

Sixty-fourth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2318

Introduced by

Senator Cook

1 A BILL for an Act to create and enact a new section to chapter 57-39.2 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 carbon dioxide capture equipment used for enhanced oil recovery; to  
4 amend and reenact section 57-60-06 of the North Dakota Century Code, relating to ad valorem  
5 property tax exemption for carbon dioxide capture equipment used for enhanced oil recovery; to  
6 provide for a legislative management study; 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 in compressing, gathering,**  
11 **collecting, storing, transporting, or injecting carbon dioxide for use in enhanced**  
12 **recovery of oil or natural gas.**

13 1. Gross receipts from sales of tangible personal property used to construct or expand a  
14 system used to compress, gather, collect, store, transport, or inject carbon dioxide for  
15 use in enhanced recovery of oil or natural gas in this state are exempt from taxes  
16 under this chapter. To be exempt, the tangible personal property must be incorporated  
17 into a system used to compress, gather, collect, store, transport, or inject carbon  
18 dioxide for use in enhanced recovery of oil or natural gas. Tangible personal property  
19 used to replace an existing system to compress, gather, collect, store, transport, or  
20 inject carbon dioxide for use in enhanced recovery of oil or natural gas does not  
21 qualify for exemption under this section unless the replacement creates an expansion  
22 of the system.

23 2. To receive the exemption under this section at the time of purchase, the owner of the  
24 gas compressing, gathering, collecting, storing, transporting, or injecting system must

1           receive from the tax commissioner a certificate that the tangible personal property  
2           used to construct or expand a system used to compress, gather, collect, store,  
3           transport, or inject carbon dioxide for use in enhanced recovery of oil or natural gas  
4           qualifies for the exemption. If a certificate is not received before the purchase, the  
5           owner shall pay the applicable tax imposed by this chapter and apply to the tax  
6           commissioner for a refund.

7           3. If the tangible personal property is purchased or installed by a contractor subject to the  
8           tax imposed by this chapter, the owner of the gas compressing, gathering, collecting,  
9           storing, transporting, or injecting system may apply to the tax commissioner for a  
10           refund of the difference between the amount remitted by the contractor and the  
11           exemption imposed or allowed by this section. Application for a refund must be made  
12           at the time and in the manner directed by the tax commissioner and must include  
13           sufficient information to permit the tax commissioner to verify the sales and use taxes  
14           paid and the exempt status of the sale or use.

15           4. This chapter and chapter 57-40.2 apply to the exemption under this section.

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

18                   Materials used in compressing, gathering, collecting, storing, transporting, or  
19                   injecting carbon dioxide for use in enhanced recovery of oil or natural gas as  
20                   provided in section 1 of this Act.

21           **SECTION 3. AMENDMENT.** Section 57-60-06 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23           **57-60-06. Property classified and exempted from ad valorem taxes - In lieu of certain**  
24 **other taxes - Credit for certain other taxes.**

25           Each coal conversion facility and any carbon dioxide capture system located at the coal  
26 conversion facility, and any equipment directly used for enhanced recovery of oil or natural gas  
27 must be classified as personal property and is exempt from all ad valorem taxes except for  
28 taxes on the land on which such the facility, capture system, or equipment is located. The taxes  
29 imposed by this chapter are in lieu of ad valorem taxes on the property so classified as personal  
30 property.

1       **SECTION 4. LEGISLATIVE MANAGEMENT STUDY - OIL EXTRACTION TAX**

2       **EXEMPTION FOR CARBON DIOXIDE RECOVERY PROJECTS.** During the 2015-16 interim,  
3 the legislative management shall study the oil extraction tax exemption available for incremental  
4 production from a tertiary recovery project that uses carbon dioxide. The study must include  
5 consideration of the potential benefits and costs to industry, the state, and the environment of  
6 using carbon dioxide enhanced recovery methods. The legislative management shall report its  
7 findings and recommendations, together with any legislation required to implement the  
8 recommendations, to the sixty-fifth legislative assembly.

9       **SECTION 5. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for tax periods  
10 beginning after June 30, 2015. Section 3 of this Act is effective for taxable years beginning after  
11 December 31, 2014.