifteen percent of the tax imposed by this subsection for a period not exceeding five  
20          years from the date of the first taxable production or from the date of the first taxable  
21          production after repowering from the unit. If a board of county commissioners grants a  
22          partial or complete exemption for a specific coal conversion facility under this  
23          subsection, the provisions of subsection 2 of section 57-60-14 do not apply as that  
24          subsection relates to revenue from the specific unit of the coal conversion facility for  
25          which the partial or complete exemption has been granted. Notwithstanding section  
26          57-60-14, any tax collected from a unit subject to the exemption provided by this  
27          subsection must be allocated entirely to the county for allocation as provided in section  
28          57-60-15. If a unit is incapable of generating electricity for eighteen consecutive  
29          months, the tax on that unit for taxable periods beginning after the eighteenth month  
30          must be reduced by the ratio that the cost of repair of the unit bears to the original cost

1 of the unit. This reduced rate remains in effect until the unit is capable of generating  
2 electricity.

3 3. For electrical generating plants, in addition to the tax imposed by subsection 2, there is  
4 a tax at the rate of twenty-five one-hundredths of one mill on each kilowatt hour of  
5 electricity produced for the purpose of sale. For all electrical generating plants that  
6 begin construction or complete repowering, the production from the plants is exempt  
7 from the tax imposed by this subsection for five years from the date of the first taxable  
8 production or from the date of the first taxable production after repowering from the  
9 plant.

10 4. For coal gasification plants, the tax is the greater of either the amount provided in  
11 subsection 1 or thirteen and one-half cents on each one thousand cubic feet  
12 [28316.85 liters] of synthetic natural gas produced for the purpose of sale but not  
13 including any amount of synthetic natural gas in excess of one hundred ten million  
14 cubic feet per day.

15 5. a. For all coal conversion facilities, other than electrical generating plants, the  
16 production from the facilities is exempt from eighty-five percent of the tax  
17 imposed by this section for a period of five years from the date of first taxable  
18 production from the facility. The operator of each facility applying for exemption  
19 under this subsection shall certify to the tax commissioner the date of first taxable  
20 production of the facility.

21 b. The board of county commissioners may, by resolution, grant to the operator of a  
22 coal conversion facility, other than an electrical generating plant, located within  
23 the county a partial or complete exemption from the remaining fifteen percent of  
24 tax imposed by this section for a period not exceeding five years from the date of  
25 the first taxable production from the facility. Notwithstanding the provisions of  
26 section 57-60-14, any tax collected which is based upon the production of a  
27 facility subject to the exemption provided by this subsection must be allocated  
28 entirely to the county for allocation as provided in section 57-60-15.

29 6. For coal beneficiation plants, the tax is twenty cents on each ton of two thousand  
30 pounds [907.18 kilograms] of beneficiated coal produced for the purpose of sale, or  
31 one and one-quarter percent of the gross receipts derived from such facility for the

1 preceding month, whichever amount is greater. Any amount of beneficiated coal  
2 produced in excess of eighty percent of the design capacity of the coal beneficiation  
3 plant or produced for use within a coal conversion facility is exempt from such tax.

4 **SECTION 2. AMENDMENT.** Section 57-60-02.2 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **57-60-02.2. Coal conversion facility tax - Exemption - Lignite research tax -**  
7 **Imposition. (Effective through June 30, ~~2026~~2036)**

- 8 1. Excluding the generation tax imposed under subsection 3 of section 57-60-02, a coal  
9 conversion facility is exempt from eighty-five percent of the tax imposed under section  
10 57-60-02 and instead shall pay a lignite research tax equal to eighty-five percent of the  
11 tax imposed under section 57-60-02 multiplied by five percent.
- 12 2. An electrical generating plant is exempt from the generation tax imposed under  
13 subsection 3 of section 57-60-02 and instead shall pay a lignite research tax equal to  
14 the tax imposed under subsection 3 of section 57-60-02 multiplied by five percent.

15 **SECTION 3. AMENDMENT.** Section 57-60-14 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17 **57-60-14. Allocation of revenue - Continuing appropriation. (Effective through**  
18 **June 30, ~~2026~~2036)**

- 19 1. At least quarterly, the state treasurer shall allocate:
  - 20 a. The lignite research tax collections under section 57-60-02.2 to the lignite  
21 research fund for the purposes under section 57-61-01.5.
  - 22 b. The remaining coal conversion tax collections under section 57-60-02 to the  
23 county.
- 24 2. Notwithstanding any other provision of law, the allocation under this section to each  
25 county may not be less in each calendar year than the amount certified to the state  
26 treasurer for each county under this section in the immediately preceding calendar  
27 year. For a county that has received less in a calendar year than the amount certified  
28 to the state treasurer for that county in the immediately preceding calendar year, not  
29 later than January tenth of the following year, the county auditor shall calculate the  
30 amount that is due under this subsection and submit a statement of the amount to the  
31 state treasurer. The state treasurer shall verify the stated amount and make the

1 required payment under this subsection to the county, from collections received under  
2 section 57-60-02, not later than March first of the following year. The funds needed to  
3 make the distribution to counties under this subsection are appropriated on a  
4 continuing basis for making these payments. Money received by a county under this  
5 subsection must be distributed pursuant to section 57-60-15.

- 6 3. Notwithstanding any other provision of law, for a county in which is located a coal  
7 conversion facility that was not a coal conversion facility under this chapter before  
8 January 1, 2002, for years after 2002, subsection 2 applies to allocations to that  
9 county under this section, except that for a county described in this subsection,  
10 amounts received for any calendar year must be allocated by the county in the same  
11 manner property taxes for the facility were allocated for taxable year 2001.

12 **Allocation of revenue - Continuing appropriation. (Effective after June 30, 2026~~2036~~)**

- 13 1. The state treasurer shall no less than quarterly allocate all moneys received from all  
14 coal conversion facilities in each county pursuant to the provisions of this chapter,  
15 fifteen percent to the county and eighty-five percent to the state general fund, except  
16 moneys received from the tax imposed by subsection 3 of section 57-60-02, which  
17 must be deposited in the state general fund. Five percent of all funds allocated to the  
18 state general fund pursuant to this chapter must be allocated to the lignite research  
19 fund, for the purposes defined in section 57-61-01.5.
- 20 2. Notwithstanding any other provision of law, the allocation under this section to each  
21 county may not be less in each calendar year than the amount certified to the state  
22 treasurer for each county under this section in the immediately preceding calendar  
23 year. For a county that has received less in a calendar year than the amount certified  
24 to the state treasurer for that county in the immediately preceding calendar year, not  
25 later than January tenth of the following year, the county auditor shall calculate the  
26 amount that is due under this subsection and submit a statement of the amount to the  
27 state treasurer. The state treasurer shall verify the stated amount and make the  
28 required payment under this subsection to the county, from collections received under  
29 section 57-60-02, not later than March first of the following year. The funds needed to  
30 make the distribution to counties under this subsection are appropriated on a

1 continuing basis for making these payments. Money received by a county under this  
2 subsection must be distributed pursuant to section 57-60-15.

3 3. Notwithstanding any other provision of law, for a county in which is located a coal  
4 conversion facility that was not a coal conversion facility under this chapter before  
5 January 1, 2002, for years after 2002, subsection 2 applies to allocations to that  
6 county under this section, except that for a county described in this subsection,  
7 amounts received for any calendar year must be allocated by the county in the same  
8 manner property taxes for the facility were allocated for taxable year 2001.

9 **SECTION 4. AMENDMENT.** Section 57-61-01 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **57-61-01. Severance tax upon coal - Imposition - In lieu of sales and use taxes -**  
12 **Payment to the tax commissioner. (Effective through June 30, 2026~~2036~~)**

- 13 1. There is hereby imposed upon all coal severed for sale or for industrial purposes by  
14 coal mines within the state a tax of thirty-seven and one-half cents per ton of two  
15 thousand pounds [907.18 kilograms]. The severance tax is in lieu of any sales or use  
16 taxes imposed by law. Each coal mine owner or operator shall remit the tax for each  
17 month, within twenty-five days after the end of each month, to the tax commissioner  
18 on reports and forms as the tax commissioner deems necessary. For the purposes of  
19 this chapter, commercial leonardite is taxed in the same manner as coal.
- 20 2. The board of county commissioners, by resolution, may grant to the operator of a mine  
21 from which the coal or commercial leonardite is mined a partial or complete exemption  
22 from up to seventy percent of the tax imposed under this section for a period not to  
23 extend past June 30, 2026~~2036~~. Any tax revenue exceeding thirty percent of the tax  
24 imposed under this subsection must be allocated to the county under subsection 3 of  
25 section 57-62-02.

26 **Severance tax upon coal - Imposition - In lieu of sales and use taxes - Payment to the**  
27 **tax commissioner. (Effective after June 30, 2026~~2036~~)** There is hereby imposed upon all  
28 coal severed for sale or for industrial purposes by coal mines within the state a tax of  
29 thirty-seven and one-half cents per ton of two thousand pounds [907.18 kilograms]. The  
30 severance tax is in lieu of any sales or use taxes imposed by law. Each coal mine owner or  
31 operator shall remit the tax for each month, within twenty-five days after the end of each month,

1 to the tax commissioner on reports and forms as the tax commissioner deems necessary. For  
2 the purposes of this chapter, commercial leonardite is taxed in the same manner as coal.

3 **SECTION 5. EFFECTIVE DATE.** This Act is effective for taxable production beginning after  
4 June 30, 2025.