HB 1286

Repeal of the Oil Extraction Tax Trigger
Senate Finance and Taxation Committee
March 8th, 2023 | 9:45 am | Fort Totten Room

Testimony by Kate Black, Vice President, Inland Oil & Gas

Good morning, Chairman Kannianen and members of the Senate Finance and Taxation Committee. My Name is Kate Black and I am here to testify in support of HB 1286.

I am the Vice President and am the third generation of Inland Oil and Gas, founded in 1967 by my grandad right here in Bismarck. Today, Inland is actively engaged as a non-operator and participates in drilling our company's leasehold and minerals in the Williston Basin. In contrast to an "operator" Inland seeks the "non-operating" or "working interest" role. Our objective is to acquire a minority share of the minerals or leases within a drilling spacing unit and participate alongside an operator in the drilling of a well by paying our proportionate share of the expenses while receiving our proportionate share of the income.

Inland, like the operator and other private mineral owners – many of which are North Dakota residents, pay a 5% extraction and 5% production tax on the *gross* value of the oil produced. That means one out of every ten barrels we produce goes to the state of North Dakota, free and clear of expense and risk. To illustrate this tax among other industries in our state, that would mean one out of every ten calves produced, one of every ten bushels of wheat, corn or sunflowers harvested, one of every ten Bobcats manufactured would be due to the state. You get my drift. Our industry – operators, non-operators and mineral owners - pay a significant amount of taxes, so significant that these two taxes alone (extraction and production) amount to *over half* of the tax revenue generated by our state. Now I understand the importance of these taxes and how they support our state, but I'd like to point out the following:

- The tax is applied to our gross oil and gas revenue, and NOT our profits. This means we're paying these taxes whether we're profitable or not – most recently in 2020 and 2021 when oil prices were $20-40/bbl and we were still struggling to recoup our investments.

- This tax is BEFORE we pay all of our corporate income or personal income taxes and it is in ADDITION to all of the sales tax we pay in conjunction with the tangibles purchased to drill and develop a well.

- A $380 million projected state surplus proves the state's economy is in good shape but is also an indication of over-taxation. Those taxpayers – the oil and gas mineral owners and working interest owners whose financial risk has built this surplus should share in the tax relief you're considering this legislative term.

As a North Dakotan, I am grateful for the stability the oil and gas industry has given our state. It has provided us with ample funding to support all the functions of our state, as well as providing additional funding for water projects, education, infrastructure all while pouring billions of dollars into the Legacy Fund for our future growth and financial wellbeing.

We are fortunate to be able to consider proposed tax breaks due to this large surplus – as I see the legislature has many tax reduction proposals to consider this session. Reducing property taxes and/or income taxes today means you're shifting even more burden and dependence on future oil taxes. It only seems prudent and fair give the same relief to those who have built it – and take this opportunity to stabilize the oil tax that brought in over half of our state's income. I would ask that you would consider removing the Oil Extraction Tax Trigger by voting YES on HB 1286.

Thank you for the opportunity to testify this morning. I'd be happy to answer any questions the committee might have.

For more information:

"Oil and Gas Tax Revenues Study" - www.TaxStudy.NDEnergy.org