

Sixty-fourth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2034

Introduced by

Legislative Management

(Energy Development and Transmission Committee)

1 A BILL for an Act to create and enact section 57-39.2-04.13 and a new subdivision to
2 subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code, relating to a sales and
3 use tax exemption for materials used in transmission of oil through gathering lines; and to
4 provide an expiration date.

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

6 **SECTION 1.** Section 57-39.2-04.13 of the North Dakota Century Code is created and
7 enacted as follows:

8 **57-39.2-04.13. Sales and use tax exemption for materials used in transmission of oil**
9 **through a gathering pipeline.**

- 10 1. Gross receipts from sales of tangible personal property used to construct or expand a
11 system to transmit oil, from an oil or gas well in this state, through a gathering pipeline
12 are exempt from taxes under this chapter. Tangible personal property used to replace
13 an existing system to collect oil from an oil or gas well in this state and transmit that oil
14 through a gathering pipeline does not qualify for exemption under this section unless
15 the replacement creates an expansion of the system or the system's capacity.
- 16 2. For purposes of this section, a system to transmit oil from an oil or gas well or tank
17 battery in this state through a gathering pipeline includes tangible personal property
18 that is incorporated as a physical component of a gathering pipeline or incorporated as
19 an essential component in moving or monitoring the flow of oil through a gathering
20 pipeline. A gathering pipeline begins immediately after the oil is measured from a
21 well's storage tank or tank battery and into the gathering system. A system to transmit
22 oil from the lease site of an oil or gas well in this state through a gathering pipeline
23 does not include tank batteries or other storage on or off the well site and does not
24 include metering equipment that measures the oil moving from storage into the

1 gathering system. The gathering pipeline status ends after the oil is measured out of
2 the gathering pipeline into a storage or shipping terminal or into a transmission
3 pipeline.

4 3. To receive the exemption under this section at the time of purchase, the owner of the
5 system to transmit oil from the lease site of an oil or gas well in this state through a
6 gathering pipeline must receive from the tax commissioner a certificate that the
7 tangible personal property used to construct or expand that system which the owner
8 intends to purchase qualifies for exemption. If a certificate is not received before the
9 purchase, the owner shall pay the applicable tax imposed by this chapter and apply to
10 the tax commissioner for a refund.

11 4. If the tangible personal property is purchased or installed by a contractor subject to the
12 tax imposed by this chapter, the owner of the system to transmit oil from the lease site
13 of an oil or gas well in this state through a gathering pipeline may apply to the tax
14 commissioner for a refund of the difference between the amount remitted by the
15 contractor and the exemption imposed or allowed by this section. Application for a
16 refund must be made at the times and in the manner directed by the tax commissioner
17 and must include sufficient information to permit the tax commissioner to verify the
18 sales and use taxes paid and the exempt status of the sale or use.

19 **SECTION 2.** A new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota
20 Century Code is created and enacted as follows:

21 Tangible personal property used to construct or expand a qualifying oil gathering
22 system as authorized or approved for exemption by the tax commissioner under
23 section 57-39.2-04.13.

24 **SECTION 3. EXPIRATION DATE.** This Act is effective through May 30, 2017, and after that
25 date is ineffective.