

April 23, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1476

In lieu of the amendments adopted by the Senate as printed on page _____ of the Senate Journal, Engrossed House Bill No. 1476 is amended as follows:

Page 1, line 2, after the first comma insert "and"

Page 1, line 2, after the second comma insert "subsection 3 of section 57-51.1-03,"

Page 1, line 2, after the second "and" insert "section"

Page 1, line 3, replace "to provide legislative intent; and" with "to provide for an exception; to provide for legislative management studies; to provide for an appropriation; "

Page 1, line 4, after "date" insert "; and to provide an expiration date"

Page 5, line 13, remove "four"

Page 5, line 13, overstrike "and one-half" and insert immediately thereafter "five"

Page 5, line 29, remove the overstrike over "However, if the average price of a barrel of crude oil exceeds the trigger price" and insert immediately thereafter "of ninety dollars"

Page 5, line 29, remove the overstrike over "~~for each month in~~"

Page 5, line 30, remove the overstrike over "~~any consecutive~~"

Page 5, line 30, after "~~five-month~~" insert "three-month"

Page 5, line 30, remove the overstrike over "~~period, then the rate of tax on oil extracted from all taxable wells is~~"

Page 5, line 31, remove the overstrike over "six"

Page 5, line 31, remove the overstrike over "~~percent of the gross value at the well of the oil extracted until the average price~~"

Page 6, line 1, remove the overstrike over "~~of a barrel of crude oil is less than the trigger price~~" and insert immediately thereafter "of ninety dollars"

Page 6, line 1, remove the overstrike over "~~for each month in any consecutive~~"

Page 6, line 2, after "~~five-month~~" insert "three-month"

Page 6, line 2, remove the overstrike over "~~period, in which case the rate of tax reverts to~~"

Page 6, line 2, after "~~four~~" insert "five"

Page 6, line 2, remove the overstrike over "~~percent of the gross value at the~~"

Page 6, line 3, remove the overstrike over "~~well of the oil extracted~~"

Page 6, line 3, after the period insert "By December thirty-first of each year, the tax commissioner shall determine an indexed trigger price under this section by applying to the current trigger price an adjustment equal to the percentage rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months"

ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year.

For purposes of this section, "average price" of a barrel of crude oil means the monthly average of the daily closing price for a barrel of west Texas intermediate cushing crude oil, as those prices appear in the Wall Street Journal, midwest edition. When computing the monthly average price, the most recent previous daily closing price must be considered the daily closing price for the days on which the market is closed.

SECTION 4. AMENDMENT. Subsection 3 of section 57-51.1-03 of the North Dakota Century Code is amended and reenacted as follows:

3. For a well drilled and completed as a vertical well, the initial production of oil from the well is exempt from any taxes imposed under this chapter for a period of fifteen months, ~~except that oil produced from any well drilled and completed as a horizontal well is exempt from any taxes imposed under this chapter for a period of twenty-four months.~~ Oil recovered during testing prior to well completion is exempt from the oil extraction tax. The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. ~~However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.~~The reduced rate under subsection 1 of section 57-51.1-02 does not apply after November 30, 2015, for oil produced from wells drilled and completed after April 27, 1987, commonly referred to as new wells, and not otherwise exempt under this section."

Page 7, line 15, after "dioxide" insert "in a well drilled and completed outside the Bakken and Three Forks formations, and ten miles [16.10 kilometers] or more outside an established field in which the industrial commission has defined the pool to include the Bakken or Three Forks formation"

Page 7, line 17, after "chapter" insert "for a period of five years"

Page 12, line 5, remove "**LEGISLATIVE INTENT** -"

Page 12, line 6, replace "It is the intent of the sixty-fourth legislative assembly that the" with "The"

Page 12, line 7, replace "4" with "5"

Page 12, line 7, remove "upon the effective"

Page 12, line 8, replace "date of this Act" with "January 1, 2016. The remaining term of the horizontal well exemption eliminated in section 4 of this Act expires December 1, 2015"

Page 12, after line 8, insert:

"SECTION 7. WAIVER OF LEGISLATIVE CONFIRMATION REQUIREMENT FOR CERTAIN STATE-TRIBAL TAX COLLECTION AGREEMENTS. The requirement of legislative confirmation of state-tribal tax collection agreements under section 57-51.2-01 do not apply, for adjustment of an existing agreement attributable to the changes in the oil extraction tax under this Act, and for agreements under section 54-40.2-04 do not apply, for adjustment of an existing agreement regarding application

of tribal tax authority to bulk delivery of dyed or undyed special fuels within the exterior boundaries of the reservation.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - TRIBAL TAX ISSUES.

During the 2015-16 interim, the legislative management shall consider studying state-tribal tax agreements and allocation of revenues from centrally assessed property and property subject to payments in lieu of property taxes which is located on tribal trust lands. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 9. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX INCENTIVES. During the 2015-16 interim, the legislative management shall study the current scientific and economic information regarding oil and gas recovery and enhanced recovery techniques to determine the desirability and appropriate level of tax incentives to serve the interests of the state, political subdivisions, the public, and the energy production industry. The legislative management may expend up to \$300,000 from funds appropriated for that purpose to secure consulting services to assist in completing the study. The legislative management shall report its recommendations, together with any legislation necessary to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 10. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$300,000, or so much of the sum as may be necessary, to the legislative council for the purpose of a study of the current scientific and economic information regarding oil and gas recovery and enhanced recovery techniques, for the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 12, line 9, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 12, line 9, remove "This Act becomes effective June 1, 2015, if on that date"

Page 12, remove lines 10 and 11

Page 12, line 12, replace "under subsection 3 of section 57-51.1-03 would become effective" with "Sections 1, 2, 3, and 5 of this Act are effective for taxable events occurring after December 31, 2015, and through June 30, 2017, and are thereafter ineffective. Section 4 of this Act is effective for taxable events occurring after November 30, 2015, and through June 30, 2017, and is thereafter ineffective. Section 7 of this Act is effective from July 1, 2015, through December 31, 2016, and is thereafter ineffective"

Renumber accordingly