

HOUSE BILL NO. 1511

Introduced by

Representatives Novak, Bosch, Hagert, Headland, Ista, Mock, Porter

Senators Kannianen, Kreun, Patten

1 A BILL for an Act to create and enact a new section to chapter 57-39.2 ~~and~~, a new subdivision
2 to subsection 3 of section 57-40.2-03.3, and a new section to chapter 57-61 of the North Dakota
3 Century Code, relating to a sales and use tax exemption for materials used to construct or
4 expand a coal processing facility that utilizes coal as a feedstock and severance and sales and
5 use tax exemptions for coal used in a coal processing facility that utilizes coal as a feedstock;
6 and to provide an effective date.

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

8 **SECTION 1.** A new section to chapter 57-39.2 of the North Dakota Century Code is created
9 and enacted as follows:

10 **Sales and use tax exemption for materials used to construct or expand a coal**
11 **processing facility that utilizes coal as a feedstock.**

12 1. Gross receipts from sales of tangible personal property used to construct or expand a
13 coal processing facility that utilizes coal as a feedstock in this state are exempt from
14 taxes under this chapter. To be exempt, the tangible personal property must be
15 incorporated in the structure of the facility or used in the construction process to the
16 point of having no residual economic value.

17 2. For purposes of this section:

18 a. "Coal processing facility that utilizes coal as a feedstock" means a facility that:

19 (1) Extracts critical minerals or rare earth elements from lignite coal; or

20 (2) Creates tangible personal property other than electricity, water, gas, or

21 steam from lignite coal, including lignite coal ~~containing~~from which critical

22 minerals or rare earth elements, ~~or critical minerals or rare earth elements~~

23 have been extracted.

1 b. "Critical mineral" means a nonfuel mineral or mineral material essential to the
2 economic or national security of the United States and which has a supply chain
3 vulnerable to disruption. The term includes aluminum, antimony, arsenic, barite,
4 bauxite, beryllium, bismuth, cesium, chromium, cobalt, fluorspar, gallium,
5 germanium, ~~natural~~ graphite, hafnium, helium, indium, lithium, magnesium,
6 manganese, niobium, platinum group metals, potash, the rare earth elements
7 group, rhenium, rubidium, scandium, strontium, tantalum, tellurium, tin, titanium,
8 tungsten, uranium, vanadium, and zirconium.

9 c. "Rare earth elements" means any of a series of metallic elements of which the
10 oxides are classed as rare earths and which include the elements of the
11 lanthanide series, yttrium and scandium.

12 ~~"Tangible personal property" does not include electricity, water, gas, and steam.~~

13 3. The owner of the facility must receive from the tax commissioner a certificate that the
14 tangible personal property used to construct or expand a facility qualifying under this
15 section which the owner intends to purchase qualifies for the exemption.

16 **SECTION 2.** A new subdivision to subsection 3 of section 57-40.2-03.3 of the North Dakota
17 Century Code is created and enacted as follows:

18 Tangible personal property as authorized or approved for exemption by the tax
19 commissioner as provided in section 1 of this Act.

20 **SECTION 3.** A new section to chapter 57-61 of the North Dakota Century Code is created
21 and enacted as follows:

22 **Severance and sales and use tax exemptions for coal used in a coal processing**
23 **facility that utilizes coal as a feedstock.**

24 1. Severance tax may not be imposed on the first one million tons [907,184.74 metric
25 tons] of coal per year used as a feedstock by a coal processing facility that utilizes
26 coal as a feedstock in this state as defined in section 1 of this Act.

27 2. The owner or operator of a coal processing facility that utilizes coal as a feedstock
28 shall certify to the coal mine owner or operator the amount of coal measured in tons:

29 a. Purchased for use as a feedstock by the facility.

30 b. Used as a feedstock by the facility for extraction of critical minerals or rare earth
31 elements from lignite coal.

1 c. Used as a feedstock by the facility to create tangible personal property other than
2 electricity, water, gas, or steam from lignite coal, including lignite coal from which
3 critical minerals or rare earth elements have been extracted.

4 d. Resold or used in any manner other than as a feedstock at the facility, including
5 use in an electrical generating plant or coal gasification facility.

6 3. The coal mine owner or operator shall report the amounts certified under subsection 2.

7 The amount of coal certified under subdivision d of subsection 2 is not eligible for the
8 exemption in this section. The coal mine owner or operator shall report the amount of
9 coal certified under subdivision d of subsection 2 on its return for the month following
10 the month of certification and shall remit the severance tax due with the return. The tax
11 commissioner shall waive penalty and interest under section 57-61-05 for severance
12 tax remitted in accordance with this subsection.

13 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
14 June 30, 2023.