

FISCAL NOTE
Requested by Legislative Council
01/25/2021

Bill/Resolution No.: SB 2328

- 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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 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).*

SB 2328 provides an oil extraction tax credit for the use of an onsite flare mitigation system.

- 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.*

Section 1 of SB 2328 creates an oil extraction tax incentive for each qualifying well that employs an onsite flare mitigation system. The tax incentive is equal to \$.75 per MMBTU of flare mitigation which can be claimed for up to 12 months, not to exceed \$6000 per month, for each well connected to a flare mitigation system.

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.*

While it is not known how many flare mitigation systems will likely be utilized and how many wells will experience qualifying flare mitigation in the biennium, it can be expected that for each 50 connected wells there will be a corresponding reduction in oil extraction tax revenue totaling \$3.6 million. This will primarily affect revenues in the 2021-23 biennium, but if the flare mitigation system is employed in this biennium, the tax credit may be claimed in the first months of the following 2023-25 biennium.

If enacted, SB 2328 will reduce oil extraction tax revenues by an unknown amount, averaging \$3.6 million per every 50 wells connected to a flare mitigation system. The actual number of wells connected and utilizing the exemption provided for in this bill is unknown.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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