2009 SENATE FINANCE AND TAXATION

SB 2088

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2088

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/14/2009

Recorder Job Number: 6972

Committee Clerk Signature

Minutes:

Chairman Cook: Opened the hearing on SB 2053.

Lawrence Hopkins, State Treasurer's Office: See Attachment #1 for Testimony in support. (Refers to a chart showing the distribution of gas and oil) By showing the chart, it was made clear that the funds get where they need to go without this legislation and thus repealing it makes sense. It also addresses the many exemptions that are on a lot of these wells and they can have up to a 5 year exemption for the tax. The tax department started collecting this tax, however those wells were exempt. This law required me to put this money even though they knew we had to give it back because it should have never been played in the first place. I had to put it in an oil trust fund, and then pay it back when the time was up because they should not have paid it in the first place. We are actually getting some revenue that should be deposited and paid.

Senator Triplett: Can you explain to us where the flow of money goes?

Lawrence Hopkins: This all from oil extraction tax and that is split 60-20-20. 60% to the state general fund, 20% to the resource water trust fund, and 20% to the educational purposes. Right now we are taking the money directly from the state share. It adds a lot of question just on in that term. Does that mean general funds, or another location? The normal flow would go

that 60% would go to the general fund, and once the cap is met, then all these funds go to the permanent oil tax trust fund. Even if a portion of this money went in to the general fund if the cap had not been met, it will just cause us to put that much faster into the permanent oil tax trust fund. So it is just a replacement fund.

Senator Triplett: I got it.

Chairman Cook: Further testimony in support? (No) opposed? (No) neutral? (No)

Close the hearing. Comittee?

Senator Triplett moved a Do Pass.

Senator Anderson seconded.

A Roll Call vote was taken: **Yea: 7, Nay: 0, Absent: 0**

Senator Triplett will carry the bill.

FISCAL NOTE

Requested by Legislative Council
12/22/2008

Bill/Resolution No.: SB 2088

1A. **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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2088 repeals Section 57-51.1-07.4 of the North Dakota Century Code.

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.*

The revenue that was tracked in accordance with that section was transferred to the Permanent Oil Tax Trust Fund. That revenue would have been transferred to that fund regardless. There is no fiscal impact to this bill.

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 is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/13/2009

Date: 01/14/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2088

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Triplett Seconded By Senator Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Triplett

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2088: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2088 was placed on the Eleventh order on the calendar.

2009 HOUSE FINANCE AND TAXATION

SB 2088

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2088

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2009

Recorder Job Number: #10016

Committee Clerk Signature Marilyn Kuenzle

Minutes:

Chairman Belter: Opened the hearing for SB 2088.

Lawrence Hopkins: Deputy Treasurer

Testimony attachment #1.

Demonstrated the graph attachment.

What we are asking is that this little section be repealed so that in order allow the money to flow through normal processes where we already have the system set up to handle all this refunding of tax exempt money collected. The refunding is caused when an oil producer either over reports or under reports their extraction for the month.

Rep Froelich: You said that when you are collecting oil extraction taxes. There is no oil extraction tax on free land on the reservation. So the oil extraction Tax has to coming off of the Trust Property is that correct?

Chairman Belter: I believe that is correct.

Rep Froelich: If the state gets 50% of that.

Lawrence Hopkins: That is correct. It is only the states share.

Rep Froelich: Hold it for one day.

Chairman Belter: Closed the hearing and hold the bill for one day.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2088**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 4, 2009

Recorder Job Number: 10196

Committee Clerk Signature

Minutes:

Chairman Belter: Representative Froelich, are you still holding that? What are your wishes on SB 2088?

Representative Froelich: I move a "do pass".

Chairman Belter: I have a motion from Representative Froelich **for a "do pass" on SB 2088** and a second from Representative Headland. Any discussion? If not, will the clerk read the roll. **A roll call vote resulted in 13 ayes, 0 nays, 0 absent/not voting. Representative Grande will carry the bill.**

Date: March 4, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2088

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Froelich Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich	✓	
Vice Chairman David Drovdal	✓		Representative Kelsh	✓	
Representative Brandenburg	✓		Representative Pinkerton	✓	
Representative Froseth	✓		Representative Schmidt	✓	
Representative Grande	✓		Representative Winrich	✓	
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Grande

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2088: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2088 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2088

#1

SB2088 Testimony – Support of SB2088

Same testimony given to House.

Mr. Chairman, members of the committee:

For the record, I am Lawrence Hopkins, Deputy Treasurer for the Office of State Treasurer. I am here in support of Senate Bill 2088 relating to the transfer of oil and gas gross production tax and oil extraction tax revenues.

An appropriation of $700,000 from the permanent oil tax trust fund was provided to the State Board of Higher Education in the 07-09 biennium to make grants to tribally controlled community colleges to defray the cost of education associated with enrollment of nonbeneficiary students.

An amendment at the end of last session added section 57-51.1-07.4 to replenish the $700,000 appropriated from the permanent oil tax trust with oil tax revenue collected from wells within the exterior boundaries of the Fort Berthold reservation drilled after June 30, 2007.

It is my contention that the funds from these wells will be deposited in the permanent oil tax trust fund with or without this section of the law. We are asking that this section be repealed to eliminate the administrative work load placed on both the Treasurer's Office and the Tax Department due to the specific tracking, depositing, and refunding of these funds.

There is no fiscal note attached to this bill.

Office of State Treasurer
07-09 Biennium

Permanent Oil Tax Trust Fund - 432
Ft. Berthold Indian Reservation Oil Extraction

Month	Oil Extraction Fund 458	Total
Nov-07	18,210.72	18,210.72
Dec-07	9,899.17	28,109.89
Jan-08	18,924.65	47,034.54
Feb-08	13,110.68	60,145.22
Mar-08	38,567.04	98,712.26
Apr-08	168,219.16	266,931.42
May-08	2,962.08	269,893.50
Jun-08	(268,818.55)	1,074.95
Jul-08	173,615.65	174,690.60
Aug-08	-	174,690.60
Sep-08	525,309.40	700,000.00
Oct-08	(669,651.46)	30,348.54
Nov-08	38,982.85	69,331.39
Dec-08	54,649.85	123,981.24
Jan-09	23,073.30	147,054.54