

2013 HOUSE FINANCE AND TAXATION

HB 1032

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1032
January 14, 2013
Job # 17143

Conference Committee

Committee Clerk Signature

Mary Buckler

Explanation or reason for introduction of bill/resolution:

A Bill relating to an exemption from the oil extraction tax; and to provide an effective date.

Minutes:

No written testimony.

Chairman Belter: Opened the hearing on HB 1032.

No testimony in favor of bill.

Bill Shalhoob, Greater North Dakota Chamber: We stand in opposition of this bill especially with the \$258,000,000 fiscal note. Our intention is that oil is oil. It's a big number but better spent in other places. It is our feeling that the problem with the refineries is not in the tax code and building them is the problem of the environmentals. I've had some discussions with the folks in New Town and their hold up is all environmental. The private sector can't build and refine oil and sell gas and other products at the level it's at now and things like that then there really is a problem in this country with the economics of it. The money is better placed in other places such as tax reduction for residents of North Dakota or infrastructure.

Representative Froseth: If you're going to exempt an extraction tax which oil does that exemption pertain to? A mineral owner pays the taxes on oil also. How are you going to determine who's going to pay that 6 ½%?

Bill Shalhoob: I'm not sure. From the fiscal note it looks like everything is exempt. If I was a producer I would do everything I could to sell to Tesoro. It appears to provide a windfall to any producer who's lucky enough to sell to a local refinery. Everybody is exempt from the tax. Oil doesn't become oil, oil becomes special oil. I'm not sure we want to go there.

Representative Marie Strinden: Are our oil refineries in North Dakota working to their full capacity? Do we need to give oil producers an incentive to refine?

Bill Shalhoob: There is one refinery in North Dakota and that is Tesoro across the river. They are refining to full capacity. I think they just did an expansion last year which increased their ability to refine diesel fuel by 20,000 barrels a day coming in. They can

refine to full capacity. The bigger question might be what is preventing oil refineries from being built? It's not the ability to refine; it's not the ability to make a profit. The problem with building refineries in North Dakota is in the environmental, not in the profit structure that won't allow a refinery to be built. If we could solve the environmental issues I think there would be three refineries going up today, one in New Town, one in South Heart, and one in the Dickinson area.

Chairman Belter: No further testimony. Closed hearing but if there is someone who wants to testify on HB 1032 I will allow it.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1032
January 16, 2013
Job #17273

Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to an exemption from the oil extraction tax; and to provide an effective date.

Minutes:

Chairman Belter: What are the committee's wishes on HB 1032?

Representative Schmidt: Made a motion for a DO NOT PASS.

Representative Klein: SECONDED.

Chairman Belter: Any further discussion? If not will the clerk read the roll for a Do Not Pass on HB 1032?

Roll Call Vote taken: 14 Yes 0 No 0 Absent: MOTION CARRIED FOR DO NOT PASS.
Representative Klein will carry the bill.

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Bill/Resolution No.: HB 1032

- 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				\$(258,100,000)		
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).*

HB 1032 creates an oil extraction tax exemption for oil that is refined in the state.

- 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.*

If enacted, HB 1032 is estimated to reduce "other funds" revenues by approximately \$258,100,000 in the 2013-15 biennium. This impact is based only on the existing refining that is taking place currently in this state. Three additional refining facilities are under consideration that could increase refining in the state by an additional 55,000 barrels of oil per day. The fiscal impact of this bill would increase by an additional reduction in oil extraction tax revenues of an estimated \$286,000 per day for each day in the biennium that these facilities were up and running. It is unknown if the facilities will be online for any part - or all - of the 2013-15 biennium.

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.*

This estimated impact is distributed as follows: 30% of the impact is a reduction in Legacy Fund revenues; 30% of the impact is a reduction in Strategic Infrastructure and Improvements Fund; 20% is a reduction in Resources Trust Fund revenues; 20% is a reduction in Common Schools Trust Fund and Foundation Aid Stabilization Fund revenues.

- 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: 12/26/2012

Date: 1-16-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1032

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By R. Schmidt Seconded By R. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment R. Klein

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

REPORT OF STANDING COMMITTEE

HB 1032: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1032 was placed on the Eleventh order on the calendar.