

NEWS RELEASE: Fargo Legislators Propose Restoring the Oil Extraction Tax

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**CONTACT:**

Chris VandeVenter

[\(701\) 328-3749](tel:(701)328-3749)

\*\*\*Release\*\*\*

## Fargo Legislators Propose Restoring the Oil Extraction Tax

**(BISMARCK, N.D.)** – Senator Merrill Piepkorn (D-44) and Representative Pamela Anderson (D-41) have proposed legislation that would restore the oil extraction tax to 6.5%. The legislature lowered the tax to 5% as part of a package of bills in the last days of the 2015 session. The 6.5% rate had been in place since 1980. The Legacy Fund has seen monthly deposits decrease by nearly \$3 million as a result of this change.

Rep. Anderson's bill is HB 1449, and is scheduled for a hearing before the House Finance and Tax Committee on January 23, 2019, at 11:00 am. Senator Piepkorn's bill is SB 2336 and will be heard the week of January 28.

The bill does not alter the current 5% oil production tax, which is applied independently of the extraction tax.

Legislators were not given adequate opportunity to debate the change before it was rushed through. The 2015 is a significant reason behind North Dakota's revenue shortfalls in recent years. "This bill was shortsighted and has cost the state \$570 million over the last four years. That is money that could have gone to roads, to schools, to the essential services of government that our citizens need and deserve," said Senator Piepkorn.

The original 6.5% rate was approved by voters in 1980 with 57% of the vote, and stayed that way until the legislature lowered it in 2015. Restoring the tax to 6.5% would provide more than \$597 million in revenue to the state over the 2019-2021 biennium. This will enable the state to fund key priorities like infrastructure development, including long-term care, K-12 education, and health care.

The estimates are based on oil production of 1.2 million barrels per day at a price of \$52.50 per barrel, which was used during the interim when discussing how to allocate oil revenues in the state.

"North Dakota continues to face budget pressures, with many looking to the Legacy Fund as way to fund their budget priorities," Rep. Anderson said. "Restoring the tax back to 6.5% will ensure we can preserve the Legacy Fund for its original purposes."

Some in the oil industry claimed that the lower oil extraction tax was a necessary trade off since the state also eliminated the so-called "trigger". The trigger would have provided a dramatic cut in oil taxes during times of low oil prices. However, the 6.5% rate was in place long before the trigger was adopted in 1987, and was implemented at a time before all of the advances in horizontal drilling and fracturing boom.

"The trigger was an antiquated relic from when North Dakota's oil development was at a standstill and oil was \$10 a barrel," Senator Piepkorn continued. "It has no place in ours or any other oil state."

Rep. Anderson concurred saying, "North Dakotans knew what they were doing when they adopted the 6.5% oil extraction tax. We shouldn't respond to short-term fluctuations in the price of oil by imposing long-term burdens on future generations."

Governor Art Link once said that when the "landscape is quiet again," we need to ask ourselves if we will be "worthy of the rich heritage of our land and its resources." If we don't act to restore the oil extraction tax, that answer will be "no."

A video of the press conference is available at: <http://bit.ly/66-oil-extraction-tax>

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**Chris VandeVenter**

Communications Coordinator

Dem-NPL Legislative Caucus

o: [\(701\) 328-3749](tel:(701)328-3749)