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June 21, 2011

Honorable David Hogue
 State Senator
 P.O. Box 1000
 Minot, ND 58703-1000

Dear Senator Hogue:

I am assigning to the interim Taxation Committee an additional study of the feasibility and desirability of oil extraction tax rate reductions and elimination of selected exemptions which would take effect at certain levels of increased production and revenue.

The oil extraction tax generates a substantial share of state revenues for the resources trust fund, education funding, the legacy fund, and the state general fund. It is projected that as oil production in North Dakota increases, the extraction tax will generate more than adequate revenues to sustain these funding objectives.

It should be possible to determine the feasibility and desirability of providing for a combination of rate reductions and elimination of selected exemptions, which could become effective as oil production and revenue reaches certain increased levels. If an appropriate structure for these changes is put in place, it would fulfill the objectives of maintaining the relative shares of state revenues from the extraction tax while encouraging oil exploration and production and making the extraction tax more equitable to producers, royalty owners, and the state.

Thank you for the good work I am sure you and the Taxation Committee will do on this study assignment.

Sincerely,

Representative Al Carlson
 Chairman

AC/AL