

Sixty-third  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2370

Introduced by

Senators Triplett, Armstrong, Lyson

Representatives Onstad, Sukut

1 A BILL for an Act to create and enact section 57-06-17.5 and a new subsection to section  
2 57-51-02.2 of the North Dakota Century Code, relating to a new natural gas gathering and  
3 collection systems property tax exemption and oil and gas gross production tax exemption; and  
4 to provide an effective date.

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

6 **SECTION 1.** Section 57-06-17.5 of the North Dakota Century Code is created and enacted  
7 as follows:

8 **57-06-17.5. New natural gas gathering and collection systems property tax**  
9 **exemption.**

10 A natural gas gathering pipeline ~~of a three inch [7.62 centimeter] diameter or smaller, or~~  
11 ~~having a pressure of twenty five pounds per square inch [1.75 per kilograms per square~~  
12 ~~centimeter] or less, and its associated equipment, or a natural gas or natural gas liquids~~  
13 collection system which is initially placed in service on or between January 1, 2013, and  
14 December 31, 2017, is exempt from property taxes for the first taxable year after the line is  
15 initially placed in service, and the taxable valuation as otherwise determined by law on the  
16 gathering pipeline or collection system and the associated equipment must be reduced by:  
17 1. Seventy-five percent for the second taxable year of operation of the gathering pipeline  
18 or collection system.  
19 2. Fifty percent for the third taxable year of operation of the gathering pipeline or  
20 collection system.  
21 3. Twenty five percent for the fourth taxable year of operation of the gathering pipeline or  
22 collection system.

23 After the fourth taxable year of operation the gathering ~~and~~or collection ~~systems are~~system is  
24 no longer exempt, in any way, from payment of full property taxes as otherwise determined by

1 law. For purposes of this section, "natural gas gathering pipeline" means an underground gas or  
2 liquid pipeline that is designed for or capable of transporting natural gas produced in association  
3 with oil and which is not subject to public service commission jurisdiction as a gas or liquid  
4 transmission line under chapter 49-22. For purposes of this section, "initially placed in service"  
5 includes both new construction and substantial expansion of a preexisting gathering or  
6 collection system, and "substantial expansion" means a capacity increase of twenty percent or  
7 more. Associated equipment includes compression, liquid separation facilities, and any other  
8 equipment absolutely necessary to gather or collect natural gas and natural gas liquids. A  
9 "collection system" is a system that collects at least seventy-five percent of the gas and natural  
10 gas liquids from the well for compression to liquid or dense phase fluid for use as fuel or  
11 transport to a processing facility, production of petrochemicals or fertilizer, or conversion to  
12 liquid fuels. Natural gas processing and other natural gas liquid refining plants or facilities are  
13 expressly excluded from this section.

14 **SECTION 2.** A new subsection to section 57-51-02.2 of the North Dakota Century Code is  
15 created and enacted as follows:

16 An operator who collects natural gas at a well site by natural gas gathering line,  
17 electrical generator, or collection system described in section 38-08-06.4 shall be  
18 entitled to an exemption from the tax imposed under this section for a period of one  
19 year from the day the natural gas is first collected.

20 **SECTION 3. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable years  
21 beginning after December 31, 2012. Section 2 of this Act is effective for taxable events  
22 occurring after June 30, 2013.