

2009 HOUSE FINANCE AND TAXATION

HB 1382

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1382

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/27/09

Recorder Job Number: 7940

Committee Clerk Signature *Lou Engelson*

Minutes:

Chairman Belter opened the hearing on HB 1382.

Rep. Onstad: Rep. Kenton Onstad, District 4 from Parshall. HB 1382 is fairly simple. It just addresses and brings our ability to access pipelines under more uniform and consistent methods. It really allows for central assessing of all the pipelines by the North Dakota Tax Department. Currently there are two situations. You have local assessing and then you have the central assessing that is currently done by the Tax Department. If it does not cross political subdivisions, then it is assessed locally by the county assessors. This is kind of a burdensome task. The proper reporting of oil companies is sometimes inconsistent. Sometimes there is no reporting at all. To properly do the job, we think it is fitting that the Tax Department currently does this, the central assessing. Those are lines that do cross from county to county. Let's let them look at the whole project. We'll still go through some of the difficulty with the sizes. It might be a 4 inch, 6 inch, 8 inch line. Might be steel pipe. All those have a different valuation. The reporting is not always current. Not all local assessors really have a handle of knowing exactly what is out there. This is a simple process allowing the Tax Department to do that.

Rep. Froseth: Would this make these pipelines assessed or valued or taxed the same way like the big pipelines going through the state. Would they all be assessed in the same manner then?

Rep. Onstad: Depending on the size and the material used, they all have their own formula. What this would do is make it a uniform assessment. I don't think it's the same assessment if it's an 8 inch line versus a 24 inch line.

Rep. Froseth: Who assesses the Alliance pipeline? Who makes that assessment now?

Rep. Onstad: The state Tax Department does that. They are considered centrally assessing it, and they do that.

Rep. Froseth: So these would be all centrally assessed then.

Rep. Onstad: We're asking one department to kind of get their hands around it and handle it.

Ron Ness: Ron Ness. Good idea. I'm done.

Lori Hanson, Mountrail County Director of Tax Equalization, offered written testimony in support of HB 1382 but could not be present. See Testimony 1, attached.

Chairman Belter: Further testimony on 1382? Any opposition to 1382? Any neutral testimony to 1382? If not, we will close the hearing on HB 1382.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1382**

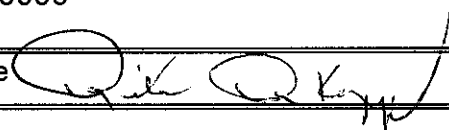
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 4, 2009

Recorder Job Number: 0000

Committee Clerk Signature



Minutes:

Chairman Belter: We have a motion for a "do pass" on HB 1382 from Representative Weiler and a second from Representative Froseth. Is there any discussion?

A roll call vote resulted in 13 ayes, 0 nays, 0 absent/not voting. Representative Winrich will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1382

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).*

HB 1382 changes the assessment responsibility for intracounty pipelines from local to central assessment by the state board of equalization.

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.*

Pipelines are part of commercial property and are not identified separately by counties. There is no information available to determine the value of pipelines currently assessed locally.

Central assessment will include personal property not currently subject to local assessment which may increase valuations by a small indeterminable amount.

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:	01/25/2009

Date: 2/4/8

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1382

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 Weller Seconded By Froese

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovda	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froese	/		Representative Schmidt	/	
Representative Grande	/		Representative Winick	/	
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Representative Winick

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

REPORT OF STANDING COMMITTEE

HB 1382: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1382 was placed on the Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1382

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1382

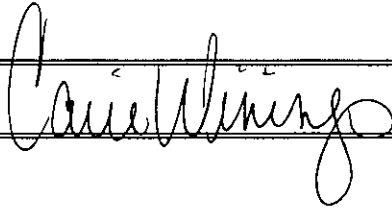
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/09/2009

Recorder Job Number: 10445

Committee Clerk Signature



Minutes:

Vice Chairman Miller: Opened hearing on HB 1382.

Representative Kenton Onstad, District, 4: See Attachment #1 for testimony as sponsor and in support of the bill. (See also Attachment #2 for additional testimony brought)

4.50 **Senator Triplett:** You lost me on the local assessors not knowing what was going on, if local can't then how can the state?

Representative Onstad: It is part of the arrangement, if it all becomes centrally assessed and then from that point that can go down and to all the companies. The state has the information on the different companies that are out there, but your county tax assessor doesn't. They are not going to the county and reporting that.

Senator Triplett: You are saying that the state does not share information with the counties in that regard?

Representative Onstad: That I am not aware of. It is comments from locals that I hear. They are not sure what the companies are putting in. If a company has been reporting and they are really good about that and what about a new company from out of state that is not reporting like they should.

6.30 **Ron Ness, Petroleum Council:** Testified in support of the bill. It is a good idea. It makes sense that the state that is already doing the similar thing and it would take some of the burden off of the counties.

7.27 **Senator Oehlke:** You would think that if the state was going to be doing this that it would cost them something, there should be a fiscal note on this, correct?

Ron Ness: I think the tax department could answer that.

8.28 **Sara Hewson, Tax Department, Property Assessor:** I am not sure why there is not a fiscal note that has a dollar amount. I think that we would need one additional person to our staff to take care of this bill and one other bill; I believe the bill was 2297.

9.38 **Senator Hogue:** Are you saying that there will be a person needed for the bill that we revised how the electric transmission cooperatives are taxed?

Sarah Hewson: More than likely, and definitely another person.

Senator Anderson: If the pipeline were located within a county, you would do the assessing, but would the county do the taxing and receive it, or would that come through the state?

Sarah Hewson: You are correct. We would at the state level would the assessment, we would determine the value, and we would distribute the value to the counties where the property is located. We do that with centrally assessed.

Senator Dotzenrod: Do the local assessors have difficulty deciding what can be assessed on the oil fields?

Sarah Hewson: It is not easy. We need them to tell us about what they have. Our reporting forms are very extensive. With the locally assessed pipeline, the personal property would be exempt from taxation. If you move that pipeline over into the centrally assessed criteria,

everything is assessable. It does get rid of gray area in the assessment.

12.43 **Chairman Cook:** Basically we are taxing pipe lines like we do railroads?

Sarah Hewson: That is correct, it is similar, and it will be state assessed instead of local.

Senator Dotzenrod: When a pipeline is in the process of being completed, is it assessed before it is done?

Sarah Hewson: Construction in progress is taxable.

Vice Chairman Miller: Any further testimony? (no) Closed hearing.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1382

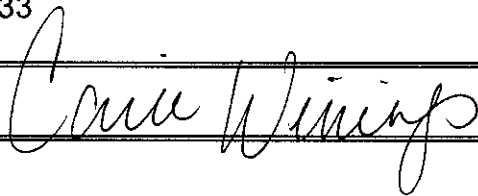
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/11/2009

Recorder Job Number: 10733

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1382.

Committee: Reviewed the bill.

Senator Triplett: Sara from the tax department did question the fiscal note just a little bit. She said there might be an additional need for one additional FTE combining this bill plus one other one relating to electric transmissions. Otherwise she agreed that it was a very complex area of law and there really wasn't very good reason for every county to have someone trained in it.

Senator Anderson: Moved a Do Pass.

Senator Triplett: Seconded.

Chairman Cook: Discussion?

Vice Chairman Miller: I wish that the Tax Department could provide some data on how they are going to do this.

Chairman Cook: It is done in the tax equalization office. Marcy Dickerson, they do a lot of central assessing right now for railroads, transmission lines, certain other items.

Senator Triplett: Their process is based on self reporting. They have a form that the companies fill out to identify every asset they have. It would be relatively easier for them to do it than in counties where you would have to train a person to do it.

Senator Triplett: This would apply to lines that are internal to a county. All of the other lines that cross county lines are already centrally assessed.

Chairman Cook: Any further discussion? (no)

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

Senator Anderson will carry the bill.

Date: 03/11/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 1382

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 Anderson Seconded By Senator Triplett

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 Anderson

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

REPORT OF STANDING COMMITTEE (410)
March 11, 2009 3:23 p.m.

Module No: SR-44-4625
Carrier: Anderson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1382: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1382 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1382

Testimony 1

Good Morning Ladies and Gentlemen!

My name is Lori Hanson and I am the Mountrail County Director of Tax Equalization. I have been employed with the County for about 25 years and have been the Tax Director for 15 years.

Mountrail County is in favor of HB#1382 regarding the assessment of all oil or gas pipeline property being subject to assessment by the state board of equalization unless exempt from ad valorem taxation.

Currently, we have four companies building pipelines/gathering systems in our County. As we understand these pipelines/gathering systems are located within County lines and under current law would be subject to local taxation. Generally, local taxation deals with surface ownership and attached structures. With pipelines, we are dealing with the taxation of underground operative property where they have acquired easements from local property owners. Pipelines cross many different local taxing districts within the County such as school districts, fire districts, ambulance districts, and township lines. Since, we have never dealt with locally assessed pipelines before it creates some issues as to how this property should be listed on our assessment/tax roles.

Also, we are concerned with the issue of fair and equitable taxation of these pipelines. It is my opinion that it would be more equitable to tax all pipelines through the same agency than having some taxed by the State and some by local jurisdictions. If there is a difference in how each entity calculates their values for pipelines, we could have problems in justifying those values with these companies.

Another issue regarding the assessment of pipelines comes within the reporting system for pipeline/gathering systems. As I understand it, the main transmission lines are reporting to the Public Service Commission for siting purposes. However, the local pipelines/gathering systems are not required to report and could become an issue for public safety along with the assessment problem of getting the proper information. I believe the companies are supposed to report to North Dakota One Call.

Once again, Mountrail County is in support of HB #1382.

*Same testimony
given to
Senate*

#1
HB 1382 Testimony

Mr. Chairman and members of the Senate Finance and Tax Committee

Representative Kenton Onstad, District 4, Parshall

At the request of our local county tax assessors, HB 1382 addresses and brings our ability to assess pipelines under a more uniform and consistent method . HB 1382 allows for the central assessing of all pipelines by the North Dakota Tax Department.

Currently, We have both local and central assessing. Pipelines that do not cross political subdivisions, mainly county lines, are assessed locally. It is a time consuming task, inexperienced assessors and proper reporting of pipeline companies is not consistent or maybe not even at all.

Those pipelines that do cross county lines or different political subdivisions are centrally assessed. The North Dakota Tax Department currently is responsible for those lines. It only makes sense to allow the State Tax Department to assess all pipelines, create a uniform method and administer a central reporting place.

The difficulty for Local assessing:

- 1) The size of lines vary from 4" ,6" , 8" etc and maybe steel or poly or combination.
- 2) The reporting method is not always current or even not at all. Local assessors have no way of knowing exactly what is out there because of no central reporting established.

By allowing the Tax Department to centrally assess all pipelines, we create a central reporting site and uniform assessment by one entity .

Thank you Mr. Chairman and members of the committee. I hope you will favorably to HB 1382

Thank you and I stand for any questions