

A photograph of the North Dakota State Capitol building, a tall, modern, light-colored stone structure with a grid of windows, standing prominently on a large, green lawn under a clear blue sky with some wispy clouds. The building is flanked by trees and a lower, curved wing.

# 55<sup>TH</sup> BIENNIAL REPORT

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July 1, 2019 through June 30, 2021

*Photo credit: Poppy Mills,  
courtesy of ND Dept. of Commerce*



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# EXECUTIVE SUMMARY

The North Dakota Office of State Tax Commissioner strives to provide prompt, accurate, and courteous service to taxpayers while promoting compliance with the tax laws of North Dakota.

We are the primary revenue collection agency for the state. During the 2019-21 biennium, the agency collected more than \$8.1 billion in tax revenue. To put that in historical context, tax collections totaled \$4.9 billion just a decade ago during the 2009-11 biennium. Nearly 90 percent of all state general fund revenue is collected by our agency. The Office of State Tax Commissioner collects and administers more than 30 different tax types. Some taxes are local taxes administered on behalf of political subdivisions, such as city sales, occupancy, and restaurant and lodging taxes. Other taxes, such as electric transmission lines, coal severance, and telecommunications, are collected by the state in lieu of property taxes and allocated back to counties to provide an important source of revenue for local governments.

For each tax we administer, we provide guidance to help taxpayers understand their filing requirements, conduct discovery work to ensure taxpayers are complying with the law, perform audits to verify that taxpayers are paying the correct amount, process returns, and above all, provide excellent service to the taxpayers of North Dakota.

The 2019-21 biennium was notable as the start of the coronavirus pandemic. For our agency, like most, we adjusted to new ways of accomplishing our work and serving the taxpayers of North Dakota. We restructured our Bismarck offices, which previously served the public on the 7th, 8th, and 16th floors of the Capitol, as well as offices in the State Library. We now have all Bismarck staff in the Capitol and have created one point of entry for all tax types. The public can now receive help for any tax question and make payments by visiting us on the 8th floor.

In addition to physical office changes, we adapted to the pandemic by offering hybrid working schedules to most of our employees. We created a system that allows for flexibility for employees, while continuing to best serve taxpayers.

To provide relief for individual income taxpayers during the pandemic, the Tax Commissioner waived penalty and interest to allow individual income taxpayers additional time to pay their taxes in 2020 and 2021.

We continue to find ways to make information more accessible to taxpayers and processes more efficient. In January 2021, we introduced Teddy, our virtual assistant on the North Dakota Taxpayer Access Point (ND TAP) website. Teddy is available 24/7 to answer general and navigation questions related to ND TAP. From the launch of Teddy in January 2021 to the end of June 2021, 6,789 people asked Teddy questions, and they received 9,605 responses. In addition to Teddy, we have worked to make some paper processes electronic during this biennium. An example of this includes the application for an Alcohol License account. This process was converted from a paper application to an entirely online application process in ND TAP.

Through the use of technology, we have been able to maintain our level of service to taxpayers, while reducing the number of staff, even as the level of activity has grown. Over the past 20 years, we have reduced the number of staff employed by the Office of State Tax Commissioner by nearly 20 percent.



In the 2019-21 Biennial Report of the Office of State Tax Commissioner you will find information regarding our office structure, statutory duties, and how we strive to serve the taxpayers of this great state. There is also a variety of useful data regarding the different tax types we administer.

As the level of business activity continues to grow in our state, so does the amount of work for our office. We will continue to look for ways to respond to the growing demands by improving how we do business and working diligently to fulfill our mission -- to fairly and efficiently administer the tax laws of North Dakota, while providing exceptional service to our taxpayers.

## RESOURCES AVAILABLE FROM THE OFFICE OF STATE TAX COMMISSIONER

We serve as a resource for tax laws, tax administrative rules, business tax registration, and for the more than 30 tax types our office administers. In addition, we are a resource for local governments, specifically county assessors, auditors, and treasurers.

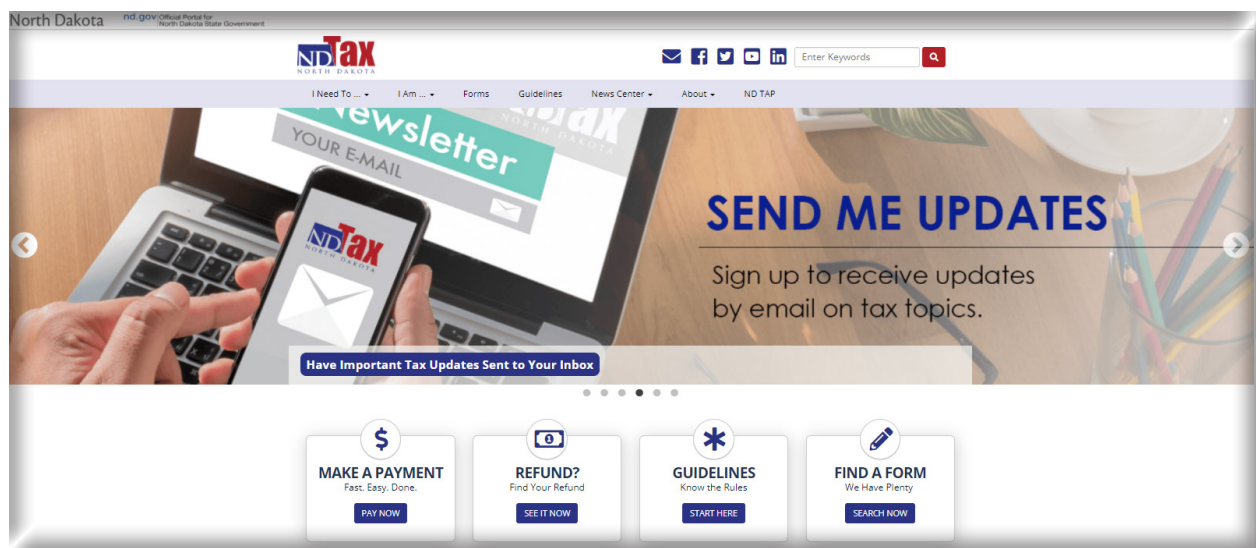
Specific publications are listed below:

- Biennial Report
- Disabled Veterans Property Tax Credit
- Dyed Fuel on the Highway
- Homestead Property Tax Credit and Renter's Refund
- How to Protest a Tax Assessment or a Denial of a Claim for Refund
- North Dakota Office of State Tax Commissioner Careers
- Proceedings of the State Board of Equalization
- State and Local Taxes: An Overview and Comparative Guide (The Red Book)
- Tax Incentives for Businesses
- Taxpayer Bill of Rights

We also provide variable data and statistical reports for any tax depending on the need. Some of these reports include:

- North Dakota Sales and Use Tax Statistical Report - Power BI
- North Dakota Sales Ratio Report
- Property Tax Levy Report
- Property Tax Statistical Report
- Tax Collected by Remote Sellers Report - Counties & Cities with Local Sales Tax - Power BI

Many of our publications and resources are available on our website. In addition, our website is a resource for tax information: **[www.tax.nd.gov](http://www.tax.nd.gov)**.



# HISTORY OF THE OFFICE OF STATE TAX COMMISSIONER

The North Dakota Office of State Tax Commissioner has operated as an independent state agency since 1912. From 1912 to 1919, a nonpartisan Tax Commission administered the tax laws of the state. This Commission was composed of three members appointed by the Governor with consent of the Senate. In 1919, the Tax Commissioner was appointed by the Governor with the consent of the Senate. The Tax Commissioner post became an elected office in 1941. The first Tax Commissioner elected to the position was John Gray.

## MISSION, VISION, VALUES

### MISSION STATEMENT

To fairly and effectively administer the tax laws of North Dakota.

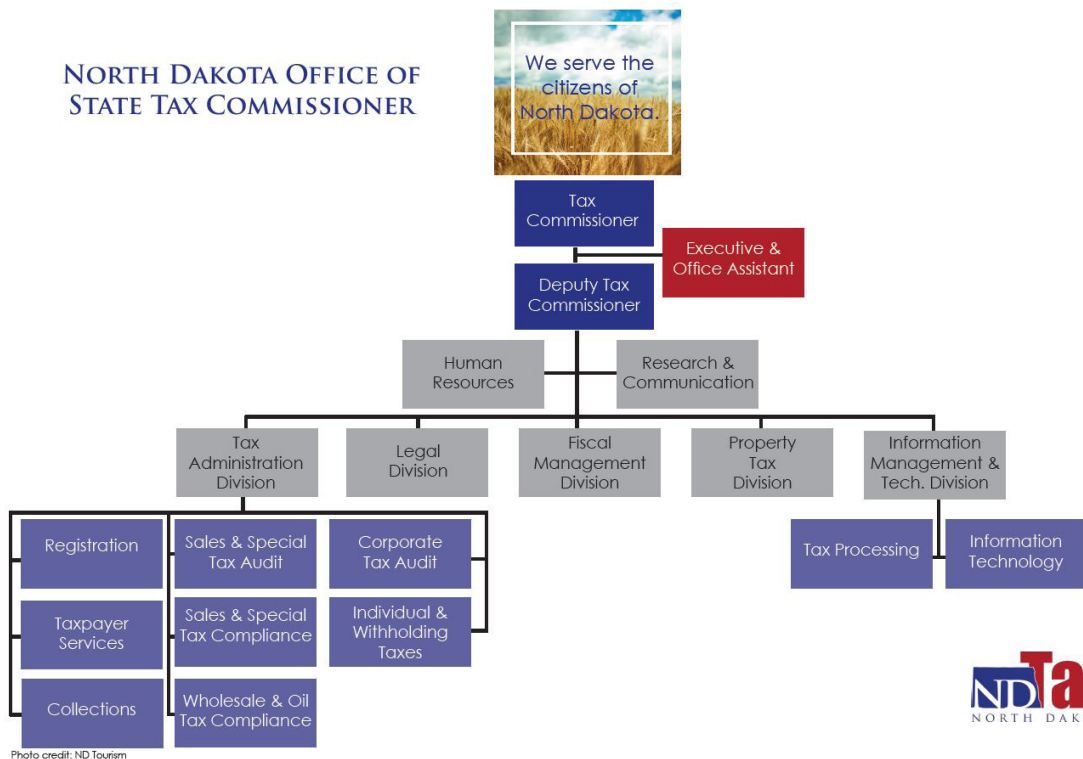
### VISION STATEMENT

To provide exceptional service while enhancing compliance with the tax laws of North Dakota.

### VALUES

Deliver Results • Respect Ideas • Innovate • Value All • Excel at Service

## ORGANIZATIONAL CHART



# POWERS AND DUTIES OF TAX COMMISSIONER

1. Shall perform all the duties enjoined upon him/her.
  2. Shall exercise general supervision over all assessors of general property or other taxes, over township, county, and city boards of equalization and over all other assessing officers, in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state.
  3. Shall direct actions and prosecutions to be instituted to enforce the laws relating to the penalties, liabilities and punishments of persons, officers of corporations, public officers, and others, for failure or neglect to comply with the provisions of law governing the returns, assessments, and taxation of property, income, or other objects of taxation, cause complaints to be made against officers for neglect or refusal to comply with the law, and generally shall enforce all tax proceedings and revenue laws of the state in the proper courts.
  4. May require state's attorneys of the several counties to assist in the commencement and prosecution of actions and proceedings for the violation of any laws in respect to assessment or taxation.
  5. May require township, city, county, and other public officers to report information as to the assessment and collection of property and other taxes, receipts from licenses and other sources, the expenditure of public funds for all purposes, and such other information as may be needful in the administration of the tax laws, in such form and upon such blanks as he/she may prescribe.
  6. May summon witnesses to appear and give testimony and produce books, records, papers, and documents relating to any matter which he/she or the state board of equalization may have authority to investigate or determine, and may cause the depositions of witnesses residing within or without the state, or temporarily absent therefrom, to be taken, upon notice to the interested parties, if any, in like manner as depositions of witnesses are taken in civil actions in the district court.
  7. May require a reassessment of property in any county to be made in accordance with ch. 57-14 whenever that is deemed necessary, or may require county auditors to place on the assessment rolls property which may be discovered and which has not been taxed according to law.
  8. Shall examine carefully all cases where evasions or violations of the laws of assessment and taxation of property or other objects of taxation are alleged, complained of, or discovered, and shall ascertain wherein existing laws are defective or are administered improperly or negligently.
  9. Shall submit to the governor and the office of management and budget as prescribed by a 54-06-04 the biennial report of the commissioner and state board of equalization.
  10. Shall visit other states and confer with taxing officials and attend tax or other economic conferences or conventions, in person or by his/her authorized agent.
  11. Shall certify all levies, assessments, equalization, or valuations made by him/her or the state board of equalization, not more than thirty days after the same have been made, or at periods otherwise provided by law.
  12. Shall have the power to execute reciprocal agreements with the appropriate officials of any other state under which he/she may waive all or any part of the requirements imposed by the laws or statutes of this state upon those who use or consume in the state of North Dakota, gasoline, other motor vehicle fuel or special fuel upon which the tax has been paid to such other state; provided, that the officials of such other state grant the equivalent privileges with respect to gasoline, other motor vehicle fuel, or special fuel used in such other state upon which the tax has been paid to the state of North Dakota.
  13. May maintain an accounting system which includes a special category of accounts designated as noncurrent accounts. Said noncurrent accounts shall be those accounts which are uncollectible as a matter of law or those accounts where all reasonable collection efforts over a period of six years have produced no results. After examination by the state auditor, and upon his/her recommendation for cause, specific accounts may be removed by the commissioner from noncurrent status and all records pertaining thereto immediately destroyed.
- Specific duties assigned to the Office of State Tax Commissioner are set out in N.D.C.C. Title 57, and the general powers and duties in N.D.C.C. § 57-01-02.

# FUNCTIONS & RESPONSIBILITIES OF THE OFFICE OF STATE TAX COMMISSIONER'S DIVISIONS

The Office of State Tax Commissioner is comprised of six divisions. The following provides insight into the roles and responsibilities of these divisions.

## COMMISSIONER'S DIVISION

This is the administrative center of the agency. It serves as the agency's primary research arm, manages its personnel and communication functions, and conducts studies as assigned by the Commissioner on tax-related matters.

## TAX ADMINISTRATION DIVISION

The largest division of the agency administers taxes for individual income, corporate income, sales and use, motor fuels, oil and gas gross production, oil extraction, alcoholic beverages, tobacco products, and estate; special taxes; telecommunications gross receipts tax; and applicable local option taxes. This division is also responsible for the collection of delinquent taxes and determining licensing requirements, establishing filing frequency requirements, and managing taxpayer demographic information.

## LEGAL DIVISION

The Legal Division provides litigation services and legal advice and counsel to the agency and State Board of Equalization. The division responds to inquiries and prepares opinions on tax questions from the Tax Commissioner, Office of State Tax Commissioner staff, legislators, state and local officials, and citizens. This division drafts bills to be presented, assists legislative committees by providing information on legislative proposals, and participates in hearings during the legislative process. They also assist in interpreting new or amended laws and aid the agency and Tax Commissioner in the implementation of those laws.

## FISCAL MANAGEMENT DIVISION

This is the financial center covering revenue accounting, accounts payable, payroll, asset management, purchasing, and budgeting.

## PROPERTY TAX DIVISION

The Property Tax Division administers property and utility taxes, coal taxes, the Homestead Property Tax Credit and Renter's Refund Program, the Disabled Veterans Property Tax Credit Program, and provides administrative and technical support to the State Board of Equalization.

## INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION

The Information Management and Technology Division leads the agency's technology efforts and safeguards taxpayer data. They support an integrated tax system (Gentax® and the onsite support staff) and all other software programs used throughout the agency. The division is also responsible for processing all incoming and outgoing mail, printing, validating, imaging, data entry, and storage of all tax records.

# FUTURE DIRECTIONS

Legislation enacted during the 2021 Legislative Session impacts the administration of some of North Dakota's major taxes during the 2021-2023 biennium and in the years beyond. The following summarizes this legislation.

## ALCOHOL TAX

- Beginning July 1, 2021, the definition of beer (any malt beverage containing 0.5% or more alcohol by volume) is expanded to include an alcoholic beverage made by the fermentation of malt substitutes, commonly referred to as "hard seltzer" or "spiked sparkling water."
- A new category of manufacturing license was created – a North Dakota distillery can apply to be a Manufacturing Distillery effective March 19, 2021.
- Existing provisions for microbrew pubs and brewer taprooms and clarification and guidance for additional production options via contract brewing were modified effective July 1, 2021.

## INCOME TAX

- The changes made by the 2019 Legislature to the law governing the income tax credits for contributing nonprofit private primary schools, high schools, and colleges in North Dakota are reinstated. The 2019 changes, which made the credits available to individuals for direct contributions and increased the limit on how much tax could be offset by a credit from 20% to 25%, expired at the end of the 2020 tax year. In addition to reinstating the 2019 changes, the 2021 legislation increased the tax liability limit from 25% to 50% and made the changes effective for tax years 2021 and after.
- The changes made by the 2019 Legislature to the law governing the income tax credit for hiring a qualifying individual with developmental disability or mental illness are reinstated. The 2019 changes expanded eligibility for the credit, increased the credit rate from 5% to 25%, and allowed the credit on the first \$6,000 of wages paid in each tax year. The 2019 changes expired at the end of the 2020 tax year. The 2021 legislation reinstated the 2019 changes for two additional tax years—2021 and 2022—after which the changes will expire, and the law will revert to how it read prior to 2019.

## INCOME TAX (continued)

- Law changes require electronic filing and payments if the total amount of withholding in the previous year was \$1,000 or more. The changes also require electronic filing of all information returns (Forms W-2, 1099, and 1042S) and the annual returns (Form 307 and Form RWT-941). The changes raise the threshold for annual filing status from \$500 to \$1,000. Lastly, a partnership, S corporation, or trust with 10 or more owners or beneficiaries must file its North Dakota income tax return and pay any tax due on it by electronic means.

## MOTOR VEHICLE EXCISE TAX

- Beginning July 1, 2021, a motor vehicle excise tax exemption is available for a vehicle transferred from an individual to a former spouse as the result of a divorce decree.

## OIL AND GAS

- Effective July 1, 2021, revenue from wells located outside a tribal boundary but having laterals that end within a tribal boundary is allowed to be shared with those tribal entities. Allocation rate is based on the drill date of the well and on-reservation trust and non-trust land ratios as calculated by the Industrial Commission.
- As of July 1, 2021, an oil producer is allowed to claim a credit against oil extraction taxes up to \$6,000 per month per well, and for no more than 12 months, for installation of an on-site flare mitigation unit. The credit is calculated based on btu's of gas used and not flared.



## FUTURE DIRECTIONS (continued)

### PROPERTY TAX

- The Legislature passed a law that allows a township to levy for emergency purposes after approval of township electors. The levy must not be effective for more than five taxable years.
- A law passed relating to an exemption from the coal conversion facilities tax, allocation of the coal conversion facilities privilege tax and the lignite research tax, and an exemption from the coal severance tax, providing an effective date and an expiration date. Beginning July 1, 2021, an exemption is implemented for the 85% State General Fund portion of the tax through June 30, 2026. Electrical generating plants and coal conversion facilities will pay a lignite research tax equal to 85% of the State General Fund distribution tax amount (tax imposed under section 57-60-02) multiplied by five percent.
- The mandatory township board of equalization meeting changed from the first 15 days in April to any date in April. The due date of assessor's assessment books to county auditor moved from the fourth Monday in April to the second Monday in May.
- A law passed relating to income eligibility for purposes of the farm residence property tax exemption, to provide for a legislative management study, and provide an effective date. "Gross income" now means gross income as defined under the Federal Internal Revenue Code and does not include a gain from the sale or exchange of farm machinery as computed for federal income tax purposes. For this purpose, "farm machinery" means all vehicular implements and attachment units designed and sold for direct use in planting, cultivating, or harvesting farm products or used in connection with the production of agricultural produce or products, livestock, or poultry on farms, which are operated, drawn, or propelled by motor or animal power
- The 2021 Legislature increased a disabled veteran's credit applied to the dollars of taxable valuation of the homestead owned and occupied by the disabled veteran from the first \$6,750 to the first \$8,100 dollars.

### SALES AND USE TAXES

- Beginning August 1, 2021, a special event organizer's requirement to submit a list of vendors attending an event increases from 10 vendors attending to 25 vendors attending an event.
- As of August 1, 2021, the return compensation allowance for new prepaid wireless service sellers who file and pay their returns on time is three percent of each return.
- Beginning July 1, 2021, when a contractor completes a labor-only contract, they are not responsible for use tax on the tangible personal property (TPP) someone else provides that the contractor installs into real property. Sales or use tax is due from the person providing the TPP.
  - A contractor or subcontractor must pay sales tax at the time of purchase or accrue use tax on the cost of TPP they provide to be incorporated into real property.
- Effective July 1, 2021, a sales and use tax exemption is available for purchases made by qualified senior citizen organizations.
- Beginning July 1, 2021, a new sales tax exemption is available for enterprise information technology equipment and computer software purchased for use by an owner, operator, or tenant in a newly constructed or substantially refurbished qualified data center.
- As of July 1, 2021, the sales and use tax exemption on sales of carbon dioxide used for enhanced recovery of oil or natural gas is expanded to include sales of carbon dioxide used for secure geological storage.
- Beginning July 1, 2021, the sales tax exemption on purchases made by an eligible facility for the use or benefit of its patients or occupants is amended to include residential end-of-life facilities.

## COMPARATIVE STATEMENT OF COLLECTIONS FOR THE 2017-2019 BIENNIUM & THE 2019-2021 BIENNIUM

Tax Type	2017-2019	2019-2021	Increase or Decrease	
	Biennium	Biennium	Dollars	Percent
<b>Sales &amp; Use Taxes</b>	\$1,965,563,233	\$2,007,765,562	\$42,202,329	2.15%
<b>Individual Income Tax</b>	781,710,694	821,917,536	40,206,842	5.14%
<b>Corporate Income Tax</b>	241,453,904	240,644,398	(809,506)	-0.34%
<b>Oil &amp; Gas Taxes</b>	4,615,865,617	3,640,352,614	(975,513,003)	-21.13%
<b>Coal Taxes</b>	75,737,700	71,903,873	(3,833,827)	-5.06%
<b>Motor Fuels Taxes</b>	396,307,410	367,252,534	(29,054,876)	-7.33%
<b>All Other Taxes &amp; Fees</b>	678,008,877	738,078,606	60,069,729	8.86%
<b>Total Net Collections</b>	<b>\$8,754,647,435</b>	<b>\$7,887,915,122</b>	<b>\$(866,732,313)</b>	<b>-9.90%</b>

**Sales and Use Taxes:** The growth in this category is due to modest increases in taxable sales and purchases, and is a measure of the resilience and diversity of the North Dakota economy in dealing with the impacts of the global pandemic.

**Individual Income Tax:** This category reflects the growth in wages and salaries resulting in increases in income tax liabilities. The impact of the federal pandemic related stimulus payments and unemployment compensation has a minimal impact on this growth. However, wage increases stemming from pandemic employment changes are reflected in this growth.

**Corporate Income Tax:** The decrease in this category is primarily due to the recessionary impact of the pandemic and associated drop in oil price and production.

**Oil and Gas Taxes:** The decrease in this category is due to a pandemic-related crash in world oil prices as demand for fuel plummeted in the summer of 2020.

# STATEMENT OF COLLECTIONS: 2019-2021 BIENNIUM

Description	Fiscal Year 2020			Fiscal Year 2021			2019-2021 Biennium Net Total
	Gross Collections	Refunds	Net Collections	Gross Collections	Refunds	Net Collections	
Sales & Use Tax	\$1,086,553,246.00	\$18,642,967.51	\$1,067,910,278.49	\$955,836,514.46	\$15,981,231.35	\$939,855,283.11	\$2,007,765,561.60
Motor Vehicle Excise Tax <sup>1</sup>	334,958.40	924.53	334,033.87	307,607.08	201.77	307,405.31	641,439.18
Local Occupancy Tax	3,375,314.21	22,109.36	3,353,204.85	2,380,366.11	42,690.52	2,337,675.59	5,690,880.44
Local Sales Tax	286,829,974.87		286,829,974.87	280,851,776.44		280,851,776.44	567,681,751.31
Local Restaurant and Lodging Tax	8,276,122.62		8,276,122.62	7,918,330.87		7,918,330.87	16,194,453.49
Local Motor Vehicle Rental Tax	137,861.73		137,861.73	87,133.97		87,133.97	224,995.70
Individual Income Tax	470,098,569.08	115,801,008.00	* 354,297,561.08	559,619,975.33	92,000,000.00	* 467,619,975.33	821,917,536.41
Corporate Income Tax	112,654,675.95	21,000,000.00	* 91,654,675.95	181,989,722.02	33,000,000.00	* 148,989,722.02	240,644,397.97
Financial Institutions Tax		2,216.00	(2,216.00)	1,921,871.00	302,937.00	1,618,934.00	1,616,718.00
Cigarette Tax (Cities)	1,328,577.41		1,328,577.41	1,302,551.35		1,302,551.35	2,631,128.76
Cigarette Tax (Tribe)	74,966.76		74,966.76	70,638.24		70,638.24	145,605.00
Cigarette Tax (GF)	18,178,303.25	8,237.21	18,170,066.04	17,825,612.05	12,682.64	17,812,929.41	35,982,995.45
Tobacco Tax	7,033,439.06		7,033,439.06	6,891,448.43	5.00	6,891,443.43	13,924,882.49
Oil & Gas Gross Production Tax	1,079,900,628.68		1,079,900,628.68	864,056,938.30		864,056,938.30	1,943,957,566.98
Oil Extraction Tax	969,947,178.88	11,367,495.69	958,579,683.19	761,079,916.43	23,264,552.83	737,815,363.60	1,696,395,046.79
Telecommunications Tax	7,242,163.23	569.94	7,241,593.29	6,848,653.75	140.73	6,848,513.02	14,090,106.31
Wholesale Liquor/Beer Tax	9,224,237.09	9,577.98	9,214,659.11	9,720,750.89	6,987.42	9,713,763.47	18,928,422.58
Estate Tax			0.00			0.00	0.00
Miscellaneous Remittances	78,968.64		78,968.64	21,047.48		21,047.48	100,016.12
Coal Severance Tax	10,914,913.92		10,914,913.92	10,307,101.35		10,307,101.35	21,222,015.27
Coal Conversion Tax	25,040,729.15		25,040,729.15	25,641,128.30		25,641,128.30	50,681,857.45
Electric Generation Tax	21,018,517.96		21,018,517.96	23,914,437.45		23,914,437.45	44,932,955.41
Music and Composition Tax	123,322.48		123,322.48	214,157.13		214,157.13	337,479.61
Sales & Use Tax Cash Bonds	170,313.08	39,242.05	131,071.03	142,015.83	44,294.50	97,721.33	228,792.36
Fuel Dealers & Inspection Fees	318,942.79		318,942.79	270,837.15		270,837.15	589,779.94
Motor Vehicle Fuel Tax	99,314,266.62	1,035,776.25	* 98,278,490.37	94,152,552.68	1,290,150.00	* 92,862,402.68	191,140,893.05
Special Fuel Tax	96,071,419.40	383,000.00	* 95,688,419.40	81,058,421.89	635,200.00	* 80,423,221.89	176,111,641.29
Motor Fuel Tax - Cash Bond	11,990.00	8,090.00	3,900.00	4,490.00	7,995.00	(3,505.00)	395.00
Non-game Wildlife Fund	23,607.77		23,607.77	34,819.90		34,819.90	58,427.67
Centennial Tree Trust Fund	30,441.12		30,441.12	39,668.35		39,668.35	70,109.47
Organ Transplant Support Fund	22,347.89		22,347.89	26,460.96		26,460.96	48,808.85
Veterans' Postwar Trust	19,234.41		19,234.41	27,367.36		27,367.36	46,601.77
Airline Tax	252,010.69		252,010.69	189,078.80		189,078.80	441,089.49
Aircraft Excise Tax	4,310.00		4,310.00	15,529.51	4,125.00	11,404.51	15,714.51
Prepaid Wireless Fees	1,260,042.44	122.11	1,259,920.33	1,250,527.51	16.87	1,250,510.64	2,510,430.97
Provider Assessment	5,475,444.00		5,475,444.00	5,469,181.65		5,469,181.65	10,944,625.65
<b>TOTAL COLLECTIONS</b>	<b>\$4,321,341,039.58</b>	<b>\$168,321,336.63</b>	<b>\$4,153,019,702.95</b>	<b>\$3,901,488,630.02</b>	<b>\$166,593,210.63</b>	<b>\$3,734,895,419.39</b>	<b>\$7,887,915,122.34</b>

\* Represents amounts transferred to refund reserve accounts - not actual refunds.

<sup>1</sup> Additional Motor Vehicle Excise Tax was collected by the ND Department of Transportation. Amounts collected by NDDOT were \$131,064,208.96 in FY 2020 and \$153,759,333.54 in FY 2021.

## NET COLLECTIONS: FOR FISCAL YEARS 2015 TO 2021

Tax Type	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Sales and Use Taxes <sup>1 2</sup>	\$1,389,034,625	\$1,017,376,784	\$872,421,766	\$912,480,709	\$1,053,082,524	\$1,067,910,278	\$939,855,283
Individual Income Tax	537,606,872	355,512,173	314,192,157	366,321,257	415,389,437	354,297,561	467,619,975
Corporate Income Tax	195,838,806	97,580,800	69,225,592	92,872,214	148,581,690	91,654,676	148,989,722
Oil Extraction Tax	1,514,332,592	732,866,348	693,306,400	981,364,851	1,219,436,220	958,579,683	737,815,364
Gross Production Tax	1,286,652,421	750,474,504	766,430,836	1,073,026,703	1,342,037,843	1,079,900,629	864,056,938
Coal Taxes <sup>3</sup>	38,547,031	37,734,264	36,849,713	37,892,268	37,845,432	35,955,643	35,948,230
Motor Fuel Taxes <sup>4</sup>	232,501,342	197,177,741	189,517,844	196,756,642	199,550,769	193,966,910	173,285,625
All Other Taxes & Fees <sup>5</sup>	343,319,515	330,962,875	318,027,551	321,755,299	356,253,577	370,754,323	367,324,283
<b>Total Net Collections</b>	<b>\$5,537,833,204</b>	<b>\$3,519,685,489</b>	<b>\$3,259,971,859</b>	<b>\$3,982,469,943</b>	<b>\$4,772,177,492</b>	<b>\$4,153,019,703</b>	<b>\$3,734,895,419</b>

<sup>1</sup> Includes sales and use tax, motor vehicle excise tax.

<sup>2</sup> The Department of Transportation collects the majority of the motor vehicle excise taxes. The amounts collected by NDDOT are not included in the table above. These collections total \$152,261,521 in FY 2015, \$116,651,688 in FY 2016, \$126,154,346 in FY 2017, \$125,438,101 in FY 2018, and \$136,664,550 in FY 2019, \$131,064,209 in FY 2020, and \$153,759,334 in FY 2021.

<sup>3</sup> Includes coal severance tax and coal conversion facilities privilege tax.

<sup>4</sup> Includes motor vehicle fuel and special fuel taxes.

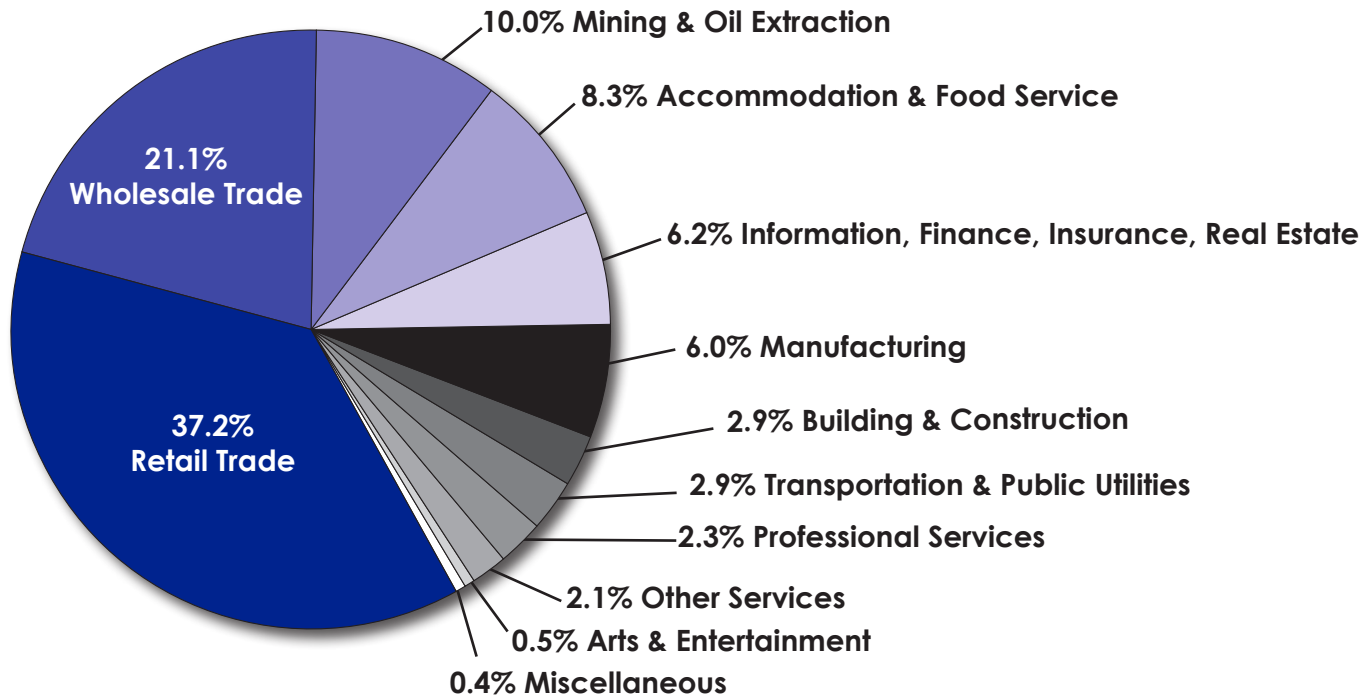
<sup>5</sup> Includes cigarette tax, tobacco tax, estate tax, financial institutions tax, transmission lines tax, city sales tax, city lodging tax, music and composition tax, sales and use tax and motor fuel tax cash bonds, motor fuel license fees, non-game wildlife contributions, centennial trees contributions, organ transplant support contributions, city restaurant and lodging, miscellaneous remittances, provider assessment, telecommunications tax, wholesale liquor tax, airline tax, city motor vehicle rental tax, and prepaid wireless fees.

Source: Comparative Statement of Collections, Office of State Tax Commissioner

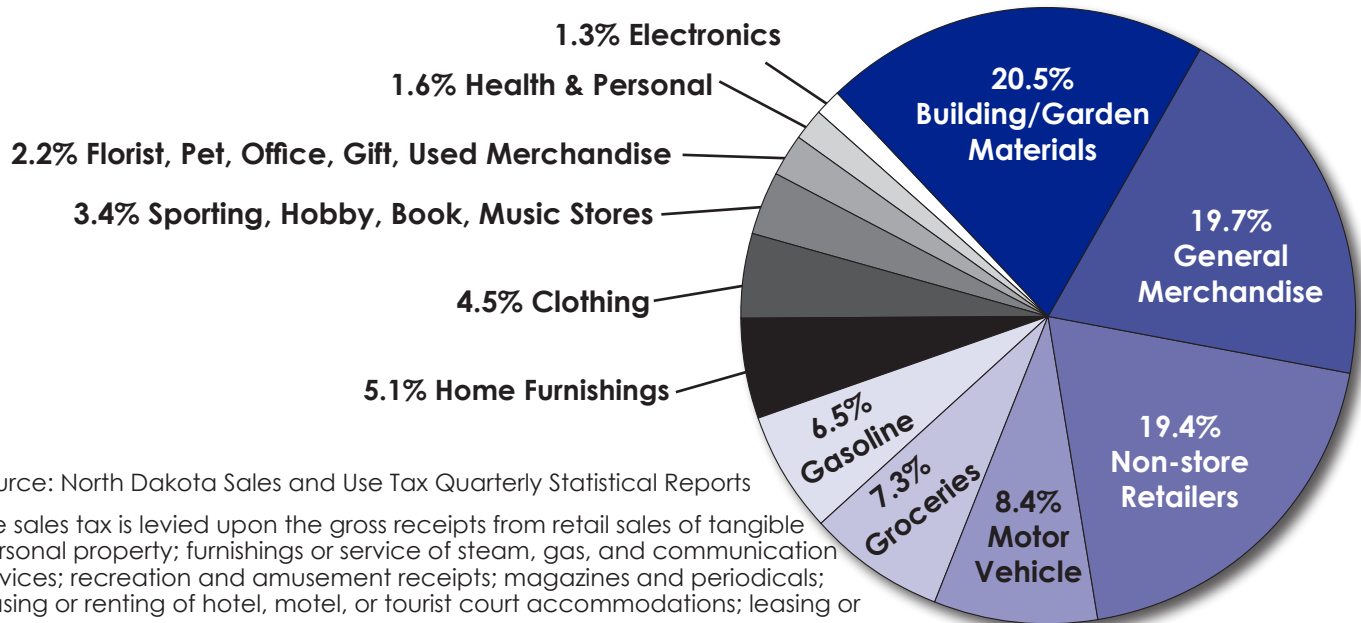


# TAXABLE SALES AND PURCHASES IN THE 2019-2021 BIENNIUM

## Taxable Sales and Purchases Breakdown by Major Business Sectors



## Taxable Sales and Taxable Purchases Breakdown of Retail Trade Sector



Source: North Dakota Sales and Use Tax Quarterly Statistical Reports

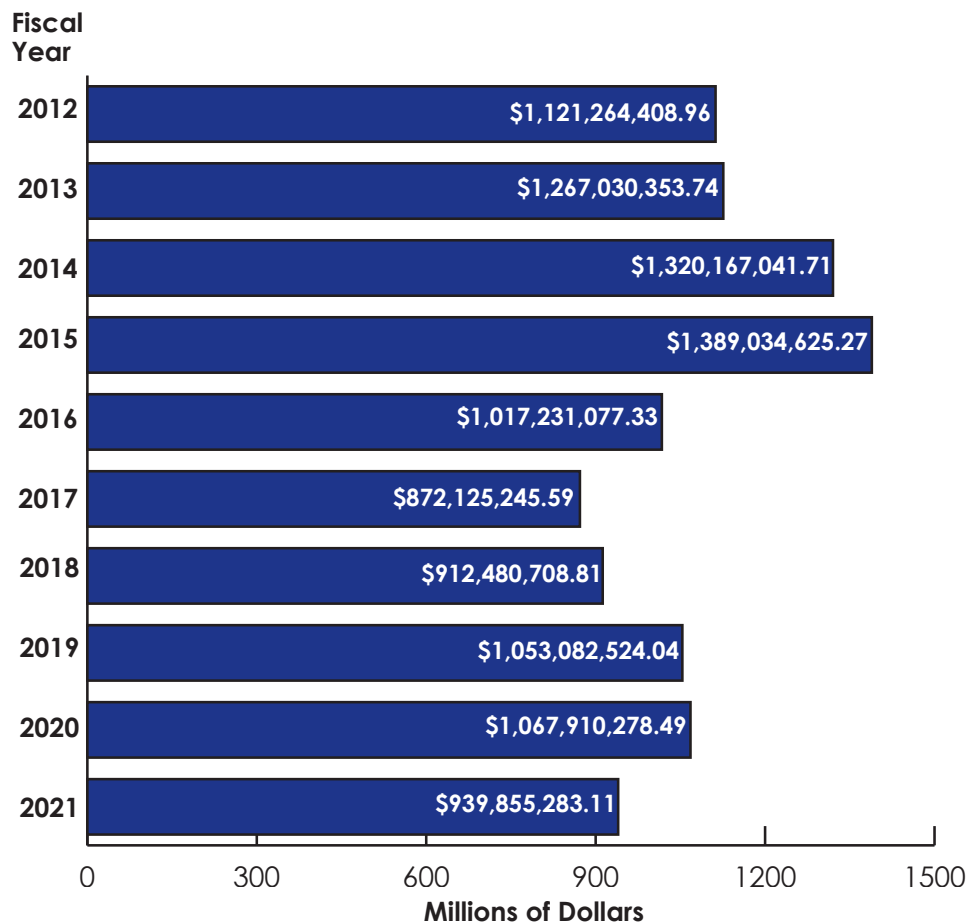
The sales tax is levied upon the gross receipts from retail sales of tangible personal property; furnishings or service of steam, gas, and communication services; recreation and amusement receipts; magazines and periodicals; leasing or renting of hotel, motel, or tourist court accommodations; leasing or renting of tangible personal property.

The use tax is imposed upon any tangible personal property purchased at retail for storage, use, or consumption in this State and not subject to the North Dakota sales tax, unless otherwise exempt by law. Generally this tax applies on purchases of tangible personal property at retail outside North Dakota for use in this State when such purchases are made from a retailer who does not collect a sales and use tax. Many purchases made over the internet are subject to use tax. Under these circumstances, the purchaser must remit the tax directly to the Office of State Tax Commissioner.

Sales Tax permit holders are categorized through the use of the North American Industrial Classification System, generally referred to as "NAICS" codes. The NAICS system is used by government and business throughout the United States to facilitate record keeping and the compilation of statistics regarding business and industry.

## SALES & USE TAX COLLECTIONS

### FISCAL YEARS 2012 TO 2021



### Distribution of Sales Tax Collections

	Total Revenues	State General Fund	State Aid Distribution Fund
FY 2012	\$1,121,264,408.96	\$1,031,442,016.04	\$89,822,392.92
FY 2013	1,267,030,353.74	1,165,535,777.18	101,494,576.56
FY 2014	1,320,167,041.71	1,212,460,100.00	107,706,941.71
FY 2015	1,389,034,625.27	1,265,786,681.93	123,247,943.34
FY 2016	1,017,231,077.33	925,369,573.65	91,861,503.68
FY 2017	872,125,245.59	792,498,261.64	79,626,983.95
FY 2018	912,480,708.81	829,120,205.91	83,360,502.90
FY 2019	1,053,082,524.04	957,359,511.00	95,723,013.04
FY 2020	1,067,910,278.49	970,559,563.73	97,350,714.76
FY 2021	939,855,283.11	853,433,322.00	86,423,072.11

## SALES & USE TAX

Generally, the North Dakota sales and use tax is imposed on the gross receipts of retailers. The tax is paid by the purchaser and collected by the retailer. Currently, the sales and use tax rates are:

- The general rate is 5%.
- The rate on retail sale of alcoholic beverages is 7%.
- The rate on new farm machinery is 3%.
- The rate on new mobile homes is 3%.

A recent history of changes to the sales tax base and rates follows:

Effective July 1, 2002, used farm equipment and farm repair parts became exempt from sales tax.

Effective July 1, 2005, the State enacted and adopted the national Streamlined Sales Tax Project.

Effective July 1, 2009, the sale of natural gas became exempt from sales tax. A sales tax exemption was also enacted for irrigation system repair parts, and for property used to compress, process, gather, or refine gas produced from an oil or gas well in the state. Purchases of tangible personal property used to construct or expand a telecommunications service infrastructure in the state were exempted from sales and use taxes.

Effective July 1, 2011, machinery and equipment used in a new coal mine and the construction or expansion of oil refineries and gas gathering compressing and processing facilities became exempt from sales tax.

Effective July 1, 2013, the sales tax exemption for gas gathering systems was expanded to include certain gas collection systems capable of capturing 75% of the gas from a well. A sales tax exemption was authorized for the construction or expansion of a plant designed to produce byproducts associated with coal gasification.

Effective July 1, 2015, items used in the construction of fertilizer plants, chemical processing plants, and new coal mines became exempt from sales and use tax. Other exemptions enacted include admissions to higher education events and molds used in manufacturing processes.

Effective July 1, 2017, dairy farm equipment installed in real estate qualified for the lower 3% gross receipts tax. The prepaid wireless fee was increased from 2% to 2.5%.

Effective October 1, 2018, the state started imposing and collecting sales and use tax from remote sellers as a result of the U.S. Supreme Court decision in *SD v. Wayfair, Inc.*

In 2019, legislation was enacted that defined marketplace facilitator and required out-of-state marketplace facilitators to collect sales and use tax on all North Dakota sales made through the facilitator's marketplace. Marketplace facilitators are required to collect the tax if the total taxable North Dakota sales made on behalf of all sellers in the marketplace by the facilitator exceeds \$100,000 in the current or previous calendar year.

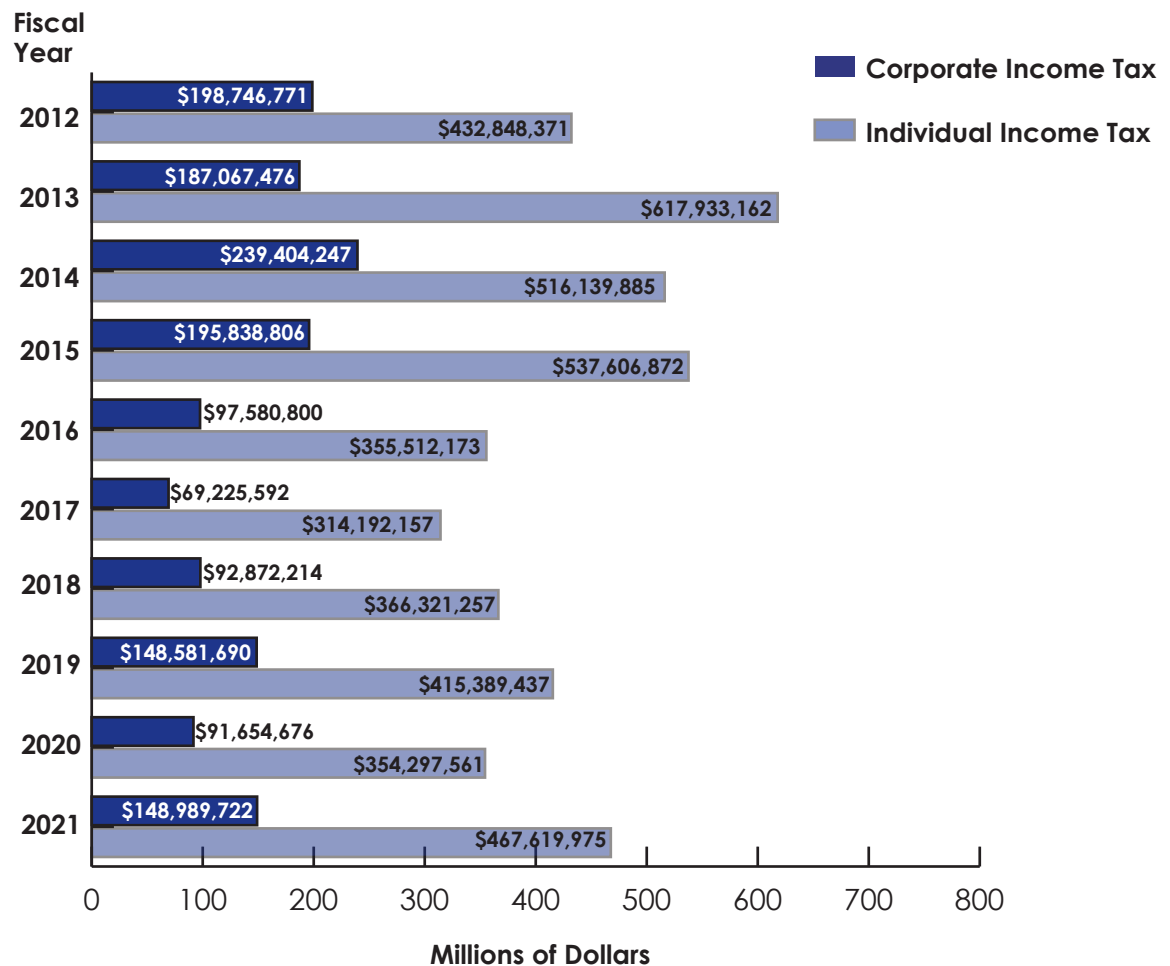
Effective July 1, 2019, a new sales tax exemption was created for tangible personal property used to construct or expand a qualified straddle plant, a qualified fractionator, or qualified associated infrastructure located within North Dakota.

Effective July 1, 2019, a new sales tax exemption was created for the tangible personal property used to construct or expand a system that provides secure geologic storage of carbon dioxide.

Effective July 1, 2019, provisions were enacted authorizing counties to impose a county lodging tax of up to 2% and a separate lodging and restaurant tax of up to 1%, provided these county taxes do not add to similarly city-imposed taxes.

# NET INDIVIDUAL & CORPORATE INCOME TAX COLLECTIONS

## FISCAL YEARS 2012 TO 2021

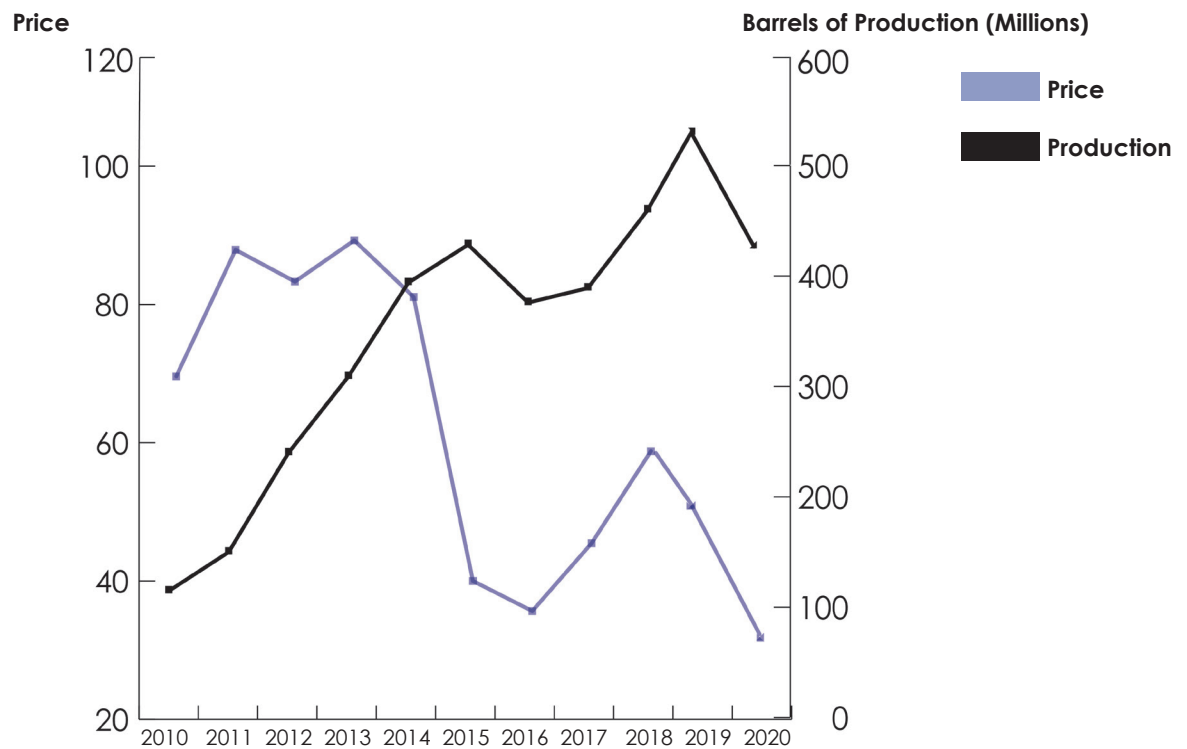


**Individual Income Tax:** For tax years 2011 and 2012, tax rates ranged from 1.51% to 3.99% of North Dakota taxable income. For tax years 2013 and 2014, tax rates ranged from 1.22% to 3.22% of North Dakota taxable income. For tax years beginning with 2015, the tax rates range from 1.10% to 2.90% of North Dakota taxable income. Individual income tax revenues are deposited in the State General Fund.

**Corporate Income Tax:** For tax year 2011 and 2012, tax rates ranged from 1.68% to 5.15%. For tax years 2013 and 2014, tax rates ranged from 1.48% to 4.53%. For the tax years beginning with 2015, tax rates range from 1.41% to 4.31%. Corporate income tax revenues are deposited in the State General Fund.



# ANNUAL CRUDE OIL PRODUCTION IN ND & DOMESTIC OIL PRICE PER BARREL DURING CALENDAR YEARS 2010 TO 2020



Source: Production: North Dakota Industrial Commission Oil Statistics  
Price: Average North Dakota Price from Office of State Tax Commissioner Records

## Oil and Gas Gross Production and Oil Extraction Tax Revenues 2019-2021 Biennium

	FY 2020	FY 2021	2019-2021 Biennium
<b>Net Collections</b>			
Oil & Gas Gross Production Tax	\$1,079,912,250	\$864,064,054	\$1,943,976,304
Oil Extraction Tax	956,351,054	738,857,547	1,695,208,601
<b>Total</b>	<b>\$2,036,263,304</b>	<b>\$1,602,921,601</b>	<b>\$3,639,184,905</b>
<b>Distributions</b>			
State General Fund			\$400,000,000
Legacy Fund			965,917,312
Counties/Cities/School Districts			542,393,665
Three Affiliated Tribes			419,460,520
Foundation Aid Stabilization Fund			149,035,303
Common Schools Trust Fund			149,035,303
Resources Trust Fund			305,522,369
Municipal Infrastructure Fund			29,875,000
Oil & Gas Research Fund			16,000,000
Strategic Investment & Improvements Fund			372,009,651
Tax Relief Fund			200,000,000
Lignite Research Fund			10,000,000
State Energy Research Center Fund			5,000,000
Outdoor Heritage Fund			15,000,000
Budget Stabilization Fund			48,431,258
Well Plugging & Site Reclamation Fund			11,504,524
<b>Total Distributions</b>			<b>\$3,639,184,905</b>

Note: Some collections are distributed in the following biennium and some distributions are from revenue collected in the prior biennium. Distributions lag collections by one month.

## OIL & GAS GROSS PRODUCTION TAX

The gross value of oil production at the well, less any part which is specifically exempt, is taxed at a rate of 5% in lieu of property taxes on the oil and gas producing properties. Gas production is taxed on a volume basis at a rate determined by the movement of a fuels cost index.

## OIL EXTRACTION TAX

The oil extraction tax became effective January 1, 1981, as a result of an initiated measure passed by the citizens of North Dakota. The gross value of oil production at the well, less any part which is specifically exempt, was taxed at 6.5%.

The 1987 Legislature changed the oil extraction tax with respect to new wells, secondary and tertiary recovery projects, and low production (stripper) wells. Oil produced from new wells drilled and completed after April 27, 1987 was exempted from the oil extraction tax during the first 15 months following the well's completion. After the 15-month exemption period, the oil produced from the qualifying new well was subjected to a reduced oil extraction tax rate of 4%. The 4% tax rate may also apply to oil produced from a well in a qualifying secondary or tertiary recovery project. The legislature expanded the definition of stripper well property to allow more wells to qualify for the stripper well exemption.

Effective July 1, 1987, the oil extraction tax exemption for the private royalty interest was eliminated.

The 1989 Legislature provided a one-year exemption from the oil extraction tax for qualifying work-over projects.

The 1991 Legislature provided a time-limited exemption from the oil extraction tax for incremental oil produced from an enhanced recovery project. Upon expiration of the exemption, incremental oil produced by the project qualifies for a 4% oil extraction tax rate. Nonincremental oil may qualify for a reduced tax rate of 4%.

The 1993 Legislature modified the definition of a qualifying work-over project. Upon completion of the work-over exemption, the project qualifies for a 4% oil extraction tax rate. The 1995 Legislature also modified exemptions and created new ones.

Most of these incentives were "triggered" on and off based on oil prices. The majority of incentives had been triggered off since October 1, 2004 because oil prices exceeded the trigger price. Effective January 1, 2016, most triggered incentives were repealed, and the oil extraction tax rate was permanently lowered from 6.5% to 5% of the value at the lease.

## LEGACY FUND

In 2011, the citizens of North Dakota approved a ballot measure to change the State's Constitution requiring 30% of all oil and gas tax revenues be deposited to the state's Legacy Fund. The Legacy Fund received \$965 million in the 2019-21 biennium.

## TRIBAL/STATE OIL & GAS REVENUE SHARING

Beginning in Fiscal Year 2009, the Legislature authorized the Governor to enter into an agreement sharing the tax revenue from oil and gas production within the Fort Berthold Indian Reservation.

Effective July 1, 2021, revenue from wells located outside a tribal boundary but having laterals that end within a tribal boundary is allowed to be shared with those tribal entities. Allocation rate is based on the drill date of the well and on-reservation trust and non-trust land ratios as calculated by the North Dakota Industrial Commission.

# COAL CONVERSION TAX: 2019-2021 BIENNIUM

## Kilowatt Hours Produced During the 2019-2021 Biennium

	<u>FY 2020</u>	<u>FY 2021</u>
Total kWh Produced	25,244,463,407	24,243,971,043

## Distribution of Coal Conversion Tax Revenue - 2019-2021 Biennium

<u>Distribution Fund</u>	<u>FY 2020</u>	<u>FY 2021</u>
Counties	\$ 3,927,215	\$ 4,107,269
State General Fund <sup>1</sup>	<u>21,064,462</u>	<u>21,715,901</u>
Total Revenue Collected	\$24,991,677	\$25,823,170

<sup>1</sup> Five percent of funds allocated to the State General Fund are allocated to the Lignite Research Fund

**Coal Conversion Facilities Tax:** Facilities that process or convert coal are subject to the coal conversion facilities tax unless expressly exempted by statute. Electrical generating plants that have a single generating unit with the capacity of 10,000 kilowatts or more are subject to the coal conversion facilities tax. Electrical generating plants are subject to two conversion tax levies. One levy is .65 mill times 60% of installed capacity times the number of hours in the taxable period. The revenue from this levy is distributed 85% to the State General Fund and 15% to the county in which the plant is located. The other levy is .25 mill per kwh of electricity produced for sale. The revenue from this levy is distributed to the State General Fund. Beginning July 1, 2021, HB 1412, from the 2021 Legislative Session implemented an exemption for the 85% State General Fund portion of the tax through June 30, 2026. Electrical generating plants and coal conversion facilities will pay a lignite research tax equal to 85% of the State General Fund distribution tax amount (tax imposed under section 57-60-02) multiplied by five percent.

Also subject to the coal conversion facilities tax is the coal gasification plant. This tax is the greater of: (A) 2% of gross receipts, excluding revenues derived from by-products (up to a maximum of 20% of gross receipts) and revenue from synthetic natural gas produced in excess of 110 million cubic feet per day, or (B) 13.5¢ on each 1,000 cubic feet of synthetic natural gas produced up to 110 million cubic feet per day. The U.S. Department of Energy operated the coal gasification plant from August 1, 1985 through October 31, 1988, during which time the plant was exempt from the coal conversion facilities tax. The plant was purchased by the Dakota Gasification Company, which began taxable production November 1, 1988. The new owner was exempt from the state's share (65%) of the tax for five years from the date of purchase because of provisions enacted by the 1987 Legislature. (This exemption expired October 31, 1993.) Throughout the five-year exemption from the state's share, the plant was subject to the county share of the tax (35% at that time).

The 1989 Legislature enacted a special coal conversion facilities tax on coal beneficiation plants of 20 cents per ton of beneficiated coal produced for sale or 1¼% of gross receipts, whichever is greater. An exemption was made for beneficiated coal produced in excess of 80% of the plant design capacity.

The 1991 Legislature enacted a five-year exemption from part or all of the tax for new lignite-burning electrical generating plants.

The 1997 Legislature exempted from the Coal Conversion Facilities Tax the revenue from the sale of by-products, to a maximum of 35% of gross receipts, for a four-year period beginning January 1, 1997. Revenue from the sale and transportation of carbon dioxide for use in enhanced recovery of oil and natural gas was also exempted from this tax.

The 2001 Legislature amended the definition of a coal conversion facility to include an electrical generating plant that has at least one single unit with a capacity of 10,000 kilowatts or more. The tax rate on installed capacity increased to .65 mill times 60% of installed capacity times the number of hours in the taxable period. Distribution of the tax on installed capacity changed to allocate 85% to the State General Fund and 15% to the county in which the plant is located. The tax rate on synthetic natural gas increased to \$.135 per 1,000 cubic feet. The tax rate on gross receipts changed from 2.5% to 4.1%. Through December 31, 2009, the first \$41,666.67 each month from a coal conversion facility other than an electrical generating plant was deposited in the State General Fund. The remainder was allocated 85% to the State General Fund and 15% to the county in which the plant was located. The Legislature provided that the allocation of coal conversion tax to each county may not be less in each calendar year than it was in the immediately preceding calendar year.

The 2005 Legislature enacted the Coal Conversion Facility Tax Reduction Act that provides a five-year exemption for electrical generating plants that complete repowering. "Repowering" is defined as an investment of more than \$200 million or \$1 million per megawatt of installed nameplate capacity, whichever is less, in an existing power plant that modifies or replaces the process used for converting lignite coal from its natural form into electric power.

The 2007 Legislature provided that for the 2007-09 biennium 3½% of funds allocated to the State General Fund from the coal conversion tax must be allocated to the lignite research fund. After June 30, 2009, 5% must be allocated to the lignite research fund, through July 31, 2018.

The 2009 Legislature clarified that the exemption for new or repowered electrical generating plants is limited to a new or repowered unit of a plant. They provided that 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 2017 legislature amended the coal conversion tax measured by gross receipts to 2% of the gross receipts for the preceding month. The legislature also amended the carbon dioxide capture credit to define that a coal conversion facility that met the carbon dioxide capture requirements before January 1, 2017 may not claim the reduction allowed under N.D.C.C. § 57-60-02.1.

The 2021 Legislature exempted electrical generating plants and coal conversion facilities from the 85% State General Fund tax beginning July 1, 2021, and ending June 30, 2026. Instead of paying the full 85% tax on generation for electrical generating plants and the greater of the \$.02 gross receipts tax or the \$.135 production tax for coal conversion facilities, the companies will pay a lignite research tax on 5% of the 85% State General Fund tax.

Any county which has a coal conversion facility that was not a coal conversion facility before January 1, 2002 had to receive for calendar year 2002 at least as much as that facility paid in property taxes for taxable year 2001. For subsequent years, that county must receive no less than it received in the preceding calendar year. All amounts received from that facility must be allocated in the same manner property taxes for the facility were allocated for taxable year 2001.



## COAL SEVERANCE TAX: 2019-2021 BIENNIUM

### Tonnages Severed During the 2019-2021 Biennium

Taxable Tons Severed:

<b><u>County</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
Adams	-	-
Bowman	48,228	25,577
McLean	7,357,798	7,414,343
Mercer	15,827,673	14,757,753
Oliver	4,242,010	3,895,605
Williams	18,425	4,906
<b>Total Taxable Tons Severed</b>	<b>27,494,134</b>	<b>26,098,184</b>

### Distribution of Coal Severance Tax Revenue — 2019-2021 Biennium

<b><u>Distribution Fund</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
Counties (70%)	\$7,217,210.43	\$6,850,773.52
Land Board (30%)	3,093,089.86	2,936,045.60
Lignite Research (Additional 2¢ per ton)	594,882.68	521,963.68
<b>Total Revenue Collected</b>	<b>\$10,905,182.97</b>	<b>\$10,308,782.80</b>

## COAL SEVERANCE TAX

The Coal Severance Tax was enacted by the 1975 North Dakota Legislature. This tax is applied to coal severed from the ground on a rate per ton basis. The 1975 law provided for a 50¢ per ton with an escalator clause that increased the tax 1¢ per ton for each three point increase in the Wholesale Price Index. The 1975 law was made effective July 1, 1975.

The revenues collected during the 1975-1977 biennium were distributed according to the following formula:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 30% to a special trust fund to be administered by the State Land Board.
3. 5% to coal-producing counties.
4. 30% to the State General Fund.

The 1975 law was replaced with the 1977 law, changing the rate and distribution formula. The 1977 law, effective July 1, 1977, provided for a 65¢ per ton with an escalator clause that increased the tax 1¢ per ton on a quarterly basis for every one point increase in the Wholesale Price Index.

## COAL SEVERANCE TAX (continued)

The 1977 law also changed the distribution of revenues to the following formula:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 15% to a special trust fund to be administered by the State Land Board.
3. 20% to coal-producing counties.
4. 30% to the State General Fund.

Effective July 1, 1979, the tax was 85¢ per ton tax with an escalator that would increase the tax 1¢ per ton on a semi-annual basis for every four point increase in the Producer Price Index. The distribution of revenues remained the same.

The 1985 Legislature exempted from the coal severance tax coal used in agricultural processing or sugar beet refining plants within North Dakota or adjacent states. Also, the tax rate was reduced by 50% for coal burned in a cogeneration facility designed to use renewable resources to generate 10% or more of its energy output.

The 1987 Legislature amended the coal severance tax law, removing the escalator clause and reducing the tax rate from \$1.04 to 75¢ per ton and enacting an additional temporary tax of 2¢ per ton dedicated to lignite research. The 1987 law also changed the distribution of the revenue to the following formula:

1. 15% to a special trust fund to be administered by the State Land Board.
2. 35% to coal-producing counties.
3. 50% to the State General Fund.

The 1993 Legislature limited the amount of coal production on which a coal producing county has to share its severance tax with a nearby nonproducing county. The uses of the trust fund were expanded to include loans for school construction. Coal shipped out of state after June 30, 1995, and before July 1, 2000, was made exempt from the state's 50% portion of the tax; counties may grant a partial or complete exemption from the county's 35% portion. A constitutional amendment was placed on the June 1994 Primary Election ballot that allowed appropriations from the trust fund for clean coal demonstration projects approved by the North Dakota Industrial Commission and the United States Department of Energy. The amendment was approved by the voters.

The 2001 Legislature reduced the tax rate from 75¢ per ton to 37.5¢ per ton and eliminated the distribution to the State General Fund. The allocation was changed to 30% to the coal development trust fund and 70% to the coal producing counties.

The 2009 Legislature prohibited imposition of coal severance tax on coal used to produce steam that is used in agricultural commodity processing facilities in North Dakota or adjacent states or any facility owned by the state or a political subdivision of the state, or on coal purchased for improvement through coal beneficiation and subsequently used in, or used to produce steam that is used in, agricultural commodity processing facilities located in North Dakota or adjacent states or any facility owned by the state or a political subdivision of the state.

The 2015 Legislature amended several sections of law to define commercial leonardite as a subsurface mineral and redefined commercial leonardite severance taxation.

The 2017 Legislature reduced the production limit of coal severed that is required to be shared with a county within 15 miles of the tipple of the active coal mine. The production limit through calendar year 2017 was 3,400,000 tons of coal. For calendar years after 2017, the production limit is 3,000,000 tons.

The 2021 Legislature approved HB 1412 which provides the county to grant an optional, partial, or complete exemption from up to 70% of the tax imposed under section 57-61-01, which is the \$0.375 per ton (2,000 pounds per ton) for a period not to extend past June 30, 2026. Any tax revenue exceeding 30% of the tax imposed under this subsection must be allocated to the county under subsection 3 of section 57-62-02.

## ELECTRIC GENERATION, DISTRIBUTION, & TRANSMISSION TAXES

### Taxes Certified for Collection for the Years\*:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Electric Distribution Tax	\$9,437,060.92	\$10,021,157.96	\$10,160,673.11	11,034,515.50
Electric Transmission Tax	1,636,776.34	1,714,235.43	1,677,077.90	1,744,172.93
Electric Generation from Wind Tax	5,175,538.57	7,741,338.28	7,846,120.05	9,381,543.69
Electric Generation (from sources other than wind and coal)	1,280,275.32	997,646.83	1,334,682.90	1,752,789.51

Source: Property Tax Division, Office of State Tax Commissioner

\* These taxes are levied by the State Board of Equalization in August of the indicated year and are payable in the following year.

The 2009 Legislature repealed N.D.C.C. ch. 57-33, the rural Electric Cooperative Gross Receipts Tax, and ch. 57-33.1, Taxation of Cooperative Electrical Generating Plants, and enacted ch. 57-33.2, Electric Generation, Distribution, and Transmission Taxes. The 2015 Legislature amended the assessment of transmission line taxes. All transmission lines of 100 kilowatts or more, on which construction is completed after December 31, 2014, or which is 20 years or more from the date of first assessment, is subject to taxes in lieu of property taxes, to be determined as provided in subsection 1 of N.D.C.C. § 57-33.2-04 and subject to any associated administrative provisions of N.D.C.C. ch. 57-33.2 and therefore included in the total Electric Transmission Tax (previously the Transmission Line Tax).

The 2019 Legislature amended the distribution of taxes collected for wind generated electricity. Thirty-three percent of wind project revenue collected under subsection 1 of N.D.C.C. § 57-33.2-04 for new projects that begin construction after December 31, 2020, and those that have been in operation for 20 years or more from the date of first assessment, will be deposited to the state general fund. The remaining revenue will be allocated to the local jurisdictions.

## TELECOMMUNICATIONS CARRIERS TAX

Beginning with tax year 1998, all telecommunications companies including mutual and cooperative telephone companies pay a gross receipts tax at the rate of 2½% of adjusted gross receipts. The tax is payable to the State Tax Commissioner and is in lieu of all real and personal property taxes on property directly used by a telecommunications carrier in its telecommunications operations. There is a standing appropriation of \$8.4 million, which the State Treasurer distributes annually to counties and their political subdivisions according to a statutory formula, regardless of the amount generated by the gross receipts tax.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Telecommunications Tax Assessed	\$10,280,989.90	\$8,598,842.99	\$7,710,854.06	\$7,064,432.57

Source: Proceedings of the State Board of Equalization, Office of State Tax Commissioner

## CIGARETTE & TOBACCO PRODUCTS TAX

	2017-2019 Biennium		2019-2021 Biennium	
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
3¢ per package cigarette tax distributed to cities on population basis	\$1,423,168.51	\$1,375,523.92	\$1,328,946.77	\$1,303,408.12
41¢ per package cigarette tax distributed to State General Fund	19,449,976.76	18,809,641.25	18,162,802.24	17,813,246.35
28% of the wholesale price of tobacco products distributed to State General Fund	7,013,757.22	7,089,093.09	7,036,502.21	6,891,582.90

The cigarette tax rate is 44¢ per package of 20 cigarettes. Generally, the tobacco products tax is 28% of the wholesale purchase price. Some tobacco products are taxed based on weight.

### Standing Rock Sioux Tribe Cigarette and Tobacco Tax

	2017-2019 Biennium		2019-2021 Biennium	
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Amount distributed to the Tribe	\$79,440.73	\$76,484.61	\$74,966.76	\$70,638.24
Amount distributed to the State General Fund	12,792.80	12,316.76	12,068.50	11,375.27

The Office of State Tax Commissioner acts as an agent for the Tribe in the collection of a tribal cigarette and tobacco tax. The tax rates are identical to the state cigarette and tobacco tax rates. Eighty-seven percent of the collection, less a 1% administrative fee is returned to Standing Rock Sioux Tribe. The administrative fee plus 13% of the collections are deposited into the State General Fund.

Source: Comparative Statement of Collections, Office of State Tax Commissioner.

## AIRLINE TAX

Operating real property of air transportation companies is assessed by the State Board of Equalization. The taxes are computed and collected by the Tax Commissioner and certified to the State Treasurer for distribution. The taxes upon air transportation companies are allocated by the State Treasurer to the city or municipal airport authority where each company makes regularly scheduled landings according to the ratio that the value of the company's assessable property at a given city or municipal airport bears to the total value of the company's assessable property located in North Dakota.

### Taxes Certified to State Treasurer for the Years\*:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Airlines	\$222,620.83	\$245,369.52	\$252,010.69	\$189,078.80

\* Airline assessments of real property are determined by the State Board of Equalization in August of each year. The tax due amounts are computed in the spring of the following year using the average mill rate for cities operating airports served by scheduled airlines.

Source: Property Tax Division, Office of State Tax Commissioner



# AVIATION FUEL, MOTOR VEHICLE FUEL, & SPECIAL FUELS TAXES

## COLLECTIONS & DISBURSEMENTS 2019-2021 BIENNIUM

### Aviation Fuel, Motor Vehicle Fuel, & Special Fuel Collections - Tax, Penalty, Interest, & Fees

	FY 2020 Dollars	FY 2021 Dollars
<b>Aviation Fuel:</b>		
Aviation Gas - at \$.08 Per Gallon	\$119,569.97	\$125,970.10
Jet Fuel - at \$.08 Per Gallon	1,617,253.11	1,204,329.15
Penalty & Interest	1,442.98	759.67
<i>Total Collections</i>	1,738,266.06	1,331,058.92
<i>Total Refunds</i>	7,365.36	2,087.60
<i>Net Collections</i>	1,730,900.70	1,328,971.32
<b>Motor Vehicle Fuel:</b>		
Gasoline - at \$.23 Per Gallon	17,979,013.11	17,373,567.11
Gasohol - at \$.23 Per Gallon	79,114,720.44	74,856,539.94
Penalty & Interest	88,681.38	63,992.65
<i>Total Collections</i>	97,182,414.93	92,294,099.70
<i>Total Refunds</i>	994,587.45	1,263,538.96
<i>Net Collections</i>	96,187,827.48	91,030,560.74
<b>Special Fuel:</b>		
Diesel - Propane - at \$.23 Per Gallon	76,739,575.69	67,419,545.95
Diesel- Heating-Kerosene-Propane - at 2% or \$.04 Per Gallon	16,183,282.43	11,575,465.79
Heating	0.00	0.00
Penalty & Interest	124,603.60	149,614.75
<i>Total Collections</i>	93,047,461.72	79,144,626.49
<i>Total Refunds</i>	436,217.69	624,915.18
<i>Net Collections</i>	92,611,244.03	78,519,711.31
<b>Consolidated Laboratories Inspection Fees:</b>		
From Motor Vehicle Fuel	110,071.29	104,160.06
From Special Fuels (Except Propane)	175,015.69	141,773.36
<i>Total Collections</i>	285,086.98	245,933.42
<b>License Fees:</b>		
Aviation Fuel Tax Licenses	40.00	20.00
Motor Vehicle Fuel Tax Licenses	280.00	160.00
Special Fuels (Diesel-Heating-Kerosene) Tax Licenses	260.00	220.00
Liquefied Petroleum Gas Tax Licenses	300.00	240.00
<i>Total Collections</i>	880.00	640.00
<b>Cash Bonds:</b>	3,900.00	(4,500.00)
<b>Tribal Tax Collections:</b>		
Standing Rock Gasoline/Gasohol - at \$.23 Per Gallon	318,462.27	308,920.45
Standing Rock Diesel - at \$.23 Per Gallon	25,894.74	28,927.84
Spirit Lake Gasoline/Gasohol -at \$.23 Per Gallon	184,917.87	187,225.50
Spirit Lake Diesel - at \$.23 Per Gallon	(766.86)	351.41
Three Affiliated Gasoline/Gasohol - at \$.23 Per Gallon	871,341.91	709,863.62
Three Affiliated Diesel - at \$.23 Per Gallon	1,147,609.30	496,973.09
Turtle Mountain Gasoline/Gasohol - at \$.23 Per Gallon	701,427.39	645,486.38
Turtle Mountain Diesel - at \$.23 Per Gallon	42,844.71	51,819.60
<i>Total Tribe Gasoline/Gasohol - at \$.23 Per Gallon</i>	2,076,149.44	1,851,495.95
<i>Total Tribe Diesel - at \$.23 Per Gallon</i>	1,215,581.89	578,071.94
<b>Grand Total of Collections- (No Tribes)</b>	192,258,009.69	173,011,858.53
<b>Grand Total of Refunds</b>	1,438,170.50	1,890,541.74
<b>Grand Total of Net Collections</b>	<b>\$190,819,839.19</b>	<b>\$171,121,316.79</b>

# AVIATION FUEL, MOTOR VEHICLE FUEL, & SPECIAL FUELS TAXES

## TAXABLE GALLONS 2019-2021 BIENNIUM

Aviation Fuel, Motor Vehicle Fuel, & Special Fuel Taxable Gallons	FY 2020 Gallons	FY 2021 Gallons
<b>Aviation Fuel:</b>		
Aviation Gas - at \$0.08 Per Gallon	1,558,162.00	1,589,213.00
Jet Fuel - at \$0.08 Per Gallon	20,294,195.00	15,178,595.00
<i>Total Taxable Gallons</i>	21,852,357.00	16,767,808.00
Gallons Refunded \$0.08 Per Gallon Tax at 4%	0.00	0.00
Other Refunds-US Gov Etc	91,473.00	26,095.00
<i>Net Collections at \$0.08</i>	21,760,884.00	16,741,713.00
<b>Motor Vehicle Fuel:</b>		
Gasoline - at \$0.23	79,263,365.00	75,941,238.00
Gasohol - at \$0.23	350,198,508.00	334,523,831.00
<i>Total Taxable Gallons</i>	429,461,873.00	410,465,069.00
Gallons on which Tax was Refunded	1,295,337.00	1,470,953.00
<i>Net Taxable Gallons</i>	428,166,536.00	408,994,116.00
<b>Special Fuel:</b>		
Diesel-Propane - \$0.23 Per Gallon	335,021,760.00	292,350,581.00
Diesel-Kerosene-Propane - at 2% or \$0.04 Per Gallon	449,785,146.00	309,333,198.00
Heating	92,385,543.00	79,923,391.00
<i>Total of Taxable Gallons</i>	877,192,449.00	681,607,170.00
Gallons on which Tax was Refunded	1,064,930.00	1,168,218.00
<i>Grand Total Net Taxable Gallons</i>	876,127,519.00	680,438,952.00
<b>Grand Total Taxable Gallons</b>	<b>1,326,054,939.00</b>	<b>1,106,174,781.00</b>

**Aviation Fuel:** A per gallon tax is levied on all aviation fuel. For this biennium the tax was 8¢ per gallon. The tax is refundable to emergency medical units and consumers. Consumers purchasing aviation fuel for use in aircraft may request a refund of the 8¢ per gallon tax. When a refund is granted, the consumer is assessed a tax of 4% of the price of the fuel. The 4% tax is assessed in lieu of the 8¢ per gallon tax and is deducted from the refund.

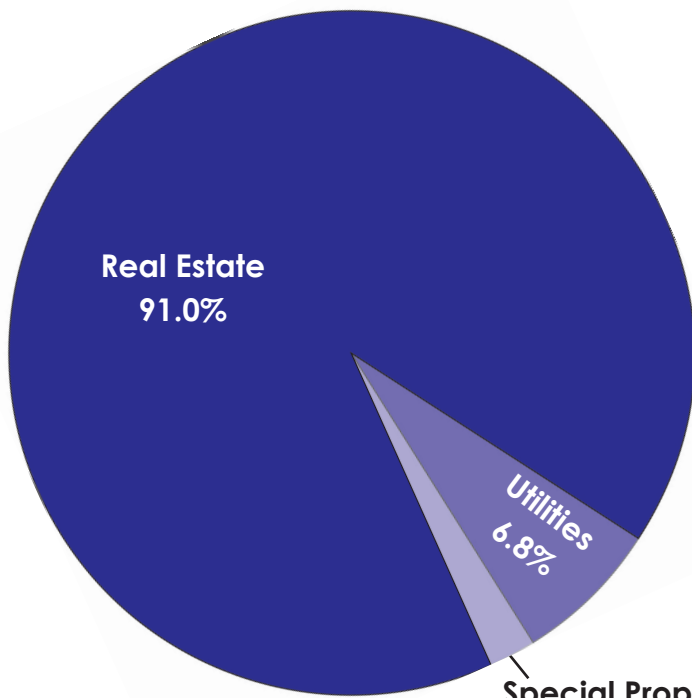
**Motor Vehicle Fuel:** A per gallon tax is levied on all motor vehicle fuel (gasoline and gasohol). For this biennium the tax was 23¢ per gallon. The tax is refundable when the fuel is for emergency medical service, or is used in non-licensed equipment for agricultural, industrial or railroad purpose. Refunds to industrial consumers are reduced by 0.5¢ per gallon. The 0.5¢ per gallon withheld is deposited into the Agriculturally Derived Fuel Tax Fund. Refunds to agriculture consumers are reduced by 7¢ per gallon. Of the 7¢ per gallon withheld, 1¢ per gallon is earmarked for ethanol production incentives, 2¢ per gallon is deposited into the Agriculturally Derived Tax Fund, and 4¢ per gallon is deposited into the Agricultural Research Fund.

**Special Fuels:** For this biennium the tax was 23¢ per gallon. The tax for dyed fuel and kerosene used in non-licensed equipment was 4¢ per gallon. A tax of 2% is levied on propane. Fuel that qualified for heating fuel purposes, including dyed fuel, kerosene, and propane, is exempt from tax. The Tax is refundable for emergency medical service. Refrigeration units using clear diesel may receive a refund on the difference between the 23¢ and 4¢ tax.

**Administration:** The fuel taxes are administered by the Tax Commissioner. The Motor Fuel Tax Section is part of the Tax Administration Division. A portion of the motor fuel tax collections are set aside in an operating fund for the administration of the tax. The remaining tax collections are disbursed according to statutes.

**Tribal Taxes:** The Standing Rock Sioux, Spirit Lake Tribes, Three Affiliated Tribes, and Turtle Mountain Tribes passed ordinances imposing a 23¢ per gallon motor vehicle fuel tax and a 23¢ per gallon special fuel tax. The State of North Dakota and the Office of State Tax Commissioner entered into an agreement to collect the tax for the Tribes.

# SOURCES OF GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES, & SPECIAL ASSESSMENTS LEVIED IN 2020 - PAYABLE IN 2021



## Special Property Taxes (2.2% of Total)

Mobile Homes	\$4,087,718.25
Electric Generation, Distribution, Transmission Taxes	23,912,999.43
Payments in Lieu of Taxes	1,629,379.10
Woodland	21,923.42
<b>Total</b>	<b>\$29,652,020.20</b>

## Utilities (6.8% of Total)

Railroads	\$11,986,164.54
Electric, Gas, Water, & Heat	14,781,211.99
Pipelines	66,137,519.03
<b>Total</b>	<b>\$92,904,895.56</b>

## Real Estate (91.0% of Total)\*

Rural	\$400,035,505.51
City	842,843,930.66
<b>Total</b>	<b>\$1,242,879,436.17</b>

\* Includes all special assessments.

Source: 2020 Property Tax Statistical Report compiled by the Office of State Tax Commissioner

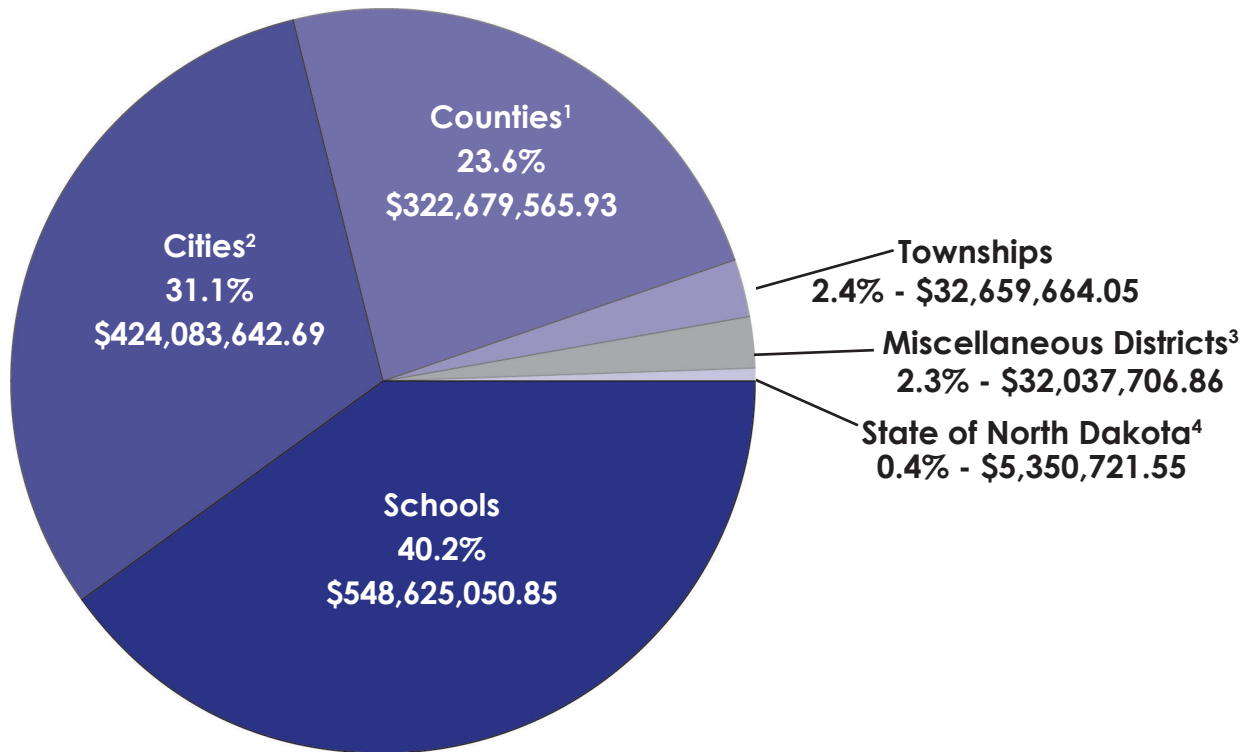
## Property Tax

Real property owned by a corporation, partnership, individual, estate, or trust is subject to a tax based on its valuation. The property tax, except the tax on the operating property of railroads and other utilities, is assessed locally. The property tax is collected and distributed by the county to the county, cities, townships, school districts, and other taxing districts. N.D.C.C. has provided that assessments be at true and full value and that assessed value be computed at 50% of true and full value. Also, true and full value of agricultural property is based upon productivity. Beginning with taxes levied in 1981 (payable in 1982) and thereafter, the assessed value is 50% of true and full value and taxable value is a percentage of assessed value according to the percentages established by the Legislature for the various classes of property as follows: residential property at 9%, commercial, railroad, and airline property at 10%, and agricultural property at 10%. All wind generation units with a nameplate capacity of 100 kilowatts or more completing construction after December 31, 2014 and those that are 20 years or more from the first assessment date will be subject to payments in lieu of property tax under N.D.C.C. § 57-33.2-04 as well as all administrative provisions of N.D.C.C. ch. 57-33.2.

The assessed valuation of railroad and public utility property is centrally determined by the State Board of Equalization. Electric generation distribution and transmission companies that are not subject to taxation under N.D.C.C. ch. 57-06 are subject to electrical generation distribution and transmission taxes under N.D.C.C. ch. 57-33.2. All telecommunications companies are subject to a gross receipts tax.

Instead of a property tax, large electrical generating plants are subject to a tax on installed capacity and electricity produced for sale through the coal conversion facilities privilege tax.

# DISTRIBUTION OF GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES, & SPECIAL ASSESSMENTS LEVIED IN 2020 - PAYABLE IN 2021



**Grand Total - \$1,365,436,351.93**

<sup>1</sup> Including County Park Districts, County Libraries, County Airports, Unorganized Townships, Water Resource, and Joint Water Resource Districts.

<sup>2</sup> Including City Park Districts, City Special Assessments, and tax increments.

<sup>3</sup> Garrison Diversion, Rural Fire Districts, Southwest Water Authority, Soil Conservation Districts, Rural Ambulance Districts, Hospital District, Recreation Service Districts, and All Special Assessments for Rural Districts.

<sup>4</sup> Constitutional one mill levy for the Medical Center at the University of North Dakota.

Source: 2020 Property Tax Statistical Report compiled by the Office of State Tax Commissioner



## PROPERTY TAX REFUNDS & CREDITS FOR SENIOR CITIZENS & INDIVIDUALS WITH PERMANENT & TOTAL DISABILITY

<b>Tax Year</b>	<b>Number of Persons Receiving Renter's Refunds</b>	<b>Renter's Refunds Paid</b>	<b>Number of Persons Receiving Homeowner's Credits</b>	<b>Homeowner's Credits Tax Amount</b>
2011	2,260	\$581,965	4,359	\$3,307,844
2012	2,284	583,706	4,265	3,347,838
2013	2,680	724,635	6,740	4,922,251
2014	2,814	779,249	8,964	6,468,586
2015	2,749	772,100	8,659	6,112,599
2016	2,497	724,444	8,621	6,920,844
2017	2,709	785,912	9,705	7,141,146
2018	2,844	784,728	9,399	7,500,709
2019	2,651	753,991	8,135	6,941,480
2020	2,585	754,056	8,073	6,879,843

The North Dakota Legislature has provided a homestead property tax credit program since 1969. Persons 65 years of age or older, or totally and permanently disabled, who meet the requirements of the program are eligible to receive a credit to reduce property taxes on their home. Qualified renters receive a partial refund of their rent. Since 1977 the maximum income eligibility limit has been adjusted by the Legislature as follows: from \$8,000 to \$9,000 in 1979, to \$10,000 in 1981, to \$12,000 in 1985, to \$13,000 in 1989, to \$13,500 in 1995, to 14,000 in 1999, to \$14,500 in 2005, to \$17,500 in 2007, to \$26,000 in 2009, and to \$42,000 in 2013.

The 2015 Legislature increased the value of the homestead for purposes of the credit from \$100,000 to \$125,000 beginning with tax year 2016.

The credit for eligible homeowners is a reduction in the taxable value of the homestead as determined by the following schedule:

### For Taxes Levied in 2019 and 2020 (Payable in 2020 and 2021)

<b>Income of</b>	<b>Reduction</b>	<b>Maximum Reduction</b>
\$0 - \$22,000	100%	\$5,625
22,001 - 26,000	80%	4,500
26,001 - 30,000	60%	3,375
30,001 - 34,000	40%	2,250
34,001 - 38,000	20%	1,125
38,001 - 42,000	10%	563

Eligible renters receive a refund of a portion of rent deemed to represent property taxes when 20% of their total annual rent exceeds 4% of their total annual income. Charges for such services as heat, light, and furniture must be excluded when determining the annual rent payment for the purposes of renter's refund. The maximum refund allowable to a renter was \$240 and was increased to \$400 in 2009.

## PROPERTY TAX CREDITS FOR DISABLED VETERANS

<b>Tax Year</b>	<b>Number of Qualifying Disabled Veterans</b>	<b>Disabled Veterans' Credit Tax Amount</b>
2011	2,206	\$2,321,952.01
2012	2,460	2,595,509.12
2013	2,661	2,764,831.61
2014	2,902	3,071,485.38
2015	3,111	3,544,430.33
2016	3,329	3,771,606.86
2017	3,571	4,083,488.80
2018	4,017	4,722,741.64
2019	4,106	5,018,775.22
2020	4,520	5,595,264.97

Prior to 2009, a property tax exemption existed for disabled veterans with at least 50 percent service-connected disability and limited income. The 2009 Legislature repealed that exemption and enacted N.D.C.C. § 57-02-08.8, which provides a credit for disabled veterans with at least 50 percent service-connected disability. The credit is equal to the veteran's compensation rating for service-connected disabilities, applied against the first \$6,750 dollars of taxable valuation of the homestead owned and occupied by the disabled veteran. There is no income test. An unremarried surviving spouse of an eligible disabled veteran is also eligible for the credit. The State reimburses counties for tax revenue lost by political subdivisions due to the credits.

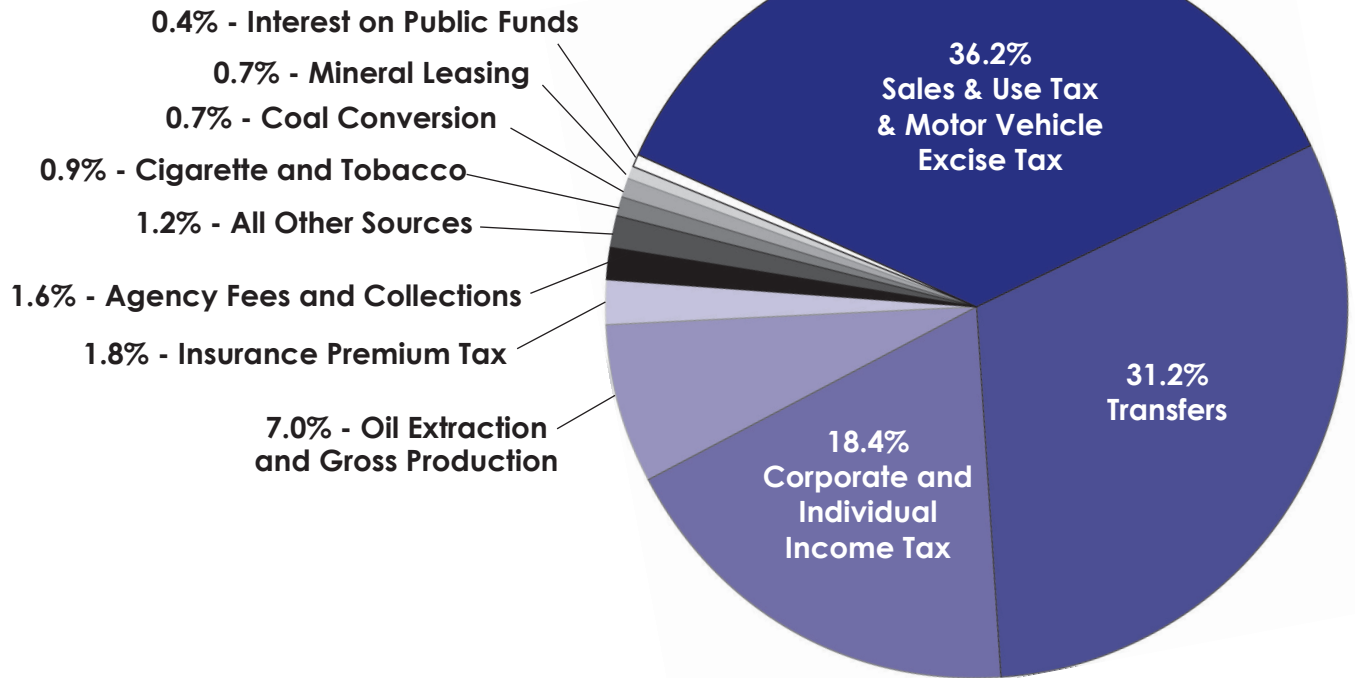
The 2011 Legislature provided that a disabled veteran who has an extra-schedular rating to include individual unemployability that brings the veteran's total disability rating to 100 percent is also eligible for the credit. An unremarried surviving spouse who is receiving department of veterans' affairs dependency and indemnity compensation receives a 100 percent exemption.

The 2015 Legislature included land in the determination of the maximum credit available to disabled veterans or qualifying unremarried spouses.

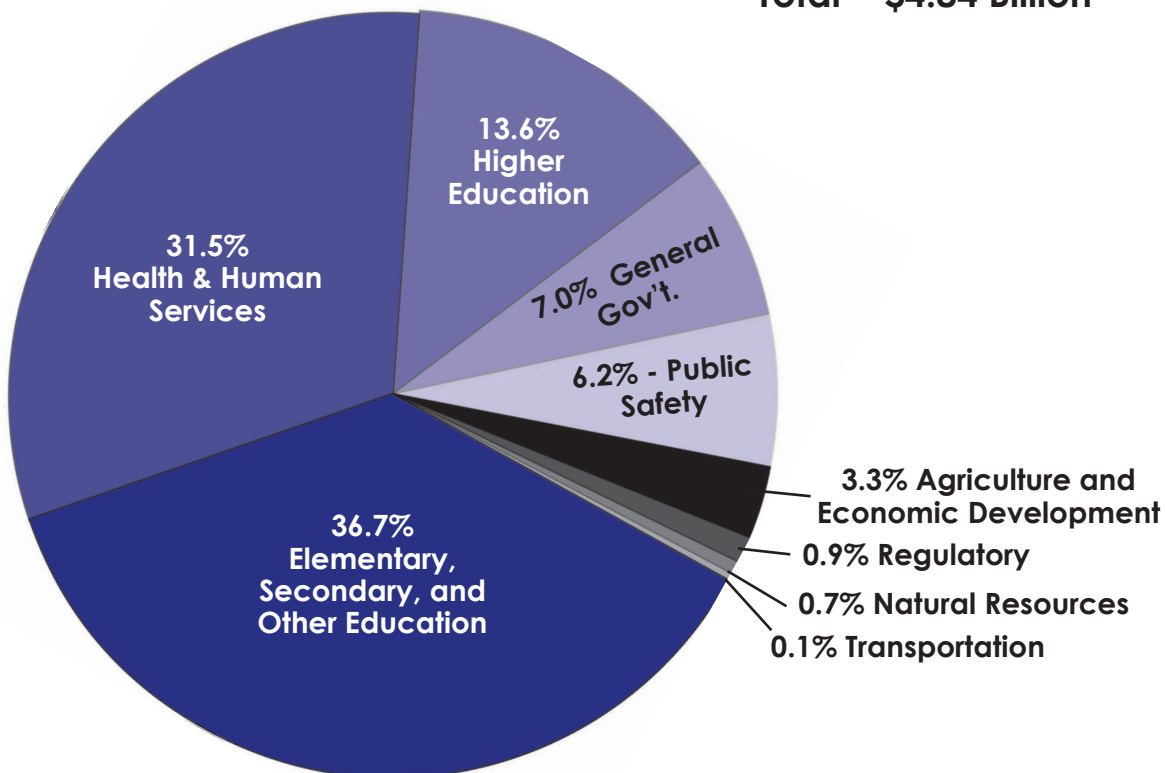
The 2021 Legislature increased the limit applied to the dollars of taxable valuation of the homestead owned and occupied by the veteran from the first \$6,750 to the first \$8,100.

# STATE GENERAL FUND REVENUES & EXPENDITURES IN 2019-2021 BIENNIUM

## 2019-2021 General Fund Revenue Source Total = \$5.75 Billion



## 2019-2021 General Fund Appropriations by Program Total = \$4.84 Billion



Source: Office of Management and Budget

# STATEMENT OF EXPENDITURES

## FOR THE 2019-2021 BIENNIUM

	Commissioner's Division	Legal Division	Fiscal Mgmt. Division	Taxpayer Services Division	Property & Utility Taxes Division	Info Mgmt & IT Division	Disabled Veterans Credit	Homestead Tax Credit	Total
Salaries & Wages									
FY 20	\$901,898.36	\$573,174.51	\$691,793.28	\$6,092,467.51	\$529,882.48	\$1,174,055.34			\$9,963,271.48
FY 21	984,608.61	587,891.49	659,730.82	6,038,959.76	516,176.45	1,207,926.72			9,995,293.85
Information Services									
FY 20	5,416.38	2,001.10	2,373.37	51,474.58	3,424.29	534,211.27			598,900.99
FY 21	4,845.20	1,981.30	2,239.39	50,765.97	3,529.13	503,925.77			567,286.76
Operating Expenses									
FY 20	44,627.66	63,527.67	166,149.41	351,958.11	21,801.43	1,969,332.33			2,617,396.61
FY 21	54,195.46	114,078.63	327,923.55	344,311.69	13,086.08	2,019,465.26			2,873,060.94
Equipment									
FY 20									0
FY 21			5,773.11						5,773.11
Disabled Veterans Credit									
FY 20							5,231,637.07		5,231,637.07
FY 21							5,846,365.05		5,846,365.05
Homestead Tax Credit									
FY 20								8,387,078.57	8,387,078.57
FY 21								8,228,912.08	8,228,912.08
<b>Total</b>									
FY 20	\$951,942.40	\$638,703.28	\$860,316.06	\$6,495,900.20	\$555,108.20	\$3,677,598.94	\$5,231,637.07	\$8,387,078.57	\$26,798,284.72
FY 21	\$1,043,649.27	\$703,951.42	\$995,666.87	\$6,434,037.69	\$532,791.66	\$3,731,317.75	\$5,846,365.05	\$8,228,912.08	\$27,615,691.79
<b>Biennium Total</b>	<b>\$1,995,591.67</b>	<b>\$1,342,654.70</b>	<b>\$1,855,982.93</b>	<b>\$12,929,937.89</b>	<b>\$1,087,899.86</b>	<b>\$7,588,710.64</b>	<b>\$7,759,361.48</b>	<b>\$16,615,990.65</b>	<b>\$54,314,976.51</b>



## WHO WE ARE

## WHAT WE DO

<b>Tax Administration</b>	Administer individual income, corporate income, sales and use tax, and 30 different tax types. Also includes audit.
<b>Property Tax</b>	Administer property and centrally assessed taxes and programs. Also administration for the State Board of Equalization.
<b>Legal</b>	Provide litigation services and legal counsel to the department and the State Board of Equalization.
<b>Fiscal Management</b>	Financial center — accounts payable, payroll, purchasing.
<b>Information Management &amp; Technology</b>	Lead technology efforts and safeguard taxpayer data. Also process mail.





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