

# State of South Dakota

NINETY-FIRST SESSION  
LEGISLATIVE ASSEMBLY, 2016

852X0657

## SENATE BILL NO. 146

Introduced by: Senator Frerichs and Representative Hawks

1 FOR AN ACT ENTITLED, An Act to impose a fee on certain pipelines carrying crude oil and  
2 to create a crude oil pipeline compensation fund that may be used in the event of a crude oil  
3 spill.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. That the code be amended by adding a NEW SECTION to read:

6 Terms used in this Act mean:

7 (1) "Barrel," a barrel is 42 U.S. gallons measured at 60 degrees Fahrenheit;

8 (2) "Crude oil," any unrefined liquid petroleum and other hydrocarbons. Crude oil may  
9 range in density from very light to very heavy and in color from yellow to black, may  
10 have a paraffin, asphalt, or mixed base, and may include chemicals and elements  
11 which are considered toxic and pollutants if released into the environment;

12 (3) "Crude oil pipeline company," any person that is transporting crude oil;

13 (4) "Department," the South Dakota Department of Revenue;

14 (5) "Secretary," the secretary of the Department of Revenue.

15 Section 2. That the code be amended by adding a NEW SECTION to read:



1       There is hereby imposed a fee upon any crude oil transported by pipeline of two cents per  
2 barrel of crude oil. Any crude oil company that transports averages less than ten thousand  
3 barrels of crude oil per day by pipeline is exempt from the fee and provisions imposed by this  
4 Act.

5       Section 3. That the code be amended by adding a NEW SECTION to read:

6       There is hereby created in the state treasury the crude oil pipeline compensation fund. The  
7 secretary shall deposit the fee collected pursuant to this Act in the crude oil pipeline  
8 compensation fund. The fund may provide reimbursement of reasonable and necessary costs for  
9 any corrective action in excess of ten thousand dollars for a crude oil release that may occur.  
10 Reimbursement may include costs of an approved corrective action and third-party claims for  
11 crude oil releases.

12       The fund shall be a participating fund and shall be credited for all interest earned on fund  
13 balances. Expenditures from the fund may be made only upon approval by the Legislature. If  
14 the balance in the fund exceeds thirty million dollars, the secretary shall stop collecting the fee.  
15 However, if the balance of the fund falls below five million dollars, the secretary shall resume  
16 the collection of the fee.

17       Section 4. That the code be amended by adding a NEW SECTION to read:

18       Any person who holds a license issued pursuant to this Act or who is a person whose  
19 receipts are subject to the fees imposed by this Act shall, except as otherwise provided in this  
20 section, file a return, and pay any fee due, to the department on or before the twentieth day of  
21 the month following each monthly period. The return shall be filed on forms prescribed and  
22 furnished by the department. The secretary may grant an extension of not more than five days  
23 for filing a return and remittance. Unless an extension is granted, penalty or interest under § 10-  
24 59-6 shall be paid if a return or remittance is not made on time.

1 Section 5. That the code be amended by adding a NEW SECTION to read:

2 Any crude oil pipeline company subject to the fee shall keep records of all crude oil  
3 transported through the pipeline. The records are, at all times during business hours of the day,  
4 subject to inspection by the department to determine the amount of fees due. The records shall  
5 be preserved for a period of three years unless the secretary, in writing, authorized their  
6 destruction or disposal at an earlier date.

7 Section 6. That the code be amended by adding a NEW SECTION to read:

8 The secretary may promulgate rules, pursuant to chapter 1-26, concerning:

- 9 (1) License applications;
- 10 (2) The filing of returns and payment of the fee;
- 11 (3) Determining the application of the fee;
- 12 (4) Record-keeping requirements; and
- 13 (5) Determining auditing methods.

14 Section 7. That the code be amended by adding a NEW SECTION to read:

15 Any person who:

- 16 (1) Makes any false or fraudulent return in attempting to defeat or evade the fee is guilty  
17 of a Class 6 felony;
- 18 (2) Fails to pay the fee due under this Act within sixty days from the date the fee  
19 becomes due is guilty of a Class 1 misdemeanor;
- 20 (3) Fails to keep the records required by this Act or refuses to exhibit these records to the  
21 department for the purpose of examination is guilty of a Class 1 misdemeanor;
- 22 (4) Fails to file a return required by this Act within sixty days from the date the return  
23 is due is guilty of a Class 1 misdemeanor;
- 24 (5) Engages in business as a crude oil pipeline company without obtaining a license is

1 guilty of a Class 6 felony.

2 For purposes of this section, the term, crude oil pipeline company, includes corporate  
3 officers having control, supervision of, or charged with the responsibility for making returns or  
4 payments pursuant to this Act.

5 Section 8. That the code be amended by adding a NEW SECTION to read:

6 If a corporation subject to the fee imposed by this Act fails for any reason to file the required  
7 returns or to pay the fee due, any of its officers having control, or supervision of, or charged  
8 with the responsibility for making such returns and payments are personally liable for such  
9 failure. The dissolution of a corporation does not discharge an officer's liability for a prior  
10 failure of the corporation to make a return or remit the fee due. The sum due for such a liability  
11 may be assessed and collected as provided by law.

12 If any responsible corporate officer elects not to be personally liable for the failure to file  
13 the required returns or to pay the fee due, the corporation shall provide the department with a  
14 surety bond or certificate of deposit as security for payment of any fee that may become due.  
15 The bond or certificate of deposit provided for in this section shall be in an amount equal to the  
16 estimated annual fee imposed by the Act.

17 Section 9. That the code be amended by adding a NEW SECTION to read:

18 Any real and personal property owned by a crude oil pipeline company is subject to the real  
19 and personal property taxes levied by the state, counties, municipalities, townships, or other  
20 political subdivisions of the state.