



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER

GUIDELINE - PROPERTY TAX: CENTRALLY ASSESSED PROPERTY

CENTRALLY ASSESSED PROPERTY

ASSESSMENT PROCEDURES

Assessments for property tax purposes of railroads, investor-owned public utilities, and airlines are determined by the State Board of Equalization. The assessed value of centrally assessed property is 50% of the true and full value. The taxable value for centrally assessed property is:

- 10% of the assessed value for all centrally assessed property except wind turbine electric generation units with a nameplate generation capacity of 100 kilowatts or more.
- 1.5% of the assessed value for wind turbine electric generation units for which a purchased power agreement was executed between April 30, 2005, and January 1, 2006, and construction was begun between April 30, 2005, and July 1, 2006, and for a centrally assessed wind turbine electric generation unit of 100 kilowatts or more on which construction is completed after June 30, 2006, and before January 1, 2015.
- 3% of the assessed value for all other wind turbine electric generation units on which construction is completed before January 1, 2015.

Steps in the assessment process are as follows:

1. The company must file an annual report with the Tax Commissioner by May 1st.
2. The Tax Commissioner prepares a tentative assessment by June 15th.
3. Notice of tentative assessment is sent to the company 10 days prior to the State Board of Equalization meeting.
4. The State Board of Equalization meets the second Tuesday in July to receive testimony on the value of centrally assessed property and to make the assessments.
5. Following the action of the State Board of Equalization, the Tax Commissioner certifies the assessments to the counties.

The taxable value of centrally assessed property is subject to property taxes as discussed below for each type of property.

AIRLINES

A regularly scheduled airline serving North Dakota cities pays a property tax computed by applying the average of all mill levies in the municipalities served by the regularly scheduled airline against the taxable valuation of an airline's operating real property located in North Dakota. The Tax Commissioner collects the tax and the State Treasurer distributes the revenue to the municipalities in which the airline operates. The revenue is used exclusively for airport purposes. (N.D.C.C. Ch. 57-32)

PUBLIC UTILITIES

Centrally assessed public utilities are investor-owned power, gas, and pipeline companies transporting crude oil, natural gas, processed gas, manufactured gas, refined petroleum products or coal and related products. The taxable value of a utility's North Dakota real and personal operating property is subject to the mill levies of the taxing districts in which the property is located.

The tax is collected by the county and distributed to the taxing districts within the county.

A 10-year exemption is allowed for pipelines carrying carbon dioxide (CO₂) for use in enhanced recovery of oil or natural gas. The state reimburses political subdivisions for the lost tax revenue.

A transmission line of 230 kilovolts or larger, and its associated transmission substations, initially placed in service or substantially expanded on or after October 1, 2002, is exempt from property taxes for the first taxable year. Subsequent years' taxable value must be reduced by 75% for the second year, 50% for the third year, and 25% for the fourth year. After the fourth year, the transmission line and substations are exempt from property taxes and are subject to a tax of \$300 per mile or fraction of a mile. (N.D.C.C. Ch. 57-33.2)

RAILROADS

Railroad operating real property is taxed at the mill rates of the taxing districts in which the property of the railroad is located. The tax is collected by the county and distributed to the various taxing districts within the county. (N.D.C.C. Ch. 57-05)

TAXES PAID IN LIEU OF PROPERTY TAXES

TELECOMMUNICATIONS CARRIERS

A telecommunications carrier is a person engaged in the business of transmitting for consideration two-way communication by wire, cable, fiber optics, radio, lightwaves, microwave, satellite, or other means. Telecommunications carriers are assessed a tax of 2.5% of their adjusted gross receipts by the State Board of Equalization. The gross receipts tax is paid annually to the Tax Commissioner. The state allocates \$8.4 million annually to the counties for distribution to political subdivisions. Revenue in excess of \$8.4 million is deposited in the State General Fund. (N.D.C.C. Ch. 57-34)

RURAL ELECTRIC COOPERATIVES

Property of rural electric cooperatives is subject to generation, distribution, and transmission taxes under N.D.C.C. Ch. 57-33.2. The taxes are in lieu of property taxes on all property other than land, owned and used by a company in the operation and conduct of the business of generation or delivery of electricity through distribution or transmission lines. Other companies engaged in electric generation, distribution, and transmission may file an irrevocable election to be taxed under N.D.C.C. Ch. 57-33.2 and exempt from ad valorem taxation under N.D.C.C. Ch. 57-06.

COAL CONVERSION FACILITIES

The coal conversion facilities privilege tax is imposed on the operator of a coal conversion facility for the privilege of producing electricity or other products from coal conversion plants. A coal conversion facility is defined as (1) an electrical generating plant which has at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, (2) a plant other than an electrical generating plant which processes or converts coal and uses or is designed to use over 500,000 tons of coal per year, or (3) a coal beneficiation plant. (N.D.C.C. Ch. 57-60)

The coal conversion tax is in lieu of property taxes on the plant itself, while the land on which the plant is located remains subject to property tax. The tax is paid monthly.

Electrical Generating Plants

Electrical generating plants, as defined above, are subject to two separate levies. One levy is .65 mill times 60% of installed capacity times the number of hours in the taxable period and the other levy is .25 mill per kwh of electricity produced for sale. Installed capacity means the rating shown on the nameplate assigned to the turbine of the power unit.

Other Coal Conversion Plants

A coal gasification plant is subject to a monthly tax measured by 13½ cents per thousand cubic feet of gas produced for sale or 4.1% of gross receipts, whichever is greater. Plants converting coal to products other than gas are taxed at 4.1% of gross receipts. The tax rate for a coal beneficiation plant is 20 cents per ton of beneficiated coal produced for sale or 1.25% of gross receipts, whichever is greater.

Exemptions

Exemptions from the coal conversion tax are as follows:

- Synthetic natural gas produced in excess of 110 million cubic feet per day.
- Income from byproducts of a coal gasification plant to a maximum of 20% of gross receipts.
- Revenue derived from the sale and transportation of carbon dioxide for use in the enhanced recovery of oil or natural gas.
- Beneficiated coal produced in excess of 80% of plant design capacity.
- Beneficiated coal produced for use within a coal conversion plant.
- A coal conversion facility that achieves a 20% capture of carbon dioxide emissions during a taxable period receives a 20% reduction in the State General Fund share of the coal conversion tax, and an additional reduction of 1% for every additional two percentage points of its capture of carbon dioxide emissions, up to 50% reduction for 80% or more capture. The reduction is available for 10 years from the date of first capture or from the date the facility is eligible to receive the credit.
- A new or re-powered coal-burning electrical generating unit is exempt from the State General Fund portion of both levies for five years. The county may grant an exemption for up to five years from the county's 15% share of the levy on installed capacity.
- All new coal conversion plants other than electrical generating plants are exempt from the State General Fund portion (85%) of the tax for five years. The county may grant a partial or complete exemption from the county's 15% share for up to five years.

Distribution of Revenue - Electrical Generating Plants

The revenue from the .25 mill levy on production is deposited in the State General Fund. The revenue from the .65 mill levy on installed capacity is distributed as follows:

- 85% to the State General Fund is exempt through June 30, 2026. Five percent of all funds allocated to the State General Fund must be allocated to the Lignite Research Fund.
- 15% to the county in which the plant is located. The amount distributed to each county is apportioned as follows: 40% is deposited in the county general fund; 30% is divided among all incorporated cities in the county according to population; and 30% is divided among all school districts in the county on the basis of average daily membership.

Distribution of Revenue - Other Coal Conversion Plants

Revenue is distributed as follows:

- 85% to the State General Fund is exempt through June 30, 2026. Five percent of all funds allocated to the State General Fund are allocated to the Lignite Research Fund.
- 15% to the county in which the plant is located. The amount distributed to each county is apportioned as follows: 40% is deposited in the county general fund; 30% is divided among all incorporated cities in the county according to population; and 30% is divided among all school districts in the county on the basis of average daily membership.

GROSS PRODUCTION TAX

The gross production tax is a payment in lieu of tax related to the production of oil and gas, including property rights, leases, machinery, equipment, and the oil and gas produced itself. Any interest in land must be assessed and taxed on the local level. The gross production tax does not replace income taxes or excise taxes imposed on the retail sale of oil and gas products. (N.D.C.C. Ch. 57-51-03)

TOURISM OR CONCESSION LICENSE FEE

A license fee in lieu of property taxes is payable for state-owned property leased from the Superintendent of the State Historical Board or the Director of State Parks and Recreation and used for tourism or concession purposes. The fee is set by the superintendent or by the director and is at least \$1, but not more than 1% of the tenant's gross receipts. The tenant pays the license fee to the county treasurer, who deposits the payment into the county general fund.