



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER

GUIDELINE - PROPERTY TAX: ASSESSMENT TERMS AND CONCEPTS

Definitions

1. Ad valorem means “according to value or in proportion to value.” The property tax is an ad valorem tax. The tax is based on a percentage of the value of the property.
2. Market value, as defined by the International Association of Assessing Officers, “is the most probable price expressed in terms of money that a property would bring if exposed for sale in the open market in an arms-length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning all the uses to which it is adapted and for which it is capable of being used.”
 - a. Market value is the same as true and full value for residential and commercial property.
 - b. For assessment of residential and commercial property, the assessor must first estimate the market value of property.
3. Personal property, for purposes of taxation, means all property that is not included in the definition of real property. It includes any movable item not permanently affixed to, or part of, the real estate. [N.D.C.C. § 57-02-05.1]
4. Real property means land, including all mines, minerals and quarries; improvements to the land except plowing and trees; buildings and structures; and the interest, rights and privileges of ownership. In addition, real property includes machinery and equipment used or intended for use in any process of refining products from oil or gas but does not include small tools and office equipment. Any machinery or equipment used for trade or manufacturing which is constructed as an integral part of and is essential for the support of a building or structure, and which is not removable without materially limiting or restricting the use of a building or structure, is real property. All other machinery and equipment used for trade or manufacturing is excluded from the definition of real property. [N.D.C.C. § 57-02-04]
5. True and full value is the value determined by considering all things that could affect the value of property. [N.D.C.C. § 57-02-01(17)]
 - a. True and full value is the value determined by considering the earning or productive capacity of a property, if any, the market value, if any, and any other conditions that affect the value of property.
 - b. For agricultural property, true and full value is the “capitalized average annual gross return” determined from crop share rent, cash rent, or a combination thereof reduced by estimated property taxes and crop marketing expenses. At the local level relative values of parcels are determined by considering soil productivity, soil capability, and soils analysis. [N.D.C.C. § 57-02-27.2]
 - c. True and full value is the starting point in the assessment process for property taxation purposes.

Classes Of Real Property

6. Agricultural property means platted or unplatted land used for raising agricultural crops or grazing farm animals. For platted lands: [N.D.C.C. § 57-02-01(1)]
 - a. Any land platted and assessed as agricultural property before March 30, 1981, continues to be assessed as agricultural until the use changes.
 - b. Any land assessed as other than agricultural property prior to March 30, 1981, may be reclassified and valued as agricultural property, provided it qualifies as agricultural property.
 - c. Property platted on or after March 30, 1981, is not considered to be agricultural property when any four of the following conditions exist:
 - The land is platted by the owner.

- Public improvements including sewer, water or streets are in place.
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 - Topsoil is removed or topography is disturbed to the extent that the property cannot be used to grow crops or graze farm animals.
 - Property is zoned other than agricultural.
 - Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
 - The parcel is less than 10 acres and not contiguous to agricultural property.
 - The property sells for more than four times the county average true and full agricultural value.
- * d. Raising agricultural crops includes storing harvested crops produced by the farmer or their direct relative until the crop is delivered to the first end-point user.
- * e. Agricultural property includes land beneath a greenhouse or other building if the greenhouse or other building is used for a nursery or other purpose associated with the operation of the greenhouse.
- * f. The existence of any of the conditions in item 'c' above may not be used as a basis to exclude unplatted land used to raise agricultural crops or land platted and assessed as agricultural property prior to March 30, 1981, used to raise agricultural crops from being classified as agricultural property.
- * g. The time limitation listed in 'a', 'b', and 'c' above may not be construed to prevent a property from being classified as agricultural if the property is otherwise qualified.
- * 7. Residential property is all or any portion of property used by an individual or a group of individuals as a dwelling, including property upon which a mobile home is located. It does not include structures which accommodate four or more separate family units, nor does it include hotels and motels licensed according to N.D.C.C. Ch. 23-09, or any tract of land upon which four or more mobile homes are located. The term includes nonprimary residential property and primary residential property. [N.D.C.C. § 57-02-01(14)]
 - a. The property must be used as a dwelling.
 - b. The structure must house no more than three family units.
 - c. A tract of land must contain no more than three mobile homes used as dwellings.
- 8. Centrally assessed property is all property which is assessed by the state board of equalization according to N.D.C.C. Chs. 57-05, 57-06, and 57-32. [N.D.C.C. § 57-02-01(4)]

Property assessable by the state board of equalization includes public utility companies such as power, gas, and pipeline companies.
- 9. Railroad property is the operating property, including franchises, of every railroad that operates in North Dakota. This includes any electric, street or interurban railway. Railroad property is assessed by the state board of equalization pursuant to N.D.C.C. Ch. 57-05. [N.D.C.C. § 57-02-01(13)]
- 10. Air carrier transportation property is the operating property of every airline that operates in North Dakota and is included as centrally assessed property. Air carrier transportation property is assessed by the state board of equalization pursuant to N.D.C.C. Ch. 57-32. [N.D.C.C. § 57-02-01(2)]
- 11. Commercial property is all or any portion of property that is not described in any of the other classes of property. [N.D.C.C. § 57-02-01(5)]
 - a. Vacant lots are classified as commercial property.
 - b. Any tract of land with four or more separate family units or four or more mobile homes is classified commercial. [N.D.C.C. § 57-02-01(14)]

Valuation and Assessment of Real Property

12. All property is subject to taxation unless exempted by law. [N.D.C.C. § 57-02-03]
- Personal property, except that which is assessed by the state board of equalization or which is subject to an in-lieu tax or a tax imposed by a specific provision of law, is exempt from ad valorem taxation. [N.D.C.C. § 57-02-08(25)]
 - The property tax is levied against the property, rather than the property owner.
13. Assessed value is 50% of true and full value of property. [N.D.C.C. § 57-02-01(3)]

Example:

True and Full Value	X	50%	=	Assessed Value
\$50,000	X	.50	=	\$25,000

14. Taxable valuation of each class of property is determined by applying a specific percentage of assessed valuation. [N.D.C.C. § 57-02-27]

Residential property	9% of assessed value
Wind turbine electric generators	3% or 1½% of assessed value depending on construction time frame
Commercial and centrally assessed property	10% of assessed value

Example - Residential property:

T & F Value	X	50%	=	Assessed Value	X	9%	=	Taxable Value
\$50,000	X	.50	=	\$25,000	X	.09	=	\$2,250

Example - Commercial and centrally assessed property:

T & F Value	X	50%	=	Assessed Value	X	10%	=	Taxable Value
\$60,000	X	.50	=	\$30,000	X	.10	=	\$3,000

- The taxable valuation is used to calculate the tax rate and to determine the tax for a property.
 - The tax rate is determined by dividing the budget amount levied in dollars by the total taxable valuation of that taxing district.

Example:

Budget	÷	Total Taxable Valuation	=	Tax Rate
\$57,151	÷	\$976,981	=	.05849 or 58.49 mills

- The tax for a property is determined by multiplying the taxable valuation of that property by the tax rate.

Example:

Taxable Valuation	X	Tax Rate	=	Tax Due
\$3,200	X	.05849	=	\$187.17

*Indicates significant change since last revised.