

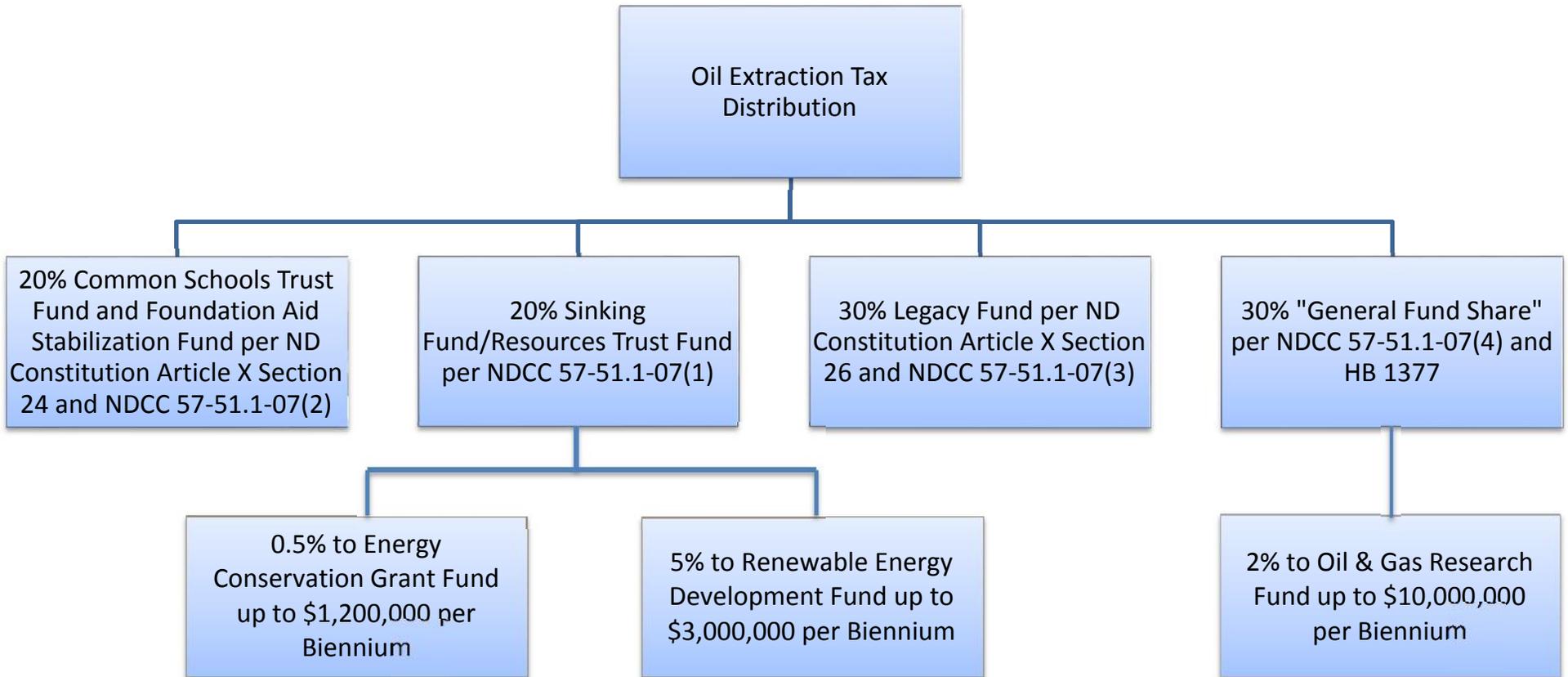
Office of State Treasurer
Kelly L. Schmidt

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North Dakota

Oil Extraction and Gross Production Distribution Fiscal Years 2016 and 2017



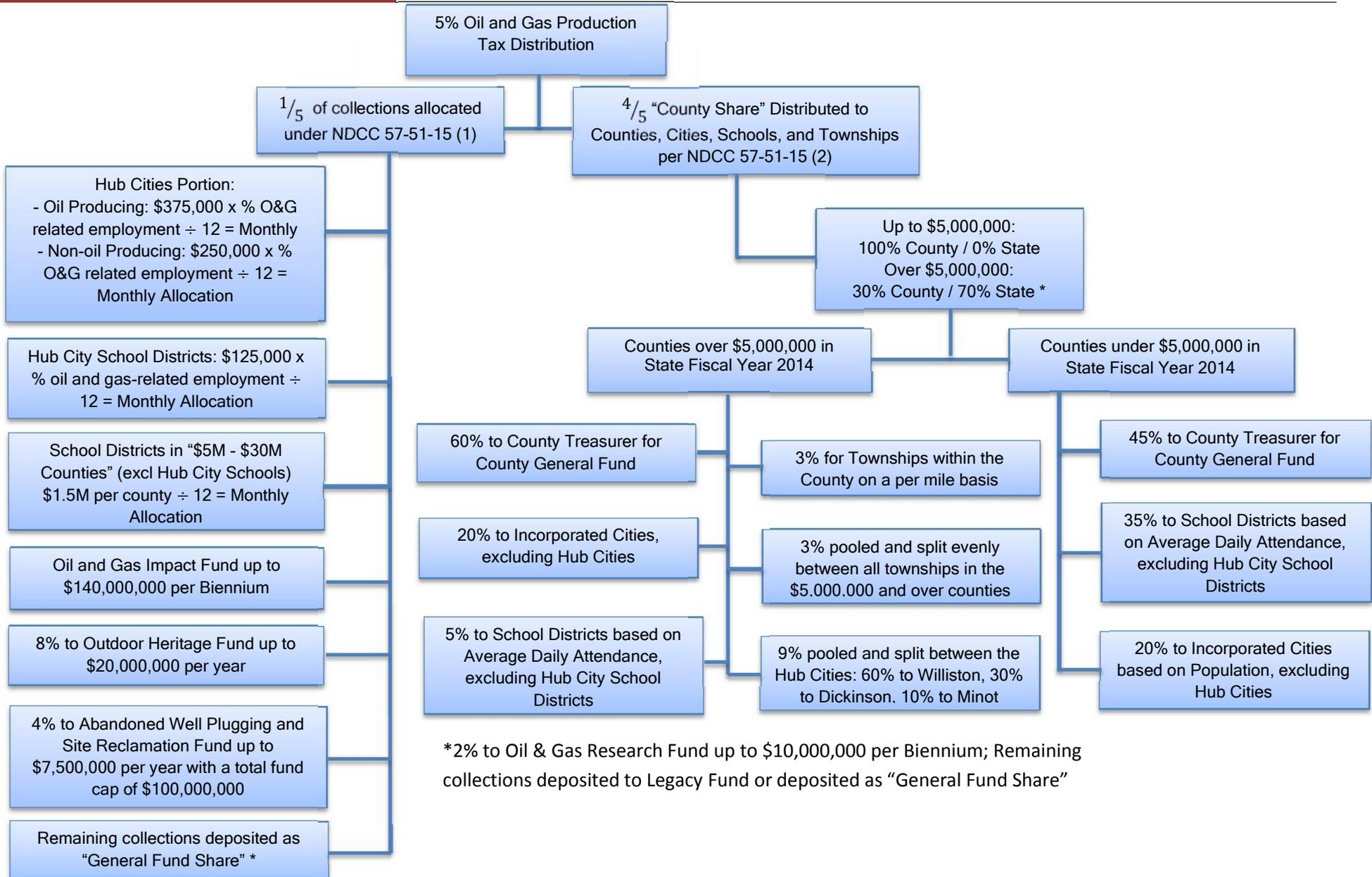
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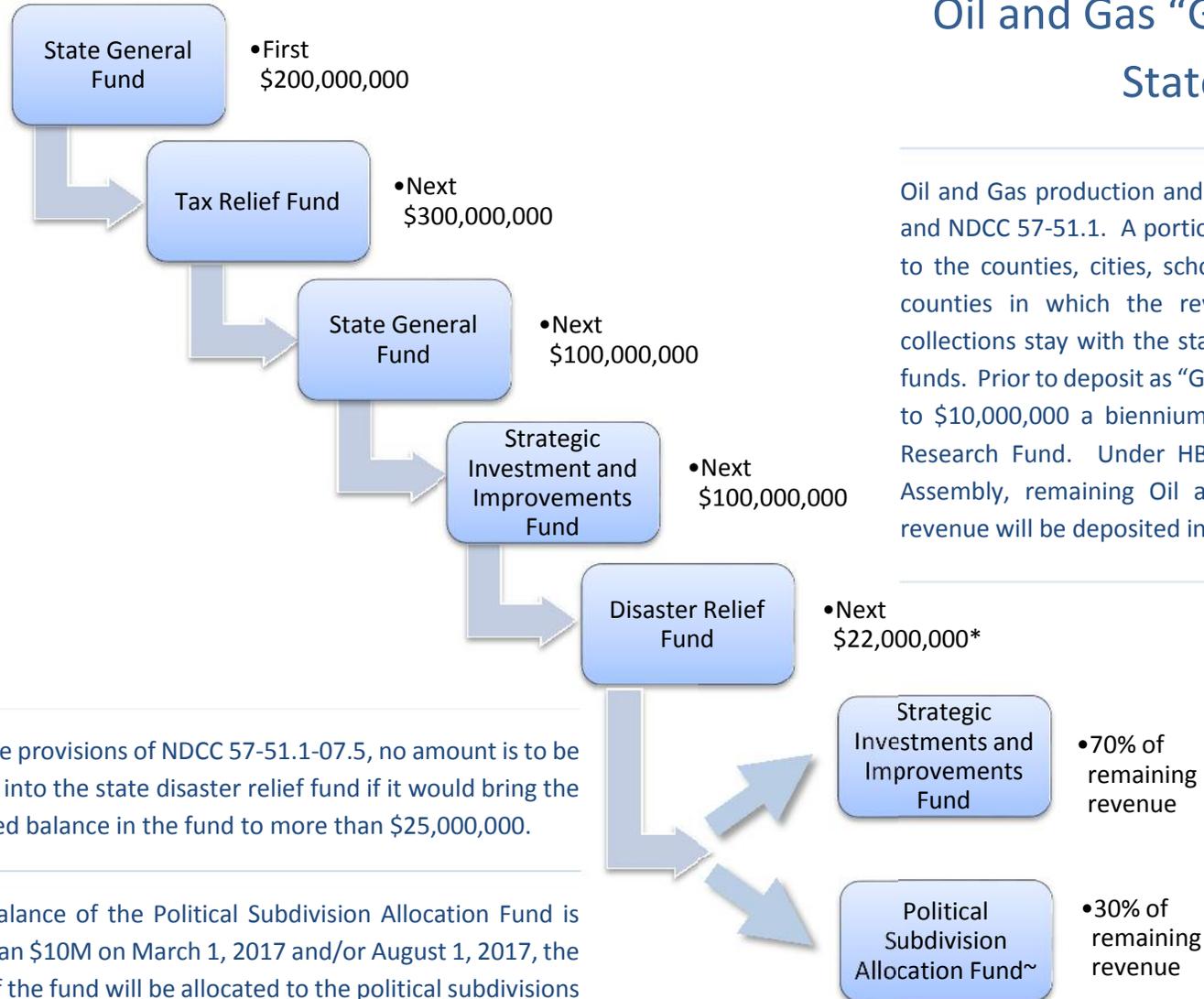
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Oil Extraction and Gross Production Distribution Fiscal Years 2016 and 2017



Oil and Gas “General Fund Share” State Revenue



Oil and Gas production and extraction is taxed under NDCC 57-51 and NDCC 57-51.1. A portion of the tax collections are distributed to the counties, cities, school districts and townships within the counties in which the revenue is produced. The remaining collections stay with the state and are deposited into a variety of funds. Prior to deposit as “General Fund Share,” 2% of revenues (up to \$10,000,000 a biennium) are deposited into the Oil and Gas Research Fund. Under HB 1377 passed by the 64th Legislative Assembly, remaining Oil and Gas “State General Fund Share” revenue will be deposited into the funds listed to the left.

*Under the provisions of NDCC 57-51.1-07.5, no amount is to be deposited into the state disaster relief fund if it would bring the unobligated balance in the fund to more than \$25,000,000.

~ If the balance of the Political Subdivision Allocation Fund is greater than \$10M on March 1, 2017 and/or August 1, 2017, the balance of the fund will be allocated to the political subdivisions in the same proportion as the gross production tax distributions were distributed in the most recently completed fiscal year.

30% of all State Oil and Gas Revenue must be deposited in the Legacy Fund beginning with oil produced July 1, 2011 and beyond.

Oil Extraction Tax Distribution provides for a deposit of 30% of extraction tax revenues in the overall distribution formula.

"State Revenue" from **Tribal Extraction and Production** is defined as the revenue remaining with the state after the Tribes receive their portion and before the revenue is processed through the political subdivision distribution.

Oil and Gas Gross Production formula provides that the 30% deposit into the Legacy Fund must come from the "State General Fund Share" to avoid any negative impact on the distribution to political subdivisions. Both extraction and gross production tax revenues feed the "State General Fund Share", so deposits into the Legacy Fund should not be compromised by the early stage of the tiered distribution which distributes more revenue to the counties and less to the state.

Tribal Oil and Gas Production and Extraction is taxed and distributed according to a compact between the Three Affiliated Tribes and the State and is codified in NDCC 57-51.2

