



# 2020

## STATE AND LOCAL TAXES

An Overview and Comparative Guide





## GREETINGS FROM NORTH DAKOTA TAX COMMISSIONER RYAN RAUSCHENBERGER

Welcome to the 2020 edition of North Dakota State and Local Taxes:  
An Overview and Comparative Guide (AKA The Red Book).

The Red Book is designed for anyone who wants to learn more about North Dakota's taxes. It includes the tax laws and combines the latest data with comparisons and rankings with other states. This version contains the most recent statistical data available as of December 2020.

The mission of the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota. We are committed to doing that while providing the taxpayers of our great state with excellent customer service.

I am always interested in hearing from you. Please feel free to share with me your suggestions and input concerning North Dakota taxes and our department.

Sincerely,

A handwritten signature in dark ink that reads "Ryan Rauschenberger". The signature is written in a cursive, flowing style.

Ryan Rauschenberger  
Tax Commissioner

Cover Photo Credit: Poppy Mills, courtesy of  
North Dakota Department of Commerce



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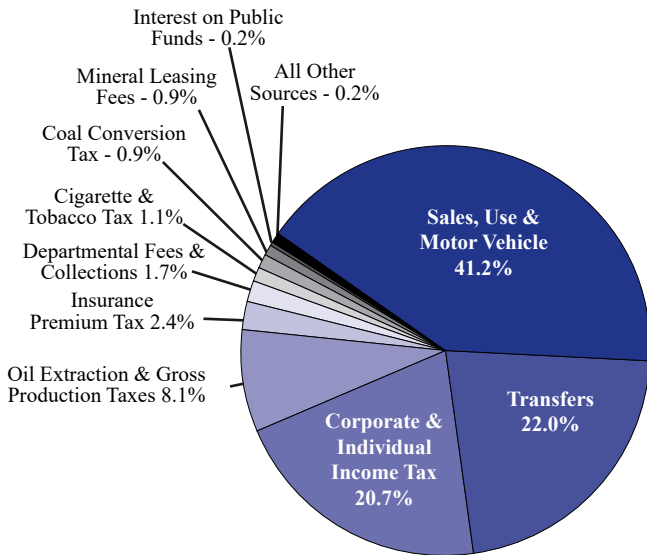
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# REVENUE OVERVIEW

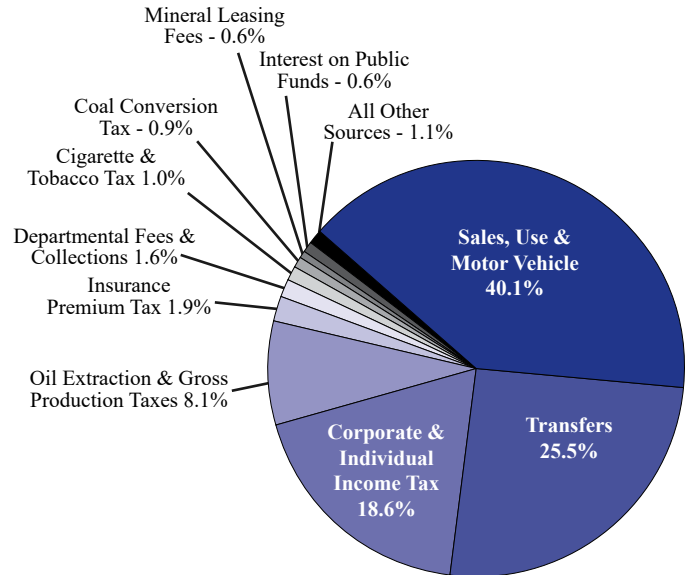
This section contains historical comparisons of North Dakota revenue. State General Fund information is given, as well as trends in collections.

## COMPARISON OF REVENUE SOURCES PERCENT OF TOTAL - STATE GENERAL FUND

**2017-19 Biennium**  
**\$4.913 Billion**

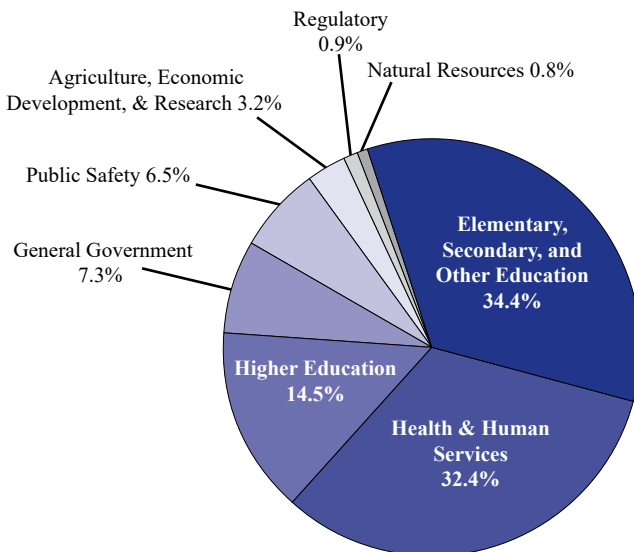


**PROJECTED**  
**2019-21 Biennium**  
**\$4.961 Billion**

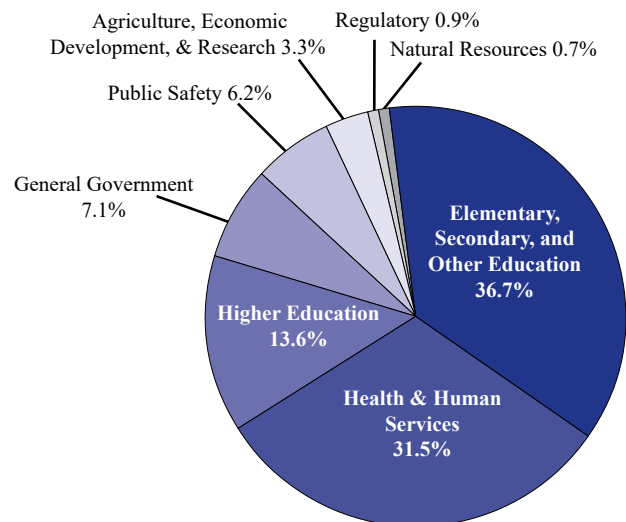


## COMPARISON OF APPROPRIATIONS PERCENT OF TOTAL - STATE GENERAL FUND

**2017-19 General Fund Appropriations**  
**\$4.310 Billion**



**2019-21 General Fund Appropriations**  
**\$4.844 Billion**



Source: Office of Management and Budget.



# STATE GENERAL FUND BUDGET BY REVENUE SOURCES

## 2009-11 THROUGH 2019-21 BIENNIA (IN MILLIONS)

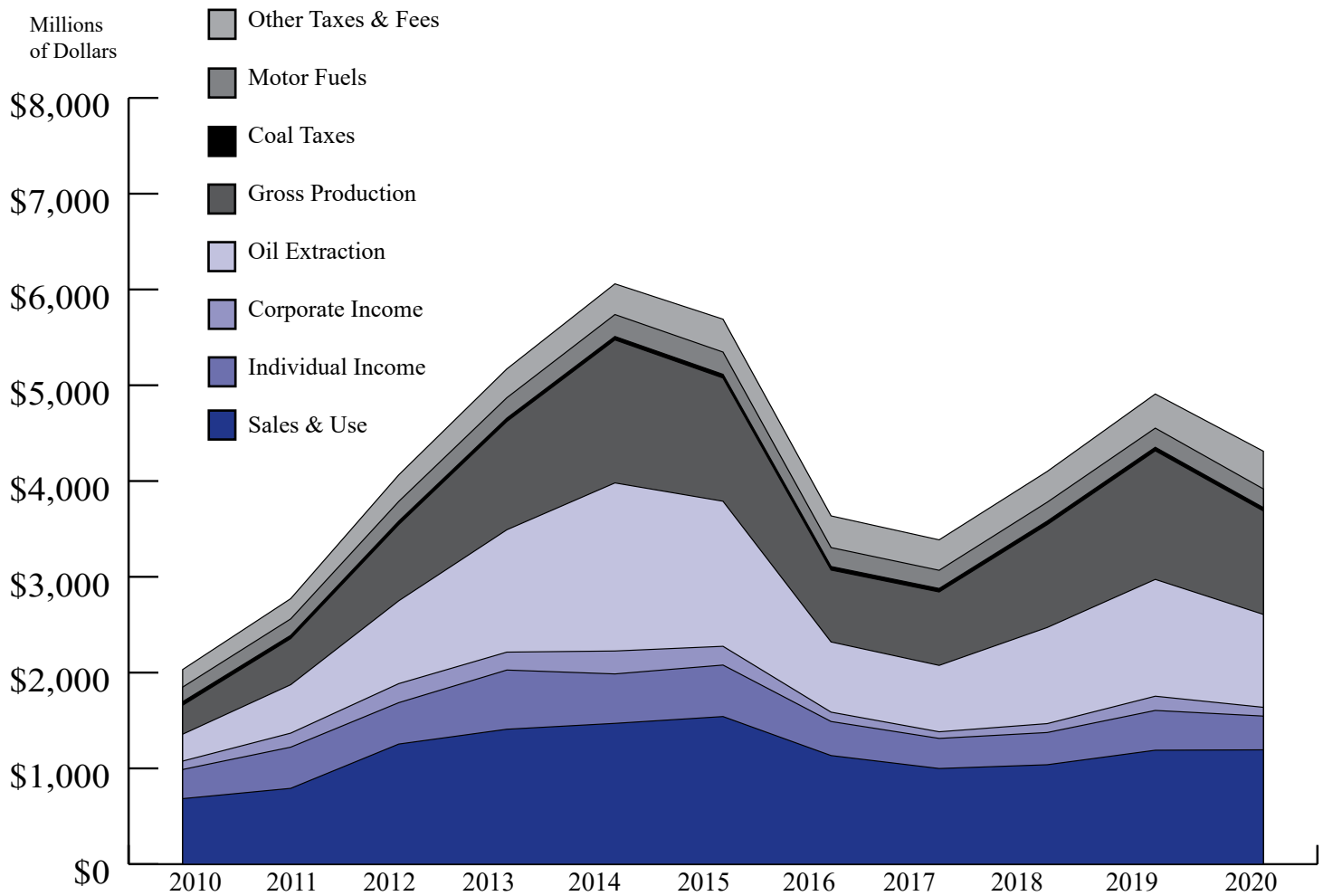
Revenue Sources	Biennium Revenues					Projected 2019-21 Biennium <sup>(1)</sup>
	2009-2011	2011-2013	2013-2015	2015-2017	2017-2019	
Interest, Mineral Leases, Transfers						
- Interest Income	\$43.685	\$13.671	\$38.103	\$15.548	\$11.319	\$30.272
- Mineral Leasing Fees	\$17.522	\$43.052	\$41.348	\$29.039	\$42.198	\$30.168
- Bank of ND Profits Transfer	\$0.000	\$0.000	\$0.000	\$100.000	\$140.000	\$140.000
- State Mill Profits Transfer	\$13.902	\$9.449	\$6.817	\$9.051	\$17.678	\$10.924
- Gas Tax Administration Transfer	\$1.288	\$1.485	\$1.741		\$2.016	\$1.991
- Other Transfers	\$1,164.493	\$600.253	\$862.041	\$1,386.769	\$919.767	\$1,112.563
Sales, Use & Motor Vehicle <sup>(2)</sup>	\$1,391.636	\$2,449.703	\$2,755.400	\$1,939.652	\$2,025.519	\$1,987.915
Individual Income Tax	\$729.256	\$1,046.161	\$1,050.063	\$666.66	\$778.055	\$741.901
Corporation Income Tax	\$234.364	\$385.815	\$435.243	\$166.806	\$240.107	\$179.481
Oil Taxes	\$71.000	\$300.000	\$300.000	\$300.000	\$400.000	\$400.000
Coal Taxes	\$39.064	\$38.399	\$40.767	\$43.669	\$44.573	\$42.398
Cigarette & Tobacco Taxes	\$46.253	\$53.724	\$60.263	\$56.399	\$52.382	\$49.033
Insurance Premium Tax	\$63.151	\$82.858	\$92.526	\$110.726	\$115.544	\$94.520
Wholesale Liquor Tax	\$15.164	\$17.618	\$18.705	\$17.897	\$17.768	\$17.973
Business Privilege Tax/Financial Institutions Tax	\$6.749	\$11.237	(\$4.986)	\$1.309		
Gaming Taxes	\$16.190	\$11.136	\$7.196	\$6.723	\$9.156	\$31.304
Lottery	\$10.400	\$14.300	\$13.300	\$15.78	\$15.900	\$10.222
Departmental Fees & Collections	\$68.578	\$76.994	\$83.271	\$83.176	\$81.467	\$79.915
<b>Total General Fund Revenues</b>	<b>\$3,932.695</b>	<b>\$5,155.855</b>	<b>\$5,801.798</b>	<b>\$4,949.204</b>	<b>\$4,913.449</b>	<b>\$4,960.580</b>

1. Based on the North Dakota Office of Management and Budget's November 2020 revised forecast.
2. Sales Use & Motor Vehicle: A portion of sales, use and motor vehicle excise taxes is deposited in the State Aid Distribution Fund (S.A.D.F.) and that revenue is not included in this table. As of July 1, 2014, the portion is 43.5% x 1% ÷ general sales tax rate, or 8.7% of all sales, use, and motor vehicle excise taxes.



# OFFICE OF STATE TAX COMMISSIONER NET COLLECTIONS

## FISCAL YEARS 2010-2020

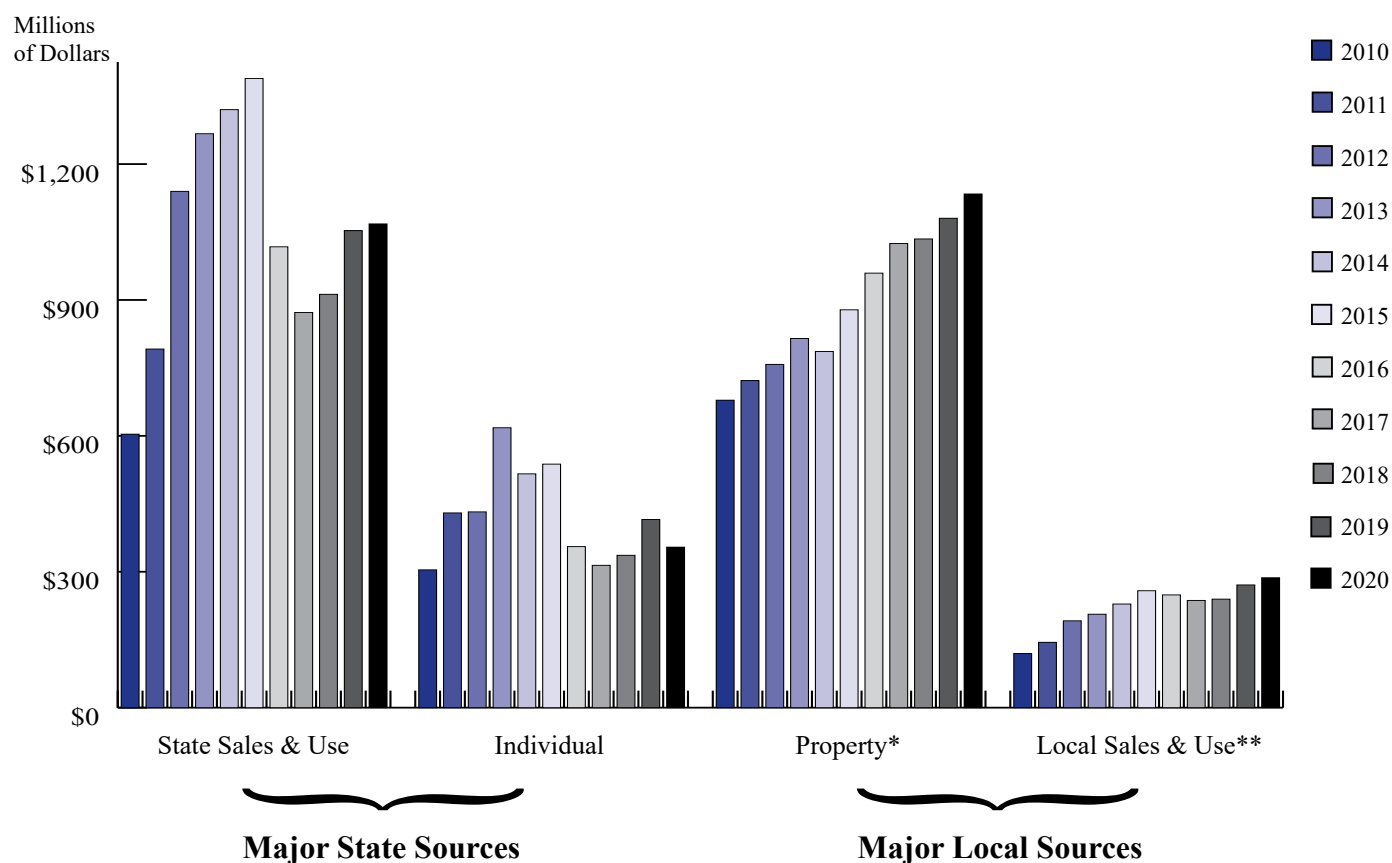


\*Totals may not sum due to rounding.

Source: Office of State Tax Commissioner.

# SOURCE OF MAJOR STATE AND LOCAL TAXES

## 2010-2020



Fiscal Year	State Sales & Use Tax	Individual Income Tax	Property Tax*	Local Sales & Use Tax**
2010	\$603,732,481	\$304,252,924	\$678,749,378	\$119,411,810
2011	\$791,691,834	\$429,899,506	\$721,988,244	\$144,237,942
2012	\$1,139,782,929	\$432,191,803	\$757,769,004	\$191,754,625
2013	\$1,267,030,354	\$617,933,162	\$814,941,905	\$206,247,609
2014	\$1,320,167,042	\$516,139,885	\$786,233,820	\$228,776,287
2015	\$1,389,034,625	\$537,606,872	\$878,292,489	\$258,117,910
2016	\$1,017,376,784	\$355,512,173	\$959,245,857	\$248,900,701
2017	\$872,421,766	\$314,192,157	\$1,024,647,739	\$236,697,628
2018	\$912,480,709	\$366,321,257	\$1,034,708,807	\$239,582,346
2019	\$1,053,082,524	\$415,389,437	\$1,080,398,134	\$270,903,204
2020	\$1,067,910,278	\$354,297,561	\$1,133,974,223	\$286,829,975

\* Ad valorem tax only; does not include special taxes or special assessments.

\*\* The local sales tax does not include city occupancy or city restaurant and lodging taxes.

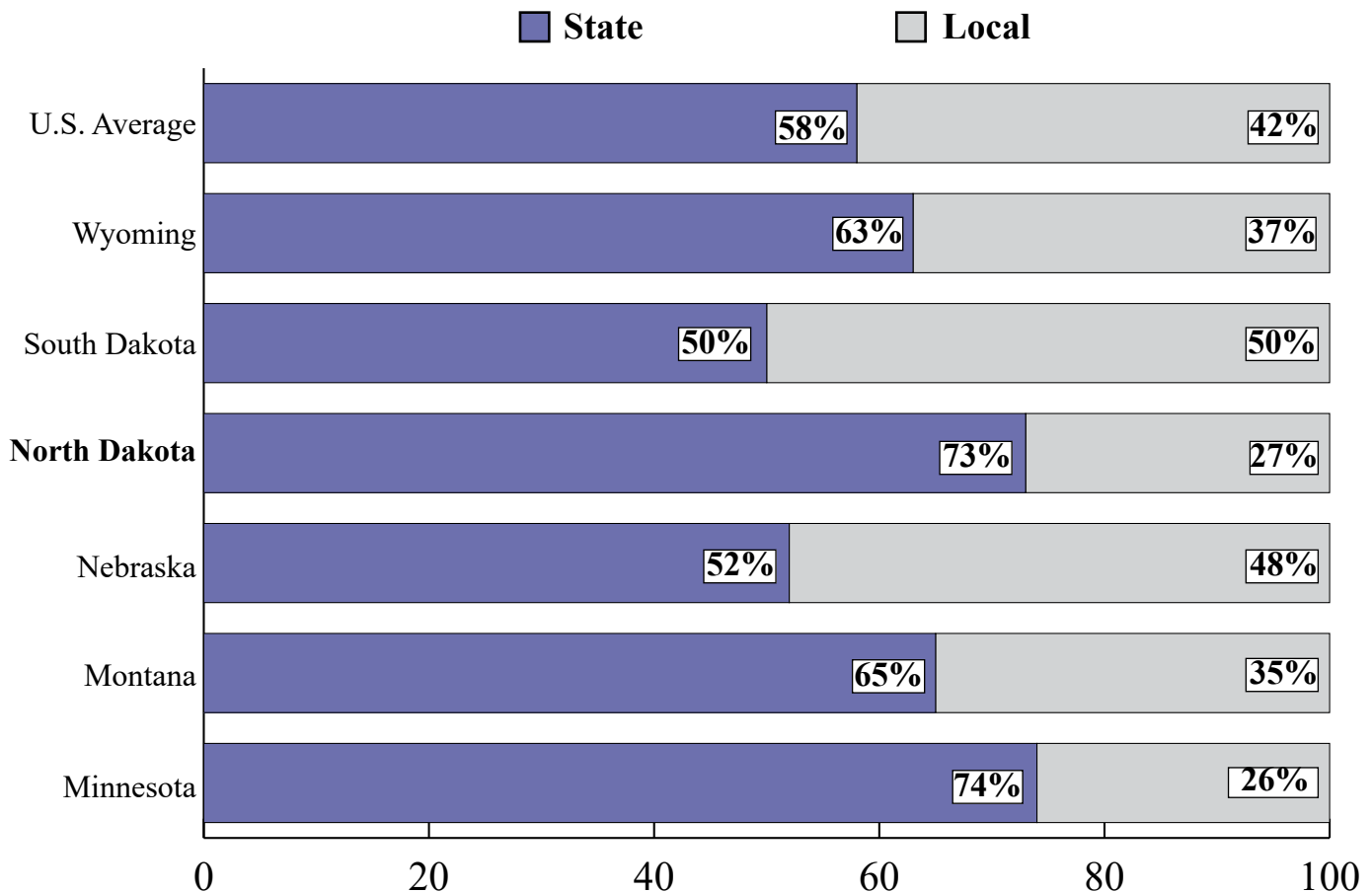
Source: Office of State Tax Commissioner.

# STATE COMPARISONS

This section provides a comparison of overall tax levels between the states. The rankings of specific types of taxes are found throughout this publication within the section relating to that particular type of tax. There are a variety of ways to rank and compare state taxes. We have used a number of different sources to give you a broad range of statistics. Each measurement provides insights, but also has limitations. Please contact the Office of State Tax Commissioner for more information about the various measurements.

## STATE VS. LOCAL TAX COLLECTIONS

REGIONAL COMPARISON - 2018



Source: Census State & Local Government Finances by Level of Government by State: [www.census.gov](http://www.census.gov).

# COMPARING THE 50 STATES' COMBINED STATE/LOCAL TAX BURDENS IN 2019 (MEASURING TAXES AS A PERCENTAGE OF INCOME)

Each state's total tax burden (taxes as a percentage of income) is a combination of federal, state, and local tax burdens. It can be instructive to strip out federal taxes and compare just the state and local tax burdens. Generally, high-income states rise because with their high costs of living and commensurately higher salaries, they are hit harder by the progressive federal income tax. Low-income states that have high state-local tax burdens fall in the ranking when federal taxes are added in.

State and Local			Total		Rank Change After Adding Federal Taxes	
Tax Burden	Rank		Tax Burden	Rank		
North Dakota	11.4%	1	North Dakota	26.6%	12	11
Hawaii	10.2%	2	Hawaii	21.6%	33	31
Vermont	9.9%	3	Vermont	23.0%	27	24
Delaware	8.7%	4	Delaware	46.5%	1	-3
Minnesota	8.5%	5	Minnesota	39.4%	2	-3
New Mexico	8.2%	6	New Mexico	18.4%	43	37
West Virginia	7.8%	7	West Virginia	17.1%	47	40
Arkansas	7.6%	8	Arkansas	30.3%	3	-5
Mississippi	7.2%	9	Mississippi	16.9%	48	39
California	7.2%	10	California	25.1%	17	7
Maine	6.9%	11	Maine	18.8%	42	31
Kentucky	6.6%	12	Kentucky	24.8%	19	7
New York	6.6%	13	New York	28.4%	9	-4
Connecticut	6.5%	14	Connecticut	27.3%	11	-3
Iowa	6.5%	15	Iowa	21.7%	32	17
Wisconsin	6.5%	16	Wisconsin	23.5%	21	5
Kansas	6.4%	17	Kansas	23.4%	23	6
Utah	6.4%	18	Utah	21.9%	30	12
Rhode Island	6.2%	19	Rhode Island	30.2%	4	-15
Oregon	6.2%	20	Oregon	21.8%	31	11
Massachusetts	6.2%	21	Massachusetts	29.7%	7	-14
New Jersey	6.2%	22	New Jersey	28.6%	8	-14
Nevada	6.2%	23	Nevada	21.3%	37	14
Michigan	6.2%	24	Michigan	22.8%	28	4
Indiana	6.2%	25	Indiana	24.7%	20	-5
Maryland	6.0%	26	Maryland	26.1%	13	-13
Montana	6.0%	27	Montana	17.9%	44	17
Idaho	5.9%	28	Idaho	19.8%	39	11
Wyoming	5.9%	29	Wyoming	19.0%	41	12
North Carolina	5.9%	30	North Carolina	23.4%	22	-8
Pennsylvania	5.8%	31	Pennsylvania	24.9%	18	-13
Oklahoma	5.7%	32	Oklahoma	21.3%	36	4
Illinois	5.7%	33	Illinois	27.5%	10	-23
Washington	5.7%	34	Washington	26.1%	14	-20
Nebraska	5.5%	35	Nebraska	29.7%	6	-29
Arizona	5.4%	36	Arizona	17.6%	45	8
Alabama	5.3%	37	Alabama	17.6%	45	8
Louisiana	5.3%	38	Louisiana	23.2%	26	-12
Virginia	5.2%	39	Virginia	21.6%	34	-5
Ohio	5.1%	40	Ohio	29.8%	5	-35
Georgia	4.8%	41	Georgia	23.2%	24	-17
South Carolina	4.8%	42	South Carolina	16.7%	49	7
Colorado	4.5%	43	Colorado	21.5%	35	-8
Tennessee	4.5%	44	Tennessee	25.4%	16	-28
Missouri	4.4%	45	Missouri	25.9%	15	-30
Texas	4.1%	46	Texas	23.2%	25	-21
South Dakota	4.1%	47	South Dakota	20.9%	38	-9
Florida	4.0%	48	Florida	22.6%	29	-19
Alaska	3.9%	49	Alaska	15.6%	50	1
New Hampshire	3.4%	50	New Hampshire	17.6%	46	-4
U.S. Average	5.9%		U.S. Average	25.1%		

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov); U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts: [www.bea.gov/regional](http://www.bea.gov/regional); IRS Gross Collections, by Type of Tax and State: [www.irs.gov](http://www.irs.gov).

## TAXES PER CAPITA AND AS A PERCENT OF INCOME CALENDAR YEAR 2019 BY STATE

	Per Capita Total Taxes	Per Capita Federal Taxes	Per Capita State/Local Taxes	Per Capita Income	Total Taxes as % of Income	Federal Taxes as % of Income	State/Local Taxes as % of Income	Total Taxes as % of Income Rank	State/Local Taxes as % of Income Rank
Alabama	\$7,768	\$5,407	\$2,361	\$44,145	17.6%	12.2%	5.3%	45	37
Alaska	\$9,804	\$7,371	\$2,433	\$62,806	15.6%	11.7%	3.9%	50	49
Arizona	\$9,054	\$6,559	\$2,495	\$46,058	19.7%	14.2%	5.4%	40	36
Arkansas	\$13,516	\$10,130	\$3,386	\$44,629	30.3%	22.7%	7.6%	3	8
California	\$16,710	\$11,946	\$4,764	\$66,619	25.1%	17.9%	7.2%	17	10
Colorado	\$13,167	\$10,412	\$2,756	\$61,157	21.5%	17.0%	4.5%	35	43
Connecticut	\$21,062	\$16,015	\$5,047	\$77,289	27.3%	20.7%	6.5%	11	14
Delaware	\$25,328	\$20,610	\$4,718	\$54,485	46.5%	37.8%	8.7%	1	4
Florida	\$11,864	\$9,779	\$2,086	\$52,426	22.6%	18.7%	4.0%	29	48
Georgia	\$11,210	\$8,883	\$2,328	\$48,236	23.2%	18.4%	4.8%	24	41
Hawaii	\$12,326	\$6,530	\$5,796	\$57,015	21.6%	11.5%	10.2%	33	2
Idaho	\$9,081	\$6,348	\$2,733	\$45,968	19.8%	13.8%	5.9%	39	28
Illinois	\$16,160	\$12,806	\$3,354	\$58,764	27.5%	21.8%	5.7%	10	33
Indiana	\$12,002	\$9,006	\$2,996	\$48,678	24.7%	18.5%	6.2%	20	25
Iowa	\$11,251	\$7,897	\$3,355	\$51,865	21.7%	15.2%	6.5%	32	15
Kansas	\$12,485	\$9,042	\$3,443	\$53,426	23.4%	16.9%	6.4%	23	17
Kentucky	\$10,853	\$7,967	\$2,886	\$43,770	24.8%	18.2%	6.6%	19	12
Louisiana	\$11,009	\$8,481	\$2,527	\$47,460	23.2%	17.9%	5.3%	26	38
Maine	\$9,528	\$6,050	\$3,478	\$50,634	18.8%	11.9%	6.9%	42	11
Maryland	\$16,884	\$12,979	\$3,904	\$64,640	26.1%	20.1%	6.0%	13	26
Massachusetts	\$22,028	\$17,414	\$4,614	\$74,187	29.7%	23.5%	6.2%	7	21
Michigan	\$11,200	\$8,169	\$3,031	\$49,228	22.8%	16.6%	6.2%	28	24
Minnesota	\$23,195	\$18,199	\$4,996	\$58,834	39.4%	30.9%	8.5%	2	5
Mississippi	\$6,573	\$3,788	\$2,785	\$38,914	16.9%	9.7%	7.2%	48	9
Missouri	\$12,601	\$10,453	\$2,148	\$48,656	25.9%	21.5%	4.4%	15	45
Montana	\$8,910	\$5,946	\$2,964	\$49,747	17.9%	12.0%	6.0%	44	27
Nebraska	\$16,187	\$13,212	\$2,976	\$54,515	29.7%	24.2%	5.5%	6	35
Nevada	\$10,881	\$7,717	\$3,164	\$51,161	21.3%	15.1%	6.2%	37	23
New Hampshire	\$11,160	\$8,977	\$2,183	\$63,502	17.6%	14.1%	3.4%	46	50
New Jersey	\$20,165	\$15,791	\$4,373	\$70,471	28.6%	22.4%	6.2%	8	22
New Mexico	\$7,963	\$4,421	\$3,542	\$43,326	18.4%	10.2%	8.2%	43	6
New York	\$20,387	\$15,678	\$4,710	\$71,717	28.4%	21.9%	6.6%	9	13
North Carolina	\$11,165	\$8,369	\$2,795	\$47,766	23.4%	17.5%	5.9%	22	30
<b>North Dakota</b>	<b>\$15,236</b>	<b>\$8,714</b>	<b>\$6,522</b>	<b>\$57,232</b>	<b>26.6%</b>	<b>15.2%</b>	<b>11.4%</b>	<b>12</b>	<b>1</b>
Ohio	\$14,959	\$12,380	\$2,579	\$50,199	29.8%	24.7%	5.1%	5	40
Oklahoma	\$10,075	\$7,362	\$2,712	\$47,341	21.3%	15.6%	5.7%	36	32
Oregon	\$11,617	\$8,308	\$3,310	\$53,191	21.8%	15.6%	6.2%	31	20
Pennsylvania	\$14,459	\$11,090	\$3,369	\$58,032	24.9%	19.1%	5.8%	18	31
Rhode Island	\$17,044	\$13,528	\$3,517	\$56,361	30.2%	24.0%	6.2%	4	19
South Carolina	\$7,595	\$5,416	\$2,179	\$45,438	16.7%	11.9%	4.8%	49	42
South Dakota	\$11,265	\$9,073	\$2,193	\$53,962	20.9%	16.8%	4.1%	38	47
Tennessee	\$12,388	\$10,217	\$2,171	\$48,684	25.4%	21.0%	4.5%	16	44
Texas	\$12,266	\$10,082	\$2,184	\$52,813	23.2%	19.1%	4.1%	25	46
Utah	\$10,700	\$7,590	\$3,109	\$48,939	21.9%	15.5%	6.4%	30	18
Vermont	\$12,714	\$7,220	\$5,495	\$55,293	23.0%	13.1%	9.9%	27	3
Virginia	\$12,870	\$9,791	\$3,079	\$59,657	21.6%	16.4%	5.2%	34	39
Washington	\$16,888	\$13,212	\$3,676	\$64,758	26.1%	20.4%	5.7%	14	34
West Virginia	\$7,242	\$3,929	\$3,314	\$42,315	17.1%	9.3%	7.8%	47	7
Wisconsin	\$12,523	\$9,082	\$3,442	\$53,227	23.5%	17.1%	6.5%	21	16
Wyoming	\$11,839	\$8,193	\$3,645	\$62,189	19.0%	13.2%	5.9%	41	29
United States	\$14,181	\$10,860	\$3,321	\$56,490	25.1%	19.2%	5.9%	--	--

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov); U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts: [www.bea.gov/regional](http://www.bea.gov/regional); IRS Gross Collections, by Type of Tax and State: [www.irs.gov](http://www.irs.gov).

## ESTIMATED BURDEN OF MAJOR STATE & LOCAL TAXES FOR A FAMILY OF THREE - 2019

### \$25,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE	US Average
<b>Income</b>	\$7	\$241	(\$2,258)	\$0	\$0	(\$349)	(\$117)
<b>Property</b>	\$1,057	\$1,114	\$1,481	\$1,179	\$1,199	\$1,193	\$1,603
<b>Sales</b>	\$909	\$18	\$1,071	\$1,240	\$862	\$1,021	\$1,025
<b>Auto</b>	\$212	\$425	\$293	\$247	\$276	\$461	\$297
<b>Total</b>	\$2,185	\$1,798	\$587	\$2,666	\$2,337	\$2,327	\$2,809
<b>% of Income</b>	8.7%	7.2%	2.3%	10.7%	9.3%	9.3%	11.2%
<b>National rank</b>	40	47	50	31	36	37	--

### \$50,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE	US Average
<b>Income</b>	\$282	\$1,693	\$930	\$0	\$0	\$792	\$1,451
<b>Property</b>	\$1,393	\$1,268	\$1,264	\$1,458	\$1,279	\$1,974	\$1,757
<b>Sales</b>	\$1,051	\$29	\$1,257	\$1,419	\$1,006	\$1,199	\$1,187
<b>Auto</b>	\$195	\$414	\$295	\$224	\$474	\$542	\$296
<b>Total</b>	\$2,920	\$3,404	\$3,747	\$3,101	\$2,759	\$4,507	\$4,411
<b>% of Income</b>	5.8%	6.8%	7.5%	6.2%	5.5%	9.0%	8.8%
<b>National rank</b>	48	41	35	46	50	22	--

### \$100,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE	US Average
<b>Income</b>	\$923	\$4,550	\$3,930	\$0	\$0	\$3,697	\$4,168
<b>Property</b>	\$2,785	\$2,536	\$2,992	\$2,916	\$2,557	\$3,948	\$3,681
<b>Sales</b>	\$1,530	\$47	\$1,867	\$1,936	\$1,481	\$1,750	\$1,695
<b>Auto</b>	\$388	\$707	\$617	\$483	\$900	\$1,386	\$642
<b>Total</b>	\$5,626	\$7,840	\$9,406	\$5,335	\$4,938	\$10,781	\$9,418
<b>% of Income</b>	5.6%	7.8%	9.4%	5.3%	4.9%	10.8%	9.4%
<b>National rank</b>	47	38	26	48	50	14	--

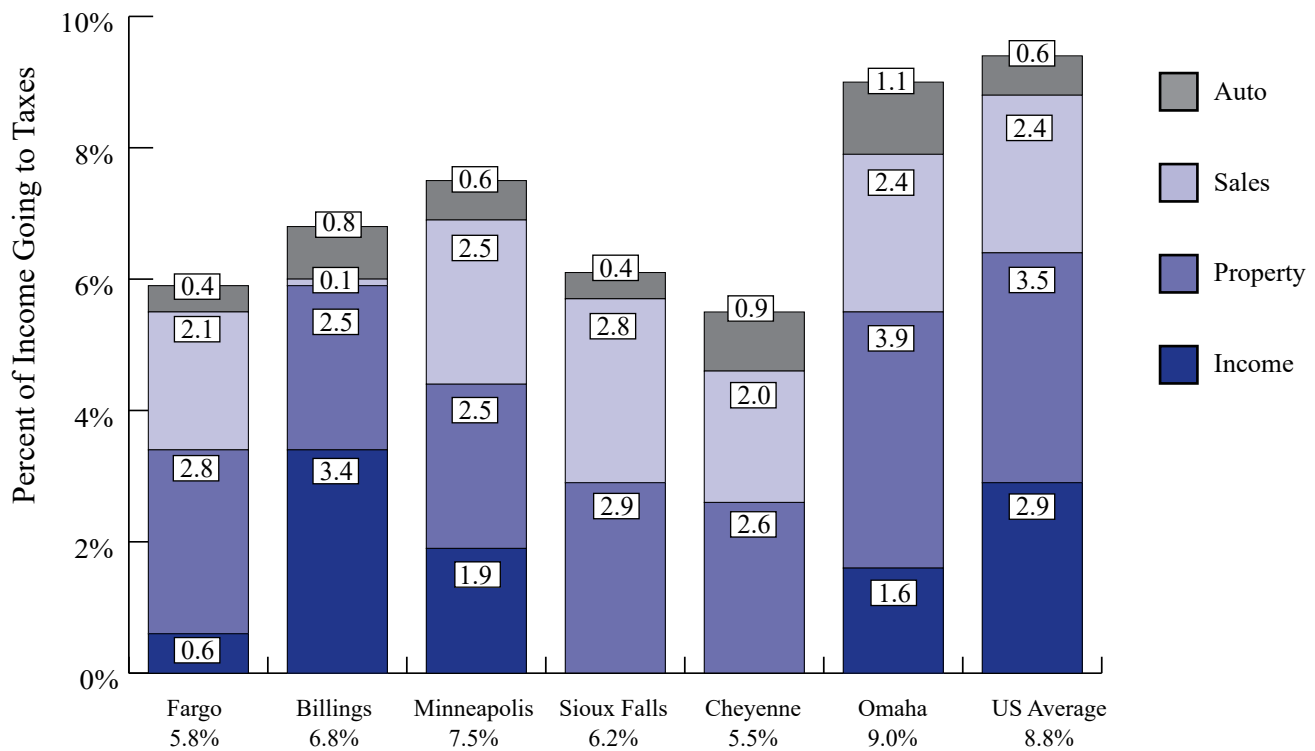
- US Average: Based on jurisdictions actually levying tax.
- Income Tax: Amounts in parentheses represent refundable State Earned Income Tax Credits. States with zero do not have an income tax. Some jurisdictions, including DC, MN, and VT offer a renters refund of property taxes through the income tax and those refunds are reflected here. VT renters must file through the income tax and the rebate is mailed separately.
- Sales Tax: States with zero do not have a sales tax. MT and NH do not have a general sales tax, but some selective sales taxes apply to consumption items included.
- \$25,000 Gross Family Income: Property: Property tax equivalent of rent - based on 15 percent of estimated annual rent.

Amounts may not add due to rounding.

Source: Government of the District of Columbia: [www.cfo.dc.gov](http://www.cfo.dc.gov) (publication pending).

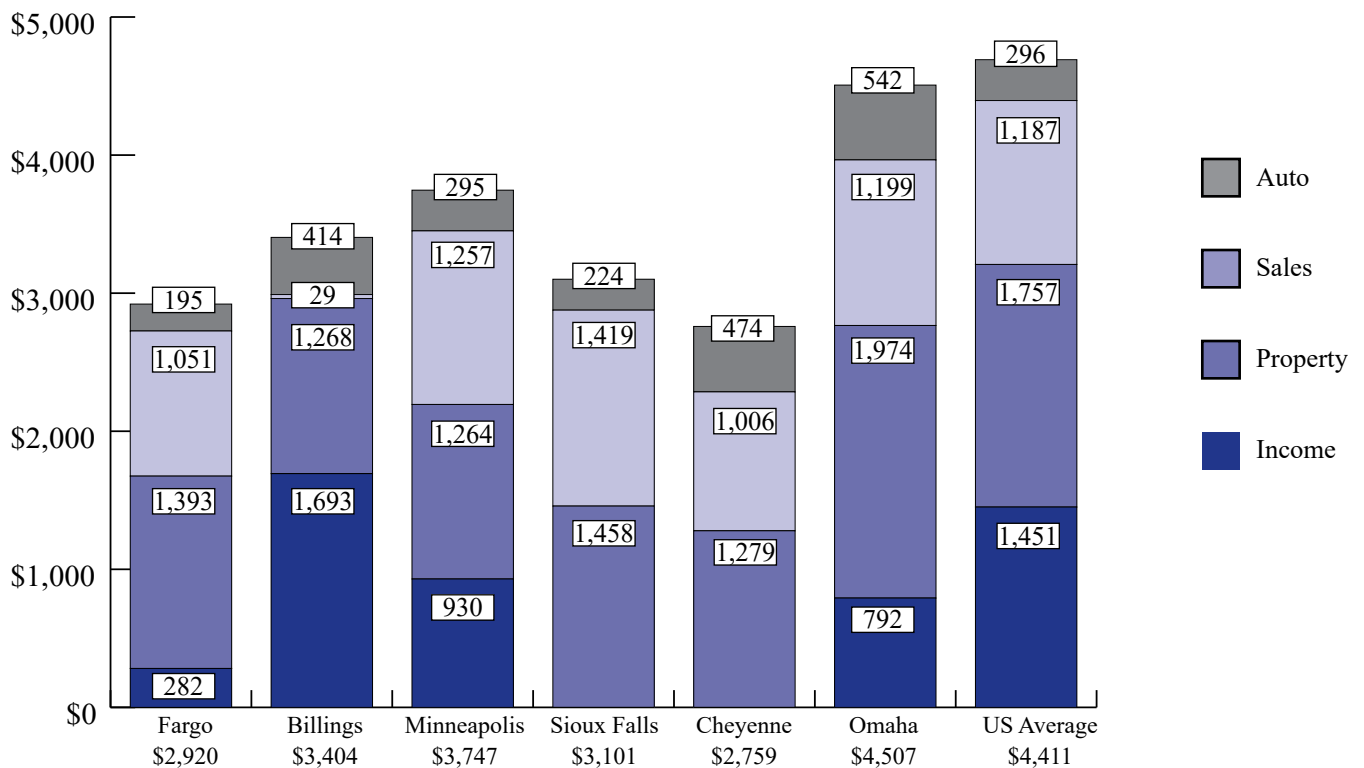
## MAJOR TAXES AS A PERCENT OF INCOME

FAMILY OF 3 - \$50,000 PER YEAR



## MAJOR TAX BURDEN FOR FAMILY OF THREE

EARNING \$50,000 PER YEAR



Amounts may not add due to rounding.

Source: Government of the District of Columbia: [www.cfo.dc.gov](http://www.cfo.dc.gov) (publication pending).



## STATE TAXES BY SOURCE - FISCAL YEAR 2019

	General Sales & Use	Individual Income	Corporate Income	Motor Fuels	Licenses	All Other
Alabama	25.16%	36.24%	5.91%	5.23%	4.80%	22.66%
Alaska	0.00%	0.00%	18.67%	2.57%	8.97%	69.79%
Arizona	46.02%	29.49%	2.83%	4.87%	3.19%	13.59%
Arkansas	34.97%	29.48%	5.23%	4.86%	3.95%	21.51%
California	22.07%	53.17%	7.33%	4.02%	5.87%	7.56%
Colorado	21.27%	51.49%	5.01%	4.27%	4.39%	13.58%
Connecticut	25.50%	47.00%	5.00%	2.77%	2.29%	17.44%
Delaware	0.00%	37.89%	6.31%	3.11%	38.84%	13.85%
Florida	62.51%	0.00%	6.98%	6.53%	4.74%	19.26%
Georgia	25.29%	49.27%	5.14%	7.44%	2.88%	9.98%
Hawaii	46.41%	31.29%	2.32%	1.07%	3.42%	15.50%
Idaho	39.09%	34.17%	5.83%	7.72%	7.93%	5.26%
Illinois	28.27%	38.92%	7.27%	3.18%	6.54%	15.82%
Indiana	40.09%	30.03%	3.73%	7.31%	3.81%	15.03%
Iowa	32.17%	38.72%	5.06%	6.29%	9.36%	8.40%
Kansas	33.25%	37.67%	4.85%	4.59%	4.32%	15.33%
Kentucky	30.90%	35.90%	4.50%	5.58%	4.11%	19.01%
Louisiana	31.83%	32.63%	4.22%	5.66%	3.73%	21.93%
Maine	34.51%	36.56%	5.41%	5.49%	6.23%	11.80%
Maryland	20.71%	42.65%	5.51%	4.83%	3.87%	22.44%
Massachusetts	21.49%	53.92%	9.26%	2.44%	3.77%	9.11%
Michigan	31.76%	33.53%	3.77%	4.88%	6.71%	19.35%
Minnesota	22.02%	44.01%	6.07%	3.32%	5.31%	19.26%
Mississippi	45.02%	23.75%	5.97%	5.37%	6.18%	13.71%
Missouri	28.31%	49.98%	2.80%	5.50%	4.77%	8.64%
Montana	0.00%	44.59%	5.84%	8.25%	12.27%	29.05%
Nebraska	34.17%	44.24%	7.36%	6.81%	3.20%	4.22%
Nevada	56.45%	0.00%	0.00%	3.63%	7.19%	32.73%
New Hampshire	0.00%	4.13%	28.01%	6.25%	15.66%	45.95%
New Jersey	27.92%	40.94%	10.43%	1.33%	4.40%	14.98%
New Mexico	38.55%	21.41%	2.72%	3.22%	4.48%	29.62%
New York	16.78%	59.26%	4.74%	1.88%	1.97%	15.37%
North Carolina	28.86%	45.23%	2.85%	7.16%	7.94%	7.96%
<b>North Dakota</b>	<b>21.19%</b>	<b>8.36%</b>	<b>2.95%</b>	<b>4.01%</b>	<b>4.60%</b>	<b>58.89%</b>
Ohio	42.10%	30.89%	0.02%	6.57%	7.39%	13.02%
Oklahoma	28.62%	33.22%	2.82%	5.35%	9.74%	20.25%
Oregon	0.00%	70.54%	6.53%	4.20%	8.13%	10.61%
Pennsylvania	27.24%	31.34%	6.87%	7.76%	6.43%	20.36%
Rhode Island	30.08%	36.96%	4.74%	2.03%	3.12%	23.07%
South Carolina	30.87%	42.41%	3.53%	6.47%	5.78%	10.94%
South Dakota	58.99%	0.00%	2.39%	9.78%	14.09%	14.74%
Tennessee	52.92%	1.36%	11.45%	7.87%	12.88%	13.52%
Texas	60.20%	0.00%	0.00%	5.91%	5.78%	28.11%
Utah	28.42%	49.95%	5.24%	5.73%	3.64%	7.02%
Vermont	12.03%	25.10%	4.37%	2.47%	3.68%	52.36%
Virginia	20.76%	56.58%	3.51%	4.12%	3.41%	11.61%
Washington	59.47%	0.00%	0.00%	6.06%	6.24%	28.22%
West Virginia	25.17%	35.31%	3.35%	7.47%	4.06%	24.65%
Wisconsin	28.42%	43.71%	6.81%	5.32%	6.31%	9.42%
Wyoming	36.49%	0.00%	0.00%	5.72%	9.89%	47.90%
<b>U.S. Total</b>	<b>30.79%</b>	<b>37.83%</b>	<b>5.34%</b>	<b>4.65%</b>	<b>5.42%</b>	<b>15.97%</b>

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov); U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts: [www.bea.gov/regional](http://www.bea.gov/regional).

## TOTAL STATE TAX COLLECTIONS PER CAPITA FISCAL YEAR 2019

Rank	State	Per Capita Total State Tax Collections
1	North Dakota	\$6,522
2	Hawaii	\$5,796
3	Vermont	\$5,495
4	Connecticut	\$5,047
5	Minnesota	\$4,996
6	California	\$4,764
7	Delaware	\$4,718
8	New York	\$4,710
9	Massachusetts	\$4,614
10	New Jersey	\$4,373
11	Maryland	\$3,904
12	Washington	\$3,676
13	Wyoming	\$3,676
14	New Mexico	\$3,542
15	Rhode Island	\$3,517
16	Maine	\$3,478
17	Kansas	\$3,443
18	Wisconsin	\$3,442
19	Arkansas	\$3,386
20	Pennsylvania	\$3,369
21	Iowa	\$3,355
22	Illinois	\$3,354
23	West Virginia	\$3,314
24	Oregon	\$3,310
25	Nevada	\$3,164
26	Utah	\$3,109
27	Virginia	\$3,079
28	Michigan	\$3,031
29	Indiana	\$2,996
30	Nebraska	\$2,976
31	Montana	\$2,964
32	Kentucky	\$2,886
33	North Carolina	\$2,795
34	Mississippi	\$2,785
35	Colorado	\$2,756
36	Idaho	\$2,733
37	Oklahoma	\$2,712
38	Ohio	\$2,579
39	Louisiana	\$2,527
40	Arizona	\$2,495
41	Alaska	\$2,433
42	Alabama	\$2,361
43	Georgia	\$2,328
44	South Dakota	\$2,193
45	Texas	\$2,184
46	New Hampshire	\$2,183
47	South Carolina	\$2,179
48	Tennessee	\$2,171
49	Missouri	\$2,148
50	Florida	\$2,086
U.S.		\$3,321

## TOTAL STATE TAXES EXCEPT SEVERANCE TAXES PER CAPITA FISCAL YEAR 2019

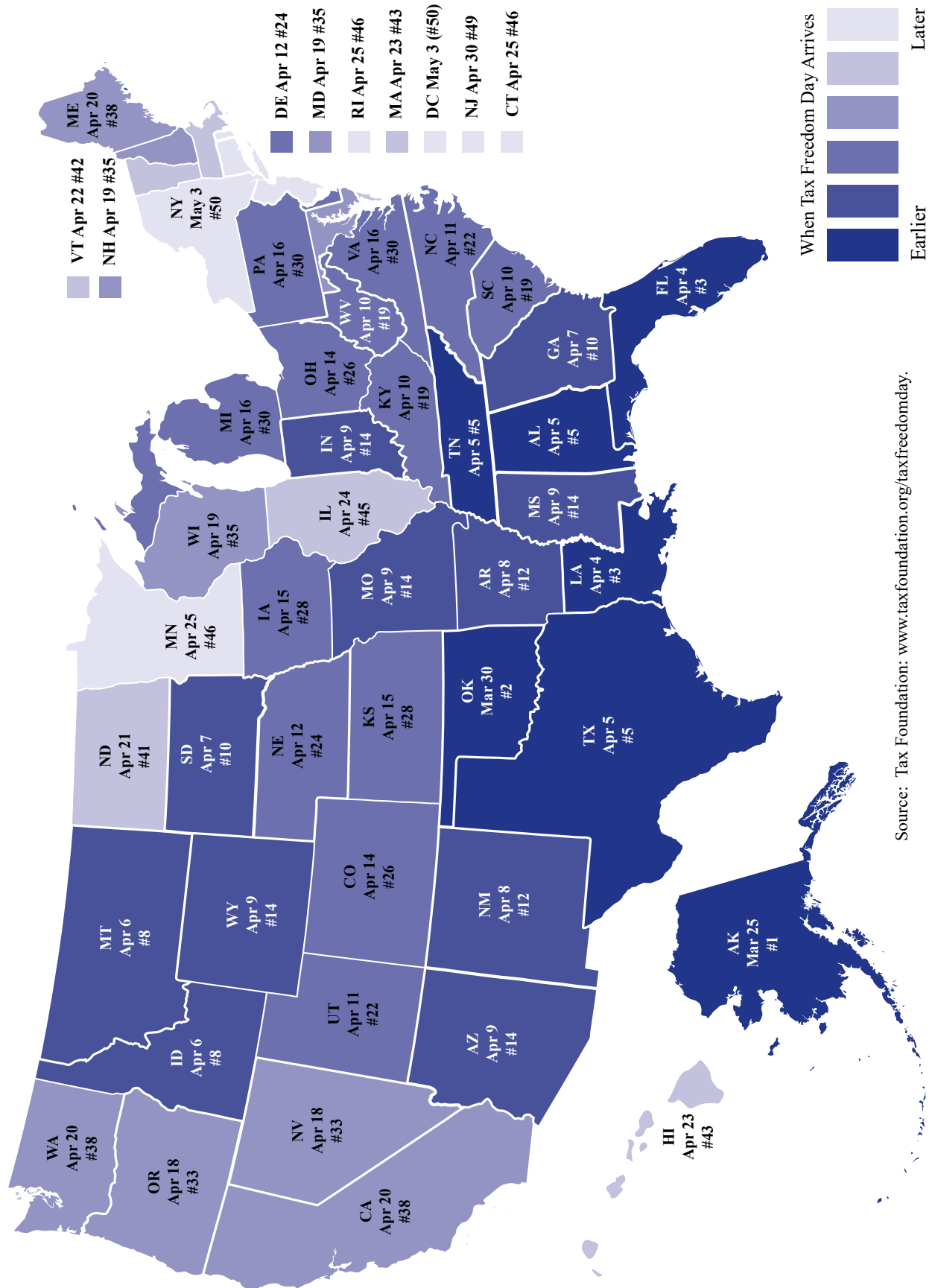
Rank	State	Total Tax Less Severance Tax
1	Hawaii	\$5,796
2	Vermont	\$5,495
3	Connecticut	\$5,047
4	Minnesota	\$4,985
5	California	\$4,761
6	Delaware	\$4,718
7	New York	\$4,710
8	Massachusetts	\$4,614
9	New Jersey	\$4,373
10	Maryland	\$3,904
11	Washington	\$3,670
12	Rhode Island	\$3,517
13	Maine	\$3,478
14	Wisconsin	\$3,440
15	Kansas	\$3,424
16	Pennsylvania	\$3,369
17	Arkansas	\$3,367
18	Iowa	\$3,355
19	Illinois	\$3,354
20	Oregon	\$3,306
21	Nevada	\$3,124
22	North Dakota	\$3,095
23	Utah	\$3,095
24	Virginia	\$3,079
25	West Virginia	\$3,056
26	Michigan	\$3,029
27	Indiana	\$2,996
28	Nebraska	\$2,974
29	Kentucky	\$2,853
30	New Mexico	\$2,831
31	North Carolina	\$2,795
32	Montana	\$2,775
33	Mississippi	\$2,768
34	Idaho	\$2,730
35	Colorado	\$2,718
36	Ohio	\$2,573
37	Arizona	\$2,493
38	Wyoming	\$2,491
39	Oklahoma	\$2,421
40	Louisiana	\$2,419
41	Alabama	\$2,351
42	Georgia	\$2,328
43	South Dakota	\$2,186
44	New Hampshire	\$2,183
45	South Carolina	\$2,179
46	Tennessee	\$2,171
47	Missouri	\$2,148
48	Florida	\$2,084
49	Texas	\$1,985
50	Alaska	\$1,219
U.S.		\$3,276

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov); U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts: [www.bea.gov/regional](http://www.bea.gov/regional).

## TAX FREEDOM DAY BY STATE - 2019

The total tax burden borne by residents of different states varies considerably due to differing state tax policies and the progressivity of the federal tax system. This means a combination of higher-income and higher-tax states celebrate Tax Freedom Day later.

For more information, go to the Tax Foundation's website at [www.taxfoundation.org/taxfreedomday](http://www.taxfoundation.org/taxfreedomday).



Source: Tax Foundation: [www.taxfoundation.org/taxfreedomday](http://www.taxfoundation.org/taxfreedomday).

# CIGARETTE AND TOBACCO TAXES

Cigarette and Tobacco Taxes history may be found at [www.nd.gov/tax/cigarettetobaccohistory](http://www.nd.gov/tax/cigarettetobaccohistory).

## CURRENT LAW

### Cigarette Tax

#### *Imposition and Rates*

The cigarette tax is levied at two different tax rates. Cigarettes weighing three pounds per thousand or less are taxed at 22 mills per cigarette or 44¢ for a common package of 20, and 55¢ for a package of 25. Cigarettes weighing more than three pounds per thousand are taxed at 22½ mills per cigarette. Gray market or repatriated cigarettes may not be sold or possessed in North Dakota. “Gray market” or “repatriated” cigarettes are those cigarettes manufactured and packaged in the U.S. for the specific purpose of being exported with intent to be sold outside the U.S., and are brought back illegally into the country and sold. All cigarettes sold must be in packages of 20 or more cigarettes.

Roll-your-own cigarette tobacco is taxed at the cigarette rate. One cigarette equals .09 ounces of roll-your-own tobacco. Sales of bulk roll-your-own cigarette tobacco are converted to taxable cigarettes. Only tobacco advertised as roll-your-own is taxed at the cigarette rate.

Both wholesalers and dealers must be licensed by the Attorney General. Wholesalers pay the tax with monthly reports filed with the Tax Commissioner. For administrative compensation, wholesalers who file and pay on time may deduct 1.5% of the tax due, up to a maximum of \$100 per month.

#### *Distribution of Revenue*

Three cents of the 44¢ per package are distributed to the cities based on population and the remainder goes to the State General Fund. Of the 55¢ on the larger packages, 3¾¢ goes to the cities with the remainder to the State General Fund.

### Tobacco Products Tax

#### *Imposition and Rates*

All tobacco products other than cigarettes and specific roll-your-own tobacco, such as pipe tobacco, chewing tobacco, snuff, and cigars are subject to a tobacco products tax. Pipe tobacco and cigars are taxed at 28% of the wholesale purchase price. Snuff is taxed at 60¢ per ounce and chewing tobacco is taxed at 16¢ per ounce. The tobacco products tax is administered in a manner similar to the cigarette tax.

#### *Distribution of Revenue*

Revenue from the tobacco products tax is placed in the State General Fund.

### Tribal Cigarette And Tobacco Tax

The Standing Rock Sioux Tribe levies a cigarette and tobacco tax on all Native American retailers operating on the Standing Rock Sioux Reservation. The tax rates are identical to the state tax rates. The Tax Commissioner acts as the agent of the tribe to collect the tax. Eighty-seven percent of collections, less a 1% administrative fee, is returned to the tribe. Thirteen percent plus the administrative fee is deposited in the State General Fund.

# COMPARISON OF STATE TOBACCO PRODUCTS TAXES

JANUARY 1, 2020

State	Tax Rate/Base (1)		State	Tax Rate/Base (1)	
Alabama (2)			Michigan	32%	Wholesale Price
Cigars	3.0¢-40.5¢/10 cigars		Minnesota (7)	95%	Wholesale Price
Tobacco/Snuff	2¢-8¢/ounce		Mississippi	15%	Manufacturer's Price
Alaska	75%	Wholesale Price	Missouri	10%	Manufacturer's Price
Arizona			Montana (4)	50%	Wholesale Price
Cigars	22.01¢-\$2.18/10 cigars		Nebraska (4)	20%	Wholesale Price
Tobacco/Snuff	22.3¢/ounce		Nevada (7)	30%	Wholesale Price
Arkansas	68%	Manufacturer's Price	New Hampshire (7)	65.03%	Wholesale Price
California (7)	59.27%	Wholesale Price	New Jersey (4) (7)	30%	Wholesale Price
Colorado	40%	Manufacturer's Price	New Mexico (7)	25%	Product value
Connecticut (4) (7)	50%	Wholesale Price	New York (4) (7)	75%	Wholesale Price
Delaware (4) (7)	30%	Wholesale Price	North Carolina (7)	12.8%	Wholesale Price
Florida (5)			<b>North Dakota</b>		
Tobacco/Snuff	85%	Wholesale Price	Cigars and		
Georgia			Tobacco	28%	Wholesale Price
Little Cigars	2.5¢/10 cigars		Chew Tobacco		
Other Cigars	23%	Wholesale Price	and Snuff	16¢-60¢/ounce	
Tobacco	10%	Wholesale Price	Ohio (7)	17%	Wholesale Price
Hawaii (6)			Oklahoma		
Large Cigars	50%	Wholesale Price	Cigars		
Tobacco/Snuff	70%	Wholesale Price	Little/Large	\$1.20/10 cigars	
Idaho	40%	Wholesale Price	Snuff/Tobacco	60%-80%	Factory list price
Illinois (4) (7)	36%	Wholesale Price	Oregon (4)	65%	Wholesale Price
Indiana	24%	Wholesale Price	Pennsylvania (6) (7)	\$0.55/ounce - tobacco	
Iowa (6)	50%	Wholesale Price	Rhode Island	80%	Wholesale Price
Kansas (7)	10%	Wholesale Price	South Carolina	5%	Manufacturer's Price
Kentucky (4)	15%	Wholesale Price	South Dakota	35%	Wholesale Price
Louisiana (7)			Tennessee	6.6%	Wholesale Price
Cigars	8%-20%	Manufacturer's Price	Texas		
Snuff/Smoking			Cigar	1.0¢-15.0¢/10 cigars	
Tobacco	20%-33%	Manufacturer's Price	Tobacco/Snuff	\$1.22/ounce	
Maine			Utah (4) (6)	86%	Manufacturer's Price
Chewing Tob./			Virginia (4)	10%	Manufacturer's Price
Snuff	\$2.02/ounce		Vermont (4) (7)	92%	Wholesale Price
Smoking Tob./			Cigar	\$20-\$40/10 cigars	
Cigars (7)	43%	Wholesale Price	Tobacco/Snuff	\$2.57/ounce	
Maryland			Washington (4) (6) (7)	95%	Wholesale Price
Tobacco/Snuff	30%	Wholesale Price	West Virginia (7)	12%	Wholesale Price
Cigars	70%	Wholesale Price	Wisconsin (4) (7)	71%	Manufacturer's Price
Massachusetts (7)	40%	Wholesale Price	Wyoming (4)	20%	Wholesale Price
			Dist. of Columbia (3) (7)	91%	Wholesale Price

1. The volume-based tax rates were converted to cents per 10 cigars or per ounce for consistency.
2. Alabama's cigar tax rate rises with the retail price; the rate on smoking tobacco and snuff depends on package weight.
3. The Dist. of Columbia adjusts the tax rate annually, effective October 1st each year.
4. Tax rate on snuff per ounce is \$3.00 in CT, 92¢ in DE, 30¢ in IL, 4¾¢ in KY, 95% in MN, 85¢ in MT, 44¢ in NE, 75¢ in NJ, \$2.00 in NY, \$1.78 in OR, \$1.83 in UT, 18¢ in VA, \$2.57 in VT, \$2.105 in WA, 100% in WI, and 60¢ in WY.
5. Florida's rate includes a 60% surtax.
6. Little cigars are taxed as cigarettes.
7. Twenty-one states (and Massachusetts effective June 1, 2020) impose an excise tax on e-cigarettes or vaping products. See [www.taxadmin.org/e-cigarettes](http://www.taxadmin.org/e-cigarettes) for current rates.

Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).

## CIGARETTE TAX AND TOBACCO TAX COLLECTIONS

Fiscal Year	Total Collections	Tobacco Tax General Fund	Cigarette Tax General Fund	Cigarette Tax Cities	Cigarette & Tobacco Tax Tribal
2010	\$23,848,888	\$3,976,398	\$18,454,355	\$1,353,442	\$64,693
2011	\$25,372,066	\$4,746,866	\$19,161,819	\$1,400,357	\$63,024
2012	\$28,306,348	\$5,670,933	\$21,023,989	\$1,536,055	\$75,371
2013	\$28,716,623	\$6,244,020	\$20,871,615	\$1,525,112	\$75,876
2014	\$31,234,804	\$7,032,346	\$22,489,945	\$1,643,720	\$68,792
2015	\$32,632,663	\$7,796,925	\$23,076,721	\$1,686,669	\$72,348
2016	\$30,744,517	\$7,248,801	\$21,812,457	\$1,594,993	\$88,266
2017	\$28,952,047	\$7,106,877	\$20,242,100	\$1,479,679	\$123,391
2018	\$27,976,158	\$7,012,940	\$19,460,767	\$1,423,010	\$79,441
2019	\$27,350,743	\$7,089,093	\$18,809,641	\$1,375,524	\$76,485
2020	\$26,603,218	\$7,036,502	\$18,162,802	\$1,328,947	\$74,967
2021 est.	\$25,152,000	\$6,756,000	\$17,073,000	\$1,250,000	\$73,000

Source: North Dakota Office of State Tax Commissioner.

## STATE EXCISE TAX RATES ON CIGARETTES JANUARY 1, 2020

Rank	State	Cents Per Pack	Rank	State	Cents Per Pack	Rank	State	Cents Per Pack
1	Dist. of Columbia (e)	450	17	Maryland	200	39	Colorado	84
2	Connecticut	435	17	Michigan	200	40	Mississippi	68
2	New York (a)	435	17	Nevada	180	41	Alabama (a)	67.5
4	Rhode Island	425	23	Montana	170	42	Nebraska	64
5	Massachusetts	351	24	New Hampshire	178	43	Tennessee (a) (c)	62
6	Hawaii	320	25	Montana	170	44	Wyoming	60
7	Vermont	308	25	Utah	170	45	Idaho	57
8	Minnesota (d)	304	27	Ohio	160	45	South Carolina	57
9	Washington	302.5	28	South Dakota	153	47	North Carolina	45
10	Illinois (a)	298	29	Texas	141	48	<b>North Dakota</b>	<b>44</b>
11	California	287	30	Iowa	136	49	Georgia	37
12	New Jersey	270	31	Florida (b)	133.9	50	Virginia (a)	30
13	Pennsylvania	260	32	Oregon	133	51	Missouri (a)	17
14	Wisconsin	252	33	Kansas	129	U.S. Median		170
15	Delaware	210	34	West Virginia	120			
16	Oklahoma	203	35	Arkansas	115			
17	Alaska	200	36	Kentucky	110			
17	Arizona	200	37	Louisiana	108			
17	Maine	200	38	Indiana	99.5			

a. Counties and cities may impose an additional tax on a pack of cigarettes: in Alabama, 1¢ to 25¢; Illinois, 10¢ to \$4.18; Missouri, 4¢ to 7¢; New York City, \$1.50; Tennessee, 1¢; and Virginia, 2¢ to 15¢.

b. Florida's rate includes a surcharge of \$1 per pack.

c. Dealers pay an additional enforcement and administrative fee of 5¢ in Tennessee.

d. In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department. The current rate is 61¢ through December 31, 2020.

e. In addition, Dist. of Columbia imposes an in lieu cigarette sales tax calculated every March 31<sup>st</sup>. The current rate is 48¢.

Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).



# COAL TAXES

Coal Tax history may be found at [www.nd.gov/coalhistory](http://www.nd.gov/coalhistory).

## Coal Severance Tax

### CURRENT LAW

#### *Imposition, Rate, and Administration*

The coal severance tax is imposed on the act of removing coal from the earth. The tax is in lieu of both the sales and use taxes on coal and the property tax on minerals in the earth. The coal severance tax applies to all coal severed for sale or industrial purposes, except: coal used for heating buildings in the state, coal used by the state or any political subdivision of the state, and coal used in agricultural commodity processing facilities or to produce steam used in agricultural processing facilities in North Dakota or adjacent states.

No severance tax may be imposed on coal purchased for improvement by coal beneficiation, which is subsequently used in, or 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.

The tax is applied at a flat rate of 37½ cents per ton. An additional 2 cent per ton tax is levied for the Lignite Research Fund.

A 50% reduction in the 37½ cent tax is allowed for coal burned in a cogeneration facility designed to use renewable resources to generate 10% or more of its energy output.

Counties may grant a partial or complete exemption from the counties' 70% portion of the 37½ cent tax for coal that is shipped out of state.

Payments of the tax are made monthly by the owner or operator of the mine.

#### *Distribution of Revenue*

Revenue from the 37½ cent per ton severance tax is deposited in the Coal Development Fund and is distributed as follows:

- 30% to a permanent, Constitutional Trust Fund administered by the Board of University and School Lands. The Trust Fund is used to supply loans to school districts for school construction and loans to cities, counties, and school districts impacted by coal development. Investment income from the Trust Fund is first used to replace uncollectible loans made from the fund, and the balance is deposited in the State General Fund. Seventy percent of the tax collected and deposited in the permanent Trust Fund must be deposited in the Lignite Research Fund.
- 70% among the coal producing counties according to the amount of coal each county produces. Revenue allotted to each county is further apportioned as follows: 40% to the county general fund; 30% to the cities within the county; and 30% to the school districts. Also, a nonproducing county within 15 miles of a currently active coal mine, and a city or school district in that county and within 15 miles of the mine, are entitled to a share of the coal producing county's severance tax revenue from that particular mine. The amount of coal production on which a county has to share its severance tax revenue with another county during a calendar year is limited to 3,000,000 tons.

Revenue from the additional 2 cent per ton tax is deposited into the Lignite Research Fund.



# TAXATION OF COAL IN NEIGHBORING STATES

## Montana

Montana levies the following taxes on surface mined coal:

- **Coal Gross Proceeds Tax**

A statewide 5% yearly flat tax is imposed on coal gross proceeds. The gross proceeds of coal is determined by multiplying the number of tons produced by the contract sales price. One-half of the contract sales price of coal sold by a coal producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation. This tax is collected by the county where the mine is located.

- **Coal Severance Tax**

Imposed on all coal mined in the state. Producers of over 50,000 tons of coal per year pay a quarterly severance tax on all production in excess of 20,000 tons. Producers of under 50,000 tons per year are exempt from the tax.

Tax rates depend on the heat content (BTU's per pound) of the coal and the method of extraction. The value of coal to which the severance tax is applied is the contract sales price. Current tax rates:

### **Surface Mined Coal**

Under 7,000 BTU's    10% of value  
7,000 BTU's and over 15% of value

### **Underground Mined Coal**

Under 7,000 BTU's    3% of value  
7,000 BTU's and over 4% of value

### **Auger Mined Coal**

Under 7,000 BTU's    3.75% of value  
7,000 BTU's and over 5% of value

Auger mining means "the method of recovering coal by boring with an auger into a coal bed prepared by strip-mining excavations or in naturally sloping terrain. Auger mining is used when the ratio of overburden to coal does not allow the economical recovery of coal."

- **Resource Indemnity Trust Tax**

Annual tax of 0.4% of gross value of product. The gross value of product is determined by multiplying the tons of coal produced and sold by the contract sales price. There are no incentives.

*Incentives* Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing more than 50,000 tons of coal in a year are exempt from severance tax on the first 20,000 tons produced. One-half of the contract sales price of coal sold by a coal producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation under the gross proceeds tax.

## Wyoming

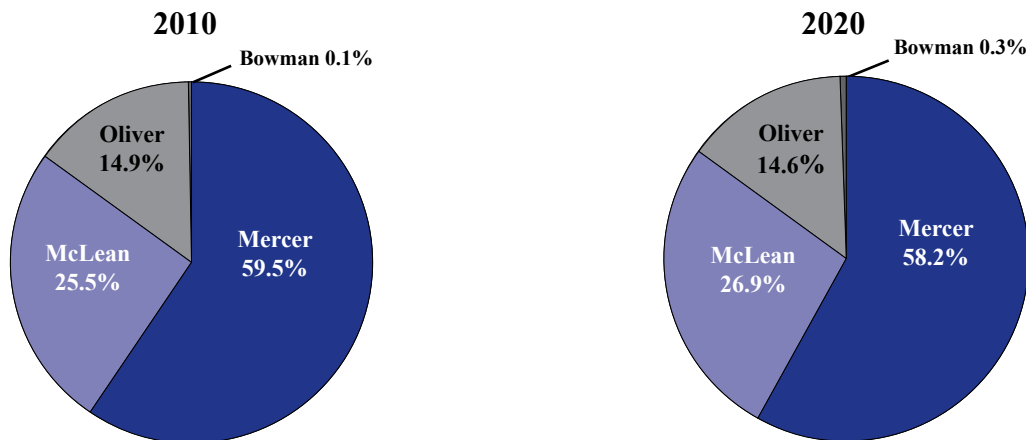
Wyoming levies the following taxes on surface mined coal:

- A severance tax of 7% of the mine mouth value.
- A "gross products tax." It is based on the same taxable value as that used for severance tax purposes but is collected by the counties and based on applicable local mill rates.

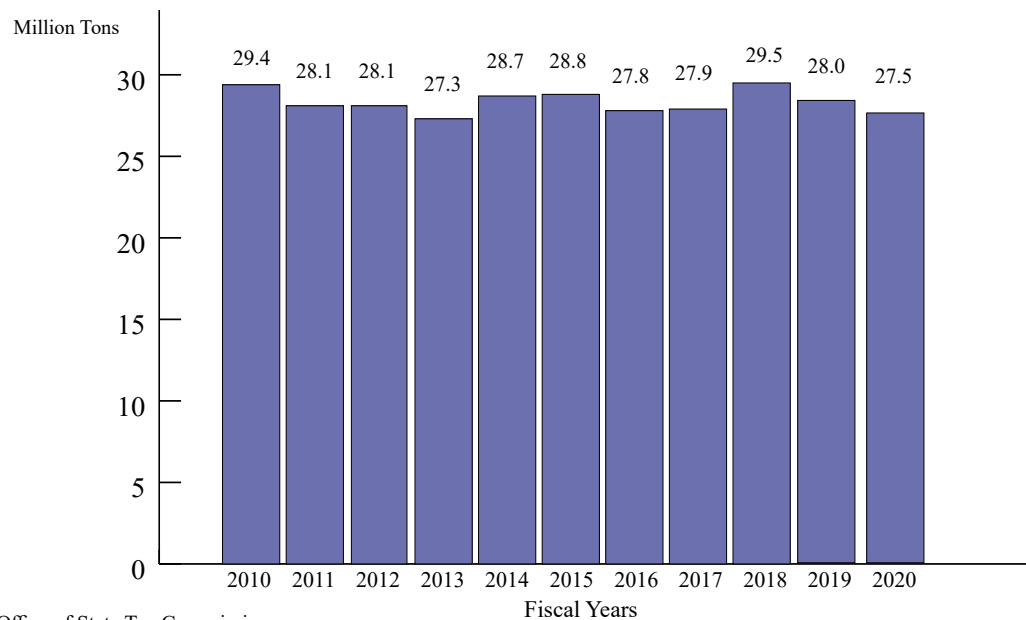
## COAL SEVERANCE TAX COLLECTIONS AND DISTRIBUTION

Fiscal Year	Total Collections	Land Board Trust Fund	Counties	Lignite Research
2010	\$11,506,451	\$3,275,586	\$7,643,033	\$587,832
2011	\$11,254,271	\$3,207,838	\$7,484,955	\$561,478
2012	\$11,001,918	\$3,132,244	\$7,312,615	\$557,059
2013	\$10,986,898	\$3,129,180	\$7,301,420	\$556,298
2014	\$11,233,707	\$3,199,474	\$7,465,438	\$568,795
2015	\$11,293,806	\$3,215,280	\$7,502,321	\$576,205
2016	\$10,948,613	\$3,118,276	\$7,275,977	\$554,360
2017	\$11,070,361	\$3,153,521	\$7,358,215	\$558,625
2018	\$11,654,559	\$3,319,464	\$7,745,415	\$589,680
2019	\$11,155,296	\$3,189,642	\$7,442,499	\$523,155
2020	\$10,914,914	\$3,108,893	\$7,254,085	\$551,936

## COUNTY BREAKDOWN - COAL SEVERANCE TAX REVENUE FISCAL YEARS 2010 AND 2020



## NORTH DAKOTA TAXABLE COAL PRODUCTION



Source: North Dakota Office of State Tax Commissioner.

### CURRENT LAW

#### *Imposition, Rate, and Administration*

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.

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 to 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 ten 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. 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.

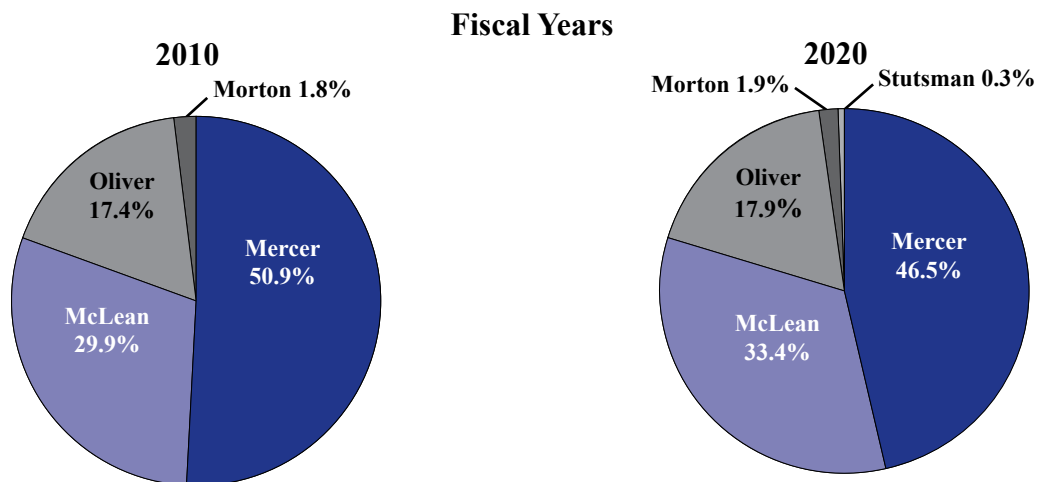
**Other Coal Conversion Plants** Revenue is distributed as follows:

- 85% to the State General Fund. 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.

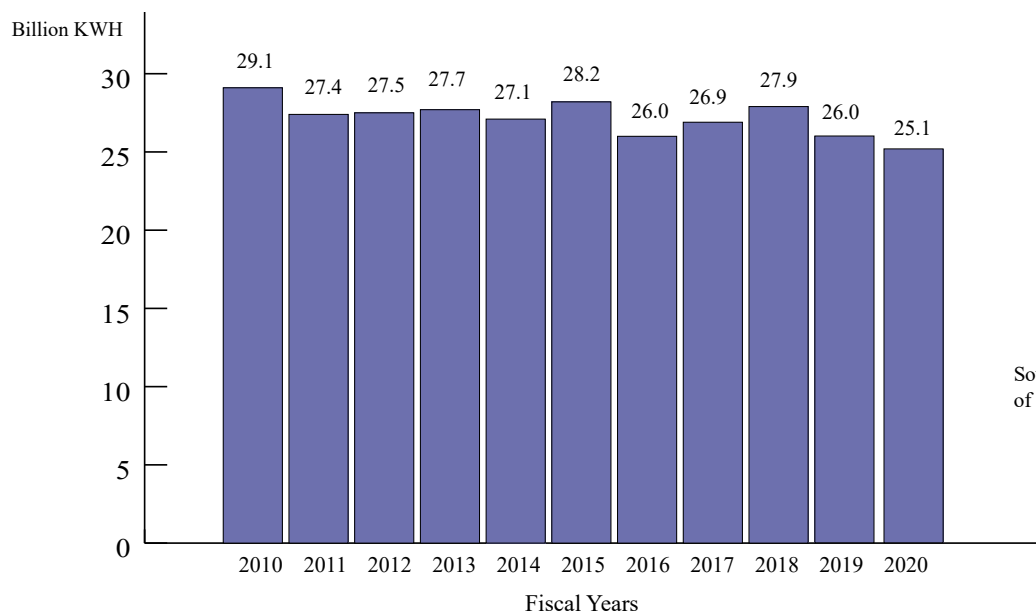
# COAL CONVERSION TAX COLLECTIONS AND DISTRIBUTION

Fiscal Year	Total Collections	Distributed to State	
		General Fund	Distributed to Counties
2010	\$26,154,150	\$21,113,869	\$5,040,281
2011	\$23,118,634	\$17,950,430	\$5,168,205
2012	\$25,430,529	\$19,498,126	\$5,932,403
2013	\$24,905,909	\$18,901,288	\$6,004,621
2014	\$24,937,582	\$19,222,236	\$5,715,346
2015	\$27,253,229	\$21,544,913	\$5,708,316
2016	\$26,785,652	\$22,189,976	\$4,595,676
2017	\$25,779,352	\$21,479,260	\$4,300,092
2018	\$26,785,652	\$22,189,976	\$4,595,676
2019	\$26,690,136	\$22,462,481	\$4,227,655
2020	\$25,040,729	\$21,098,724	\$3,942,005

## COUNTY BREAKDOWN - KILOWATT HOURS PRODUCED SUBJECT TO COAL CONVERSION TAX



## KILOWATT HOURS (KWH) PRODUCED SUBJECT TO COAL CONVERSION TAX



Source: North Dakota Office of State Tax Commissioner.

# CORPORATION INCOME TAX

Corporation Income Tax history may be found at [www.nd.gov/tax/corporateincomehistory](http://www.nd.gov/tax/corporateincomehistory).

## CURRENT LAW

### *Filing Requirements*

Every corporation engaged in business in North Dakota or having sources of income in North Dakota must file a North Dakota corporation income tax return. Most returns are due on the 15<sup>th</sup> day of the fourth month following the close of the tax year. Returns filed by cooperatives are due on the 15<sup>th</sup> day of the ninth month following the close of the tax year. Returns of tax-exempt organizations reporting unrelated business taxable income are due on the 15<sup>th</sup> day of the fifth month after the close of the tax year. Payment is made with the return.

A corporation is required to pay estimated tax on a quarterly basis if:

- the estimated tax due exceeds \$5,000, **and**
- the previous year's total tax liability exceeded \$5,000.

### *Starting Point for Calculating Tax*

The starting point for calculation of corporation income tax is federal taxable income. North Dakota income tax law is perpetually federalized for this starting point.

### *Apportionable Income*

A corporation's apportionable income is determined by adjusting the corporation's federal taxable income.

Additions to federal taxable income include:

- All income, franchise, or privilege taxes measured by income which were deducted on the federal return.
- Interest on state and local obligations (excluding North Dakota).
- Dividends received deduction taken on the federal return.
- Net operating loss deduction taken on the federal return.
- Amounts related to contributions to an Endowment Fund to the extent a North Dakota credit has been claimed.

Subtractions from federal taxable income include:

- State income tax refunds.
- Interest from U.S. obligations.
- Nonbusiness income (net of related expenses) from sources outside North Dakota.

### *North Dakota Taxable Income*

North Dakota taxable income is that portion of a corporation's apportionable income which is derived from, or attributable to, sources within North Dakota.

A corporation whose business activity is conducted solely within North Dakota is a nonapportioning corporation. North Dakota taxable income is the entire apportionable income reduced by any net operating loss carryforward attributable to North Dakota sources.

Parent and subsidiary corporations, which operate totally within North Dakota and file a federal consolidated tax return, must file a state consolidated corporation income tax return using the combined report method.

A corporation whose activity is conducted both within and without North Dakota is an apportioning corporation. North Dakota taxable income is computed by multiplying the apportionable income by an apportionment factor. This amount is reduced by any net operating loss carryforward attributable to North Dakota sources, and any applicable income exemptions. The standard apportionment formula includes property, payroll, and sales factors, and is calculated as follows:

$$\left( \frac{\text{ND Property}}{\text{Total Property}} + \frac{\text{ND Payroll}}{\text{Total Payroll}} + \frac{\text{ND Sales}}{\text{Total Sales}} \right) \div 3$$

However, starting with 2016, a corporation may make an election to more heavily weight the sales component of its apportionment factor, instead of the standard weighting of one-third. The election is a binding five-year election. If elected, the weightings apply to each tax year as follows: 2016 and 2017 - 50% sales; 2018 - 75% sales; 2019 and after - 100% sales.

### *Unitary Combined Report and Water's Edge Election*

A unitary combined report is required when two or more corporations are conducting a unitary business. A unitary business is one in which the activities of two or more affiliated corporations depend upon, contribute to, or are integrated with each other. The combined report includes the total apportionable income of all members of the unitary group. To be included in a combined report, an affiliated corporation must have more than 50% of its voting stock owned directly or indirectly by a common parent, which is also a member of the group.

North Dakota applies the unitary concept on a worldwide basis. In other words, total apportionable income includes income of all affiliated companies of the unitary group, whether those companies are incorporated within or outside the U.S. A corporation may elect to apportion its income using the water’s edge approach. Under such an election, the corporation must comply with the following:

- 1. The election must be made on the return as originally filed.
- 2. The water’s edge election is binding for five consecutive years.
- 3. The water’s edge report must include the income and apportionment factors of the water’s edge group, 30% of foreign dividends, and 30% of net book income from 80/20 corporations. An 80/20 corporation refers to an affiliated corporation incorporated in the U.S., but having less than 20% of its property and payroll assigned to U.S. locations.
- 4. North Dakota taxable income is subject to an additional 3.5% surtax.

*Rate Table*

Effective for tax years beginning after December 31, 2014, North Dakota corporation income tax is determined by applying the following rates to North Dakota income:

TAXABLE INCOME:	
Up to \$25,000.....	1.41%
\$25,000 to \$50,000.....	3.55%
Over \$50,000.....	4.31%

Corporations electing the water’s edge filing method are subject to an additional 3.5% surtax on North Dakota taxable income.

*Distribution of Revenue*

All revenue from the corporation income tax is deposited in the State General Fund.

*New or Expanding Business Exemptions*

**Qualifications** A new or expansion project in a primary sector or tourism business may qualify for an income tax exemption for up to five years. “Primary Sector” refers to a business that adds value to a product, process or service that produces wealth in North Dakota. “Tourism” refers to a tourism-related business that is a destination attraction. The exemption is limited to income earned from the qualifying project. The project operator is required to file a state income tax return even though an exemption is granted.

- Limitations** A business is not eligible for an exemption if:
- The business received a property tax exemption under tax increment financing, or
  - There is an outstanding recorded lien for delinquent property, income, sales or use taxes against the project operator or principle officers, or
  - The exemption fosters unfair competition or endangers existing business.

**Application Procedures** The business must apply to the State Board of Equalization, c/o the Office of State Tax Commissioner.

- The application must be filed within the first year of project operations.
- The application is reviewed by the Department of Commerce, Division of Economic Development and Finance.
- The business must provide notice to competitors as prescribed by the State Board of Equalization.
- The State Board of Equalization considers the application and any testimony at a public meeting and then grants or denies the exemption and certifies the results to the Tax Commissioner.

**Business Incentive Agreement** Corporations that receive an income tax exemption must enter into a Business Incentive Agreement with the State Board of Equalization.

*Renaissance Zone Exemptions*

North Dakota allows these exemptions under the Renaissance Zone Act:

- A five-year business income exemption for purchasing, leasing, or making improvement to real property used in an existing business.
- A five-year investment income exemption for purchasing residential or commercial real property solely for investment purposes.

## *Tax Credits*

North Dakota allows corporation income tax credits based on:

- Investment in a qualified North Dakota seed capital business.
- Investment in a qualified North Dakota agricultural commodity processing facility.
- Qualified research and experimental expenses incurred in North Dakota.
- Contributions to nonprofit private grade schools, high schools, and colleges.
- Portion of wages paid to an individual with disability or mental illness.
- Investment in a Renaissance Fund Organization.
- Investment in historic property preservation or renovation in a Renaissance Zone.
- Direct costs incurred to retrofit an existing facility or adapt a new facility to produce or blend biodiesel or green diesel fuel, or to crush soybeans or canola.
- Direct costs incurred by licensed fuel sellers to adapt or add equipment to enable retail sales of at least 2% biodiesel or green diesel fuel blends.
- Blending at least a 5% blend of biodiesel or green diesel fuel by a licensed fuel supplier.
- Compensation paid to college interns working in North Dakota.
- Compensation paid to employees hired to fill hard-to-fill positions in North Dakota.
- Contributions to a qualified endowment fund held by a North Dakota nonprofit organization, or bordering North Dakota if meeting other criteria.
- Compensation paid to an employee in the National Guard or U.S. Armed Forces reserve who is mobilized for federal active duty.
- Contributions to Rural Leadership North Dakota Scholarship Tuition Program conducted by the NDSU Extension Service.
- Purchasing machinery and equipment to automate a manufacturing process, effective for tax years 2019 through 2022.

## CORPORATION INCOME TAX COLLECTIONS

<b><u>Fiscal Year</u></b>	<b><u>Net Collections</u></b>
2010	\$87,874,592
2011	\$146,489,704
2012	\$198,746,771
2013	\$187,067,476
2014	\$239,404,247
2015	\$195,838,806
2016	\$97,580,800
2017	\$69,225,592
2018	\$92,872,214
2019	\$148,581,690
2020	\$91,564,033
2021 est.	\$87,917,000

Source: North Dakota Office of State Tax Commissioner.



# HISTORICAL NORTH DAKOTA CORPORATION INCOME TAX BRACKETS AND RATES

## For taxable years beginning on or after January 1, 2015\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$25,000	1.41% of North Dakota taxable income
	\$25,000	\$50,000	\$352.50 + 3.55% of the amount over \$25,000
	\$50,000		\$1,240 + 4.31% of the amount over \$50,000

## For taxable years beginning on or after January 1, 2013 and prior to January 1, 2015\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$25,000	1.48% of North Dakota taxable income
	\$25,000	\$50,000	\$370 + 3.73% of the amount over \$25,000
	\$50,000		\$1,302.50 + 4.53% of the amount over \$50,000

## For taxable years beginning on or after January 1, 2011 and prior to January 1, 2013\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$25,000	1.68% of North Dakota taxable income
	\$25,000	\$50,000	\$420 + 4.23% of the amount over \$25,000
	\$50,000		\$1,477.50 + 5.15% of the amount over \$50,000

## For taxable years beginning on or after January 1, 2009 and prior to January 1, 2011\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$25,000	2.10% of North Dakota taxable income
	\$25,000	\$50,000	\$525 + 5.25% of the amount over \$25,000
	\$50,000		\$1,837.50 + 6.40% of the amount over \$50,000

## For taxable years beginning on or after January 1, 2007 and prior to January 1, 2009\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$3,000	2.60% of North Dakota taxable income
	\$3,000	\$8,000	\$78 + 4.10% of the amount over \$3,000
	\$8,000	\$20,000	\$283 + 5.60% of the amount over \$8,000
	\$20,000	\$30,000	\$955 + 6.40% of the amount over \$20,000
	\$30,000		\$1,595 + 6.50% of the amount over \$30,000

## For taxable years beginning on or after January 1, 2004 and prior to January 1, 2007\*

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$3,000	2.60% of North Dakota taxable income
	\$3,000	\$8,000	\$78 + 4.10% of the amount over \$3,000
	\$8,000	\$20,000	\$283 + 5.60% of the amount over \$8,000
	\$20,000	\$30,000	\$955 + 6.40% of the amount over \$20,000
	\$30,000		\$1,595 + 7.00% of the amount over \$30,000

## For taxable years beginning on or after January 1, 1983 and prior to January 1, 2004

North Dakota taxable income:	<u>over</u>	<u>but not over</u>	
	\$0	\$3,000	3.00% of North Dakota taxable income
	\$3,000	\$8,000	\$90 + 4.50% of the amount over \$3,000
	\$8,000	\$20,000	\$315 + 6.00% of the amount over \$8,000
	\$20,000	\$30,000	\$1,035 + 7.50% of the amount over \$20,000
	\$30,000	\$50,000	\$1,785 + 9.00% of the amount over \$30,000
	\$50,000		\$3,585 + 10.50% of the amount over \$50,000

## For taxable years beginning on or after January 1, 1981 and prior to January 1, 1983

The corporation income tax rates had six brackets ranging from 2% up to 7% for income over \$50,000.

## For taxable years beginning on or after January 1, 1978 and prior to January 1, 1981

The corporation income tax rates had five brackets ranging from 3% up to 8.5% for income over \$25,000.

## For taxable years beginning on or after January 1, 1937 and prior to January 1, 1978

The corporation income tax rates had four brackets ranging from 3% up to 6% for income over \$15,000.

## For taxable years beginning on or after January 1, 1919 and prior to January 1, 1937

The corporation income tax rate was 3.0% on North Dakota taxable income.

\* If a corporation elects to use the water's edge method to apportion its income, the corporation will be subject to an additional 3.5% surtax on its North Dakota taxable income.

# COMPARISON OF STATE CORPORATION INCOME TAX RATES

## AS OF JANUARY 1, 2020

A comparison of tax obligations also needs to consider variables such as different state definitions of taxable income and circumstances of each corporation.

State	Tax Rate (Percent)	Tax Brackets		Number of Brackets	Tax Rate (a) (percent) Financial Inst.	Federal Income Tax Deductible
		Lowest	Highest			
Alabama	6.5	---Flat Rate---		1	6.5	Yes
Alaska	0 - 9.4	25,000	222,000	10	0 - 9.4	
Arizona	4.9 (b)	---Flat Rate---		1	4.9 (b)	
Arkansas	1.0 - 6.5	3,000	100,001	6	1.0 - 6.5	
California	8.84 (b)	---Flat Rate---		1	10.84 (b)	
Colorado	4.63	---Flat Rate---		1	4.63	
Connecticut	7.5 (c)	---Flat Rate---		1	7.5 (c)	
Delaware	8.7	---Flat Rate---		1	8.7 - 1.7 (d)	
Florida	4.458 (e)	---Flat Rate---		1	4.458 (e)	
Georgia	5.75	---Flat Rate---		1	5.75	
Hawaii	4.4 - 6.4 (f)	25,000	100,001	3	7.92 (f)	
Idaho	6.925 (g)	---Flat Rate---		1	6.925 (g)	
Illinois	9.5 (h)	---Flat Rate---		1	9.5 (h)	
Indiana	5.5 (i)	---Flat Rate---		1	6.0	
Iowa	6.0 - 12.0	25,000	250,001	4	5.0	Yes (j)
Kansas	4.0 (k)	---Flat Rate---		1	2.25 (k)	
Kentucky	5.0	---Flat Rate---		1	--- (a)	
Louisiana	4.0 - 8.0	25,000	200,001	5	4.0 - 8.0	Yes
Maine	3.5 - 8.93	350,000	3.5 Million	4	1.0 (l)	
Maryland	8.25	---Flat Rate---		1	8.25	
Massachusetts	8.0 (m)	---Flat Rate---		1	9.0 (m)	
Michigan	6.0	---Flat Rate---		1	--- (a)	
Minnesota	9.8 (n)	---Flat Rate---		1	9.8 (n)	
Mississippi	0 - 5.0	2,000	10,001	4	0 - 5.0	
Missouri	4.0	---Flat Rate---		1	7.0	
Montana	6.75 (o)	---Flat Rate---		1	6.75 (o)	
Nebraska	5.58 - 7.81	100,000		2	--- (a)	
Nevada	--	No Corporate Income Tax				
New Hampshire	7.7 (p)	---Flat Rate---		1	7.7 (p)	
New Jersey	9.0 (q)	---Flat Rate---		1	9.0 (q)	
New Mexico	4.8 - 5.9	500,000		2	4.8 - 5.9	
New York	6.5 (r)	---Flat Rate---		1	6.5 (r)	
North Carolina	2.5	---Flat Rate---		1	2.5	
<b>North Dakota</b>	<b>1.41 - 4.31 (s)</b>	<b>25,000</b>	<b>50,001</b>	<b>3</b>	<b>1.41 - 4.31 (s)</b>	
Ohio	(t)				--- (t)	
Oklahoma	6.0	---Flat Rate---		1	6.0	
Oregon	6.6 - 7.6 (u)	1 million		2	6.6 - 7.6 (u)	
Pennsylvania	9.99	---Flat Rate---		1	--- (a)	
Rhode Island	7.0 (b)	---Flat Rate---		1	9.0 (b)	
South Carolina	5.0	---Flat Rate---		1	4.5 (v)	
South Dakota	--	No Corporate Income Tax			6.0 - 0.25% (b)	
Tennessee	6.5	---Flat Rate---		1	6.5	
Texas	(w)				(w)	
Utah	4.95 (b)	---Flat Rate---			4.95 (b)	
Vermont	6.0 - 8.5 (b)	10,000	25,000	3	--- (a)	
Virginia	6.0	---Flat Rate---		1	6.0	
Washington	--	No Corporate Income Tax				
West Virginia	6.5	---Flat Rate---		1	6.5	
Wisconsin	7.9	---Flat Rate---		1	7.9	
Wyoming	--	No Corporate Income Tax				
Dist. of Columbia	8.25 (b)	---Flat Rate---		1	8.25 (b)	

\* See footnotes on following page.

## Footnotes for Comparison of State Corporation Income Tax Rates

Please note that a comparison of corporation income tax obligations would need to consider, in addition to tax rates, complex variables such as different state definitions of taxable income and circumstances of each corporation.

- a. Rates listed are the corporate income tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.
- b. Minimum tax is \$800 in California, \$250 in Dist. of Columbia, \$50 in Arizona and North Dakota (banks), \$400 (\$100 banks) in Rhode Island, \$200 per location in South Dakota (banks), \$100 in Utah, \$300 in Vermont.
- c. Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of \$1 million), or \$250 (the minimum tax). A 10% surcharge is imposed for tax year 2020.
- d. The Delaware Bank marginal rate decreases over 4 brackets ranging from \$20 to \$650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.
- e. The Florida tax rate may be adjusted downward if certain revenue targets are met.
- f. Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).
- g. Idaho's minimum tax on a corporation is \$20. The \$10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under \$100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).
- h. The Illinois rate of 9.5% is the sum of a corporate income tax rate of 7.0% plus a replacement tax of 2.5%.
- i. The Indiana Corporate tax rate is scheduled to decrease to 5.25% on 7/1/2020. Bank tax rate is scheduled to decrease to 5.5% on 1/1/2021.
- j. 50% of the federal income tax is deductible.
- k. In addition to the flat 4% corporate income tax, Kansas levies a 3% surtax on taxable income over \$50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of \$25,000.
- l. The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year.
- m. Business and manufacturing corporations pay an additional tax of \$2.60 per \$1,000 on either taxable Massachusetts tangible property or taxable net worth allocable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is \$456.
- n. In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income. Minnesota also imposes a surtax ranging up to \$10,380.
- o. Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is \$50; the \$50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of \$100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.
- p. New Hampshire's 7.7% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over \$50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.675% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross receipts over \$208,000 or enterprise base over \$104,000, adjusted every biennium for CPI. The Business Profits Tax is scheduled to decrease to 7.5% for tax years 2021.
- q. New Jersey also imposes a 1.5% surtax on taxpayers with income over \$1 million in tax year 2020. Small businesses with annual entire net income under \$100,000 pay a tax rate of 7.5%; businesses with income under \$50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from \$500 for a corporation with gross receipts less than \$100,000 to \$2,000 for a corporation with gross receipts of \$1 million or more.
- r. New York's General business corporate rate shown. Corporations may also be subject to a capital stocks tax, which is being phased out through 2021. A minimum tax ranges from \$25 to \$200,000, depending on receipts (\$250 minimum for banks). Certain qualified New York manufacturers pay 0%.
- s. North Dakota imposes a 3.5% surtax for filers electing to use the water's edge method to apportion income.
- t. Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to \$150 for gross receipts situated to Ohio of between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.
- u. Oregon's minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from \$150 for corporations with sales under \$500,000, up to \$100,000 for companies with sales of \$100 million or above.
- v. South Carolina taxes savings and loans at a 6% rate.
- w. Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than \$1,130,000 total revenues at rate of 0.75%, or 0.375% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.

# ESTATE TAX

Estate Tax history may be found at [www.nd.gov/tax/estatehistory](http://www.nd.gov/tax/estatehistory).

## PRIOR LAW

Applicable through 2004

As a result of federal estate tax law changes, the North Dakota estate tax that is based on the state death tax credit allowable on the federal return has been phased out for estates of decedents whose death occurs after December 31, 2004. Future changes to the state or federal estate tax laws will determine whether North Dakota estate tax is due.

### *Imposition and Rate*

The estate tax is a tax on the value of an estate transferred at death. North Dakota's estate tax is perpetually "federalized." North Dakota's definition of a deceased person's "taxable estate" is identical to the federal definition and North Dakota recognizes all federal exemptions and deductions.

North Dakota's estate tax is equivalent to the credit for state death taxes allowed on the federal estate tax return (or a percentage of that credit equal to the percentage of property located in North Dakota). On the federal return, the credit for state death taxes is allowed as a credit against the federal tax liability. The estate pays the amount of this credit to the state. This method of determining state estate taxes ensures that estates pay no more in total estate taxes than the estate's federal tax liability. The tax is payable without interest for 15 months from the date of death.

The estate tax is administered and collected by the Tax Commissioner.

### *Distribution of Revenue*

Revenue from the tax is distributed on a quarterly basis by the state to the counties and cities in which the property of the estate is located.

## ESTATE TAX COLLECTIONS

<u>Calendar Year</u>	<u>Total Collections</u>
2010	\$193
2011	\$293
2012	\$27,065
2013	\$10,440
2014	\$5,526
2015	\$175
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

Source: North Dakota Office of State Tax Commissioner.

# GAMING/PARI-MUTUEL TAXES

Gaming/Pari-Mutuel Taxes history may be found at [www.nd.gov/tax/gaminghistory](http://www.nd.gov/tax/gaminghistory).

## Gaming Taxes

### CURRENT LAW

#### *Imposition and Rates*

A gaming tax is levied each quarter on the total gross proceeds from games of chance conducted by licensed organizations. "Gross proceeds" means all cash and checks received from conducting games. The gaming tax rates are as follows:

<u>Total Quarterly Gross Proceeds</u>	<u>Rate</u>
\$0 to \$1,500,000 .....	1%
Exceeding \$1,500,000 .....	\$15,000 + 2.25% of any amount over \$1,500,000

The Attorney General administers the gaming tax.

#### *Gaming Regulation*

Certain organizations which conduct only limited sports pools, raffles, bingo, paddlewheels, twenty-one, or poker may be issued a local permit or restricted event permit by a city or county. The current fiscal or calendar year prize limit for organizations conducting games under a local permit is \$40,000. In other instances, organizations must receive a license from the Attorney General to conduct games. The maximum number of sites an organization may operate is 25. The Attorney General conducts criminal history record checks of all potential new employees. Persons who have committed any felony or certain misdemeanor offenses are prohibited from employment in the gaming industry.

All net proceeds from games must be disbursed for educational, charitable, patriotic, fraternal, religious, or public-spirited uses. "Net proceeds" means adjusted gross proceeds less allowable expenses and gaming tax. "Allowable expenses" per quarter are limited to 60% of adjusted gross proceeds. "Adjusted gross proceeds" means gross proceeds less cash prizes, cost of merchandise prizes, gaming tax, and federal excise tax.

Organizations may conduct games of poker, twenty-one, punchboards, pull tabs, bingo, raffles, calcuttas, paddlewheels, and sports pools. Video surveillance systems are required at sites where twenty-one wagers exceed \$2 and gross proceeds from twenty-one activity exceed \$10,000 per quarter. Organizations may use

dispensing devices, including electronic pull tab devices, to conduct pull tabs and have bar employees redeem players' winning pull tabs or vouchers.

#### *Distribution of Revenue*

Revenue from the gaming tax is deposited in the State General Fund. For the 2017-19 biennium, the legislature appropriated 7% of gaming taxes collected, up to \$510,000, for cities and counties for gaming enforcement.

### GAMING TAX COLLECTIONS LEVIED ON TOTAL GROSS PROCEEDS

<u>Fiscal Year</u>	<u>Total Collections</u>
2012	\$5,521,000
2013	\$5,358,000
2014	\$3,363,601
2015	\$3,499,784
2016	\$3,356,963
2017	\$3,153,381
2018	\$3,192,473
2019	\$8,152,000
2020 est.	\$13,768,500

Note: Inception of electronic pull tabs was August 2018.

Source: Attorney General's Office, Gaming Division.

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## Pari-Mutuel Taxes

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Gaming/Pari-Mutuel Taxes history may be found at [www.nd.gov/tax/gaminghistory](http://www.nd.gov/tax/gaminghistory).

### CURRENT LAW

A pari-mutuel tax is levied upon total wagers placed on race performances through live, simulcast, and account wagering.

**Two percent of live wagers are assessed as follows:**

- One-half of one percent to the State Treasurer to be deposited in the State General Fund.
- One-half of one percent to the commission to be deposited in the Breeder's Fund.
- One-half of one percent to the commission to be deposited in the Purse Fund.
- One-half of one percent to the commission to be deposited in the Racing Promotion Fund.

**Pari-mutuel taxes on simulcast and account wagering are assessed as follows:**

- One-sixteenth of one percent to the State Treasurer to be deposited in the State General Fund.
- One-sixteenth of one percent to the commission to be deposited in the Breeder's Fund.
- One-sixteenth of one percent to the commission to be deposited in the Purse Fund.
- One-sixteenth of one percent to the commission to be deposited in the Racing Promotion Fund.

Pari-mutuel taxes and special funds are administered by the ND Racing Commission.

### PARI-MUTUEL RACING TAX COLLECTIONS\*

LEVIED ON ON- AND OFF-TRACK HORSE RACING

<u>Fiscal Year</u>	<u>State General Fund</u>
2009	\$73,781
2010	\$54,070
2011	\$82,084
2012	\$100,061
2013	\$124,323
2014	\$194,413
2015	\$263,148
2016	\$289,844
2017	\$325,589
2018	\$259,270
2019	\$166,997

\* Horse racing taxes are deposited in the General Fund. Several other portions of wagers are distributed to other racing-related funds and are not included in the table.

Source: North Dakota Racing Commission.

# INDIVIDUAL INCOME TAXES

Individual Income Taxes history may be found at [www.nd.gov/tax/individualincomehistory](http://www.nd.gov/tax/individualincomehistory).

## CURRENT LAW

### *Filing Requirements*

Every resident of North Dakota who has a federal income tax filing requirement is required to file a North Dakota income tax return.

Every nonresident who has a federal income tax filing requirement and derives income from North Dakota (except interest and dividends from nonbusiness sources, pensions, and annuities) is required to file a North Dakota income tax return. There are exceptions for certain Native Americans, interstate transportation employees, Minnesota and Montana residents, and military personnel and their spouses.

An individual income tax return is due the 15<sup>th</sup> day of the 4<sup>th</sup> month following the end of the tax year.

**Choice of Methods** Full-year residents have the option to file using either Form ND-1EZ or Form ND-1, depending on certain criteria. Part-year residents and full-year nonresidents must file using Form ND-1 along with Schedule ND-1NR. The Form ND-2 (long form) was repealed after tax year 2008.

**Filing Status** The same filing status (that is, single, married filing jointly, head of household, etc.) used for federal purposes must be used when filing for state purposes.

**Taxable Income** North Dakota taxable income for most individuals will equal federal taxable income. For some individuals, North Dakota taxable income must be calculated by adjusting federal taxable income by:

- Adding a lump-sum distribution from a qualified pension plan reported on Form 4972.
- Adding a loss or subtracting income from a former financial institution that is an S corporation that elected to be taxed as a C corporation.
- Adding a charitable contribution deducted from federal taxable income on which the North Dakota planned gift tax credit or qualified endowment tax credit is based.
- Subtracting 40% of a net long-term capital gain allocable to North Dakota.
- Subtracting 40% of a qualified dividend allocable to North Dakota.

- Subtracting interest income from U.S. obligations.
- Subtracting exempt income of a Native American.
- Subtracting retirement, unemployment, and sick pay benefits from the U.S. Railroad Retirement Board.
- Subtracting income exempted under the Renaissance Zone Act.
- Subtracting income exempted under the new or expanding business exemption.
- Subtracting the pay received by a National Guard/ Reserve member for service in the U.S. Armed Forces.
- Subtracting the pay received by a nonresident for service in the U.S. armed forces.
- Subtracting up to \$10,000 of medical expenses and lost wages for donating a human organ.
- Subtracting the amount of a taxable signing bonus, moving expense reimbursement, or nontypical fringe benefits received for filling an employment position eligible for the workforce recruitment credit.
- Subtracting up to \$5,000 (\$10,000 if joint return) of contributions to a North Dakota College SAVE account.
- Subtracting the amount equivalent to a federal personal exemption which existed in 2017 federal law (adjusted for inflation) for the year a child is stillborn.
- Subtracting the retirement pay benefit of retired members of the U.S. Armed Forces, Reserves, Army National Guard, or Air National Guard.
- Subtracting the taxable portion of social security benefits for individuals with federal adjusted gross income of \$50,000 or less (\$100,000 or less for married filing joint return).
- Subtracting the taxable portion of the reimbursement an individual received from an employer for expenses paid by an employer for higher education or career and technical education.

**Tax Rates** The applicable tax rates depend on the taxpayer's filing status. The tax rates applicable to each filing status for the 2020 tax year are as follows:

### Single

ND Taxable Income		Tax rate
Over	But not over	
\$ 0	\$ 40,125	1.10%
\$ 40,125	\$ 97,150	2.04%
\$ 97,150	\$ 202,650	2.27%
\$ 202,650	\$ 440,600	2.64%
\$ 440,600		2.90%



**Married filing jointly or qualifying widow(er)**

## ND Taxable Income

Over	But not over	Tax rate
\$ 0	\$ 67,050 .....	1.10%
\$ 67,050	\$ 161,950 .....	2.04%
\$ 161,950	\$ 246,700 .....	2.27%
\$ 246,700	\$ 440,600 .....	2.64%
\$ 440,600 .....		2.90%

**Married filing separately**

## ND Taxable Income

Over	But not over	Tax rate
\$ 0	\$ 33,525 .....	1.10%
\$ 33,525	\$ 80,975 .....	2.04%
\$ 80,975	\$ 123,350 .....	2.27%
\$ 123,350	\$ 220,300 .....	2.64%
\$ 220,300 .....		2.90%

**Head of household**

## ND Taxable Income

Over	But not over	Tax rate
\$ 0	\$ 53,750 .....	1.10%
\$ 53,750	\$ 138,800 .....	2.04%
\$ 138,800	\$ 224,700 .....	2.27%
\$ 224,700	\$ 440,600 .....	2.64%
\$ 440,600 .....		2.90%

The income brackets are indexed for inflation each year. A 3-year income averaging method is available for calculating the tax on farm income if the taxpayer elects to use the federal three-year income averaging method.

**Nonresident Tax Calculation** For a nonresident, the tax calculated on North Dakota taxable income (which includes income from all sources) is multiplied by a ratio equal to North Dakota source income divided by federal adjusted gross income (reduced by interest from U.S. obligations and nonresident military pay).

**Credits** Tax credits are available for:

- Paying income tax to another state (North Dakota resident only).
- Paying qualified expenses to care for a qualified family member to avoid placement in a long-term care facility.
- Investment in a Renaissance Fund Organization.
- Investment in historic property preservation or renovation in a Renaissance Zone.
- Purchasing or rehabilitating a single-family residence in a Renaissance Zone.
- Investment in a qualified North Dakota seed capital business.
- Investment in a qualified North Dakota agricultural commodity processing facility.
- Making a planned gift to a North Dakota qualified nonprofit organization or its qualified endowment fund.

- Blending at least 5% biodiesel or green diesel fuel by a licensed fuel supplier.
- Direct costs incurred by a licensed fuel seller to adapt or add equipment to enable retail sales of at least 2% biodiesel or green diesel fuel blend.
- Providing “marriage penalty” relief for eligible joint filers.
- Compensation paid to college interns working in North Dakota.
- Qualified research expenses incurred in North Dakota.
- Compensation paid to an employee hired to fill hard-to-fill position in North Dakota.
- Compensation paid to an employee in the National Guard or U.S. Armed Forces Reserve who is mobilized for federal active duty.
- Premiums paid for a long-term care partnership plan insurance policy.
- Contribution of at least \$5,000 to a qualified endowment fund held by a qualified nonprofit organization in North Dakota, or bordering North Dakota if meeting other criteria.
- A share of a passthrough entity’s credit for its charitable contributions to a nonprofit private grade school, high school, or college.
- Charitable contributions to a nonprofit private grade school, high school, or college, effective for tax years 2019 and 2020.
- An individual’s share of an investment made by a certified Angel Fund in a qualified business.
- Wages paid to an individual with disability or mental illness effective for tax years 2019 and 2020.
- Purchasing machinery and equipment to automate a manufacturing process, effective for tax years 2019 through 2022.

**Optional Contributions** A taxpayer may make contributions to the Watchable Wildlife Fund, the Trees For North Dakota Program Trust Fund, or the Veterans’ Postward Trust Fund. A contribution will increase a balance due or reduce an overpayment on the return.

*Payment of Estimated Tax*

Individuals are required to pay estimated North Dakota income tax if all of the following conditions apply:

1. The individual is required to pay estimated federal income tax, AND
2. The individual’s previous year’s net tax liability was \$1,000 or greater, AND
3. The individual expects to owe, after subtracting withholding, at least \$1,000, AND

4. The individual expects withholding to be less than the smaller of:
  - a. 90% of current year's net tax liability or
  - b. 100% of previous year's net tax liability. (This does not apply if the individual moves into North Dakota during the previous year.)

### *Employer Wage Withholding*

An employer is required to withhold North Dakota income tax from the wages of an employee if federal income tax is required to be withheld from such wages. Wages paid by farmers and ranchers are exempt from this requirement.

North Dakota withholding is computed using one of the following two methods:

- **Method 1: Percentage of Wages (Primary Method)**  
This method is similar to the IRS's Percentage Method in Publication 15 (Circular E). It is the method recommended for use in all cases.
- **Method 2: Withholding Tables**  
This method is identical to Method 1, the primary method, except that no calculations are required. Instead, a table is used to look up the withholding amount.

Employers must register with the Tax Commissioner. Forms to register for income tax withholding, a sales and use tax permit, unemployment insurance and workers compensation purposes are part of a consolidated registration package.

**New Jobs Training Program** Under the New Jobs Training Program, a new or expanding primary sector business may use income tax withheld from new employees to pay for the cost of training the employees. Application for the program is made through Job Service North Dakota.

**Income Tax Withholding on Royalties** Beginning January 1, 2014, income tax is required to be withheld on oil and gas royalties paid to nonworking interest owners that are either nonresident individuals or non-North Dakota domiciled business entities. There are some exceptions to the withholding requirement for small producing remitters and certain types of royalty owners. The income tax withholding from royalties is administered similar to employers wage withholding, in which the remitter files a quarterly return, remits withheld tax each quarter, and files an annual informational return. The tax that is withheld is 0.75% less than the highest individual income tax rate. The remitter reports the amount of income tax withheld to each

royalty owner on a Form 1099-MISC. The royalty owner claims credit on its income tax return for the income tax withheld from its royalties.

### *Fiduciary Income Tax (Estates and Trusts)*

A fiduciary for a resident trust or estate, or a fiduciary for a nonresident trust or estate which derives income from North Dakota sources, must file a North Dakota fiduciary income tax return (Form 38) if required to file a federal fiduciary income tax return.

**Tax Rates** The applicable tax rates for the 2020 tax year are as follows:

ND Taxable Income		Tax rate
Over	But not over	
\$ 0	\$ 2,700 .....	1.10%
\$ 2,700	\$ 6,300 .....	2.04%
\$ 6,300	\$ 9,650 .....	2.27%
\$ 9,650	\$ 13,175 .....	2.64%
\$ 13,175 .....		2.90%

The requirement for an estate or trust to pay estimated North Dakota income tax also follows the same rules applicable to individuals. A beneficiary of an estate or trust may be required to file a North Dakota income tax return to report the income distributed or distributable to the beneficiary.

A fiduciary income tax return is due the 15<sup>th</sup> day of the fourth month following the end of the tax year.

### *Distribution of Revenue*

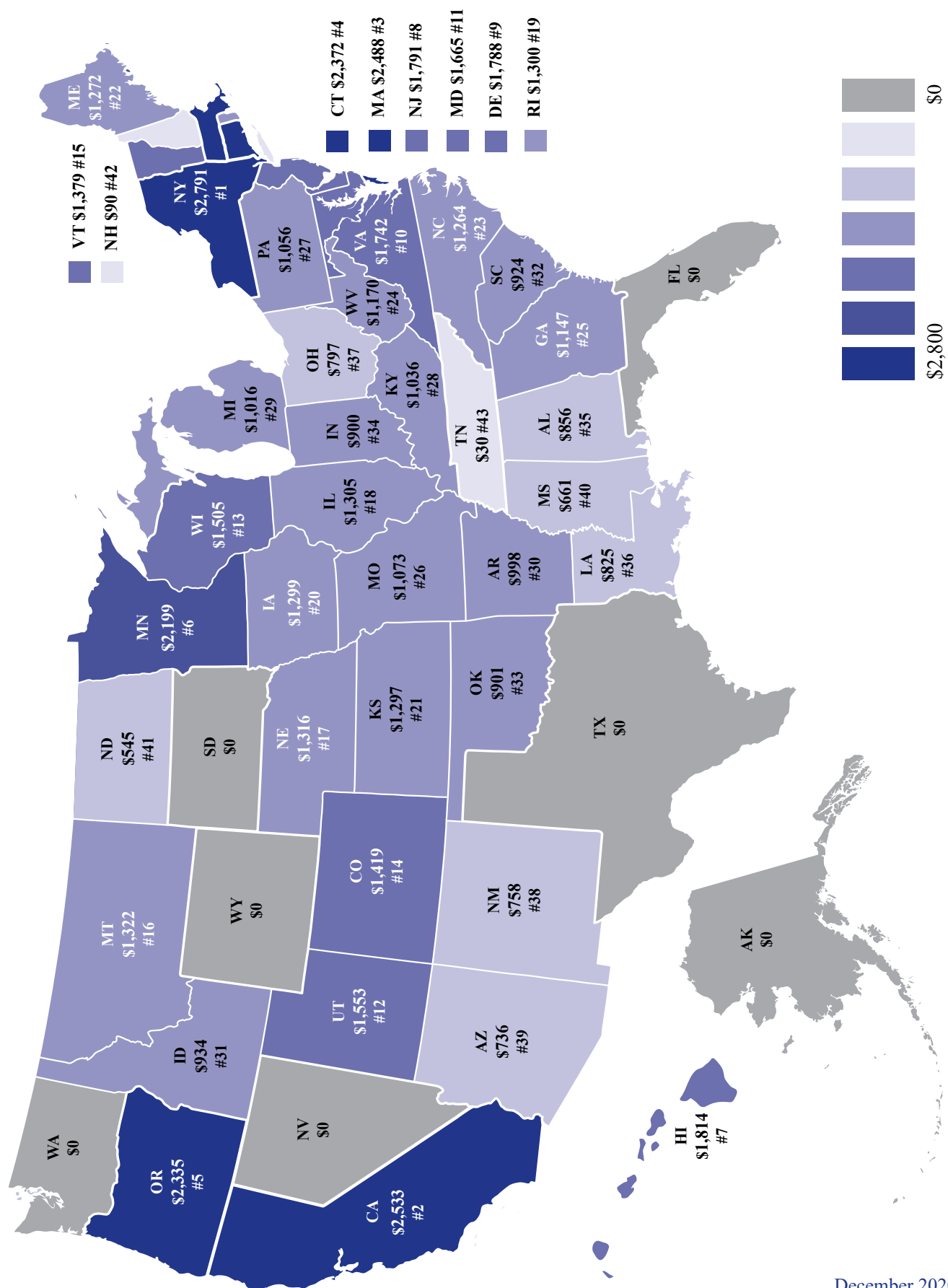
All revenue from the individual income tax is deposited in the State General Fund.

## INDIVIDUAL INCOME TAX COLLECTIONS

Fiscal Year	Net Collections
2010	\$304,252,924
2011	\$429,848,371
2012	\$432,132,062
2013	\$617,933,162
2014	\$516,139,885
2015	\$537,606,872
2016	\$355,512,173
2017	\$314,192,157
2018	\$366,321,257
2019	\$415,389,437
2020	\$352,096,603
2021 est.	\$389,804,000

Source: North Dakota Office of State Tax Commissioner.

PER CAPITA COMPARISON OF INDIVIDUAL INCOME TAX COLLECTIONS\*  
FISCAL YEAR 2019



\*Seven states levy no individual income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.  
Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov).

# COMPARISON OF INDIVIDUAL INCOME TAX FEATURES BY STATE

## TAX RATES FOR TAX YEAR 2020

State	Tax Rate Range (in percents)		No. of Brackets	Income Brackets				Personal Exemptions			Federal Income Tax Deductible
	Low	High		Low			High	Single	Married	Dependents	
Alabama	2.0	- 5.0	3	500	(b)	-	3,001 (b)	1,500	3,000	500 (e)	Yes
Alaska	No State Income Tax										
Arizona (a)	2.59	- 4.50	5	26,500	(b)	-	159,000 (b)	--	--	100 (c)	
Arkansas (a)	2.0	- 6.6 (f)	6	4,600		-	80,801	26 (c)	52 (c)	26 (c)	
California (a)	1.0	12.3 (g)	9	8,809	(b)	-	590,742 (b)	122 (c)	244 (c)	378 (c)	
Colorado	4.63		1	-----Flat rate-----				-- (d)	-- (d)	-- (d)	
Connecticut	3.0	- 6.99	7	10,000	(b)	-	500,000 (b)	15,000 (h)	24,000 (h)	0	
Delaware	0.0	- 6.6	7	2,000		-	60,001	110 (c)	220 (c)	110 (c)	
Florida	No State Income Tax										
Georgia	1.0	- 5.75	6	750	(i)	-	7,001 (i)	2,700	7,400	3,000	
Hawaii	1.4	- 11.0	12	2,400	(b)	-	200,000 (b)	1,144	2,288	1,144	
Idaho (a)	1.125	- 6.925	7	1,541	(b)	-	11,554 (b)	-- (d)	-- (d)	-- (d)	
Illinois (a)	4.95		1	-----Flat rate-----				2,275	4,550	2,275	
Indiana	3.23		1	-----Flat rate-----				1,000	2,000	2,500 (j)	
Iowa (a)	0.33	- 8.53	9	15,666		-	74,970	40 (c)	80 (c)	40 (c)	Yes
Kansas	3.1	- 5.7	3	15,000	(b)	-	30,000 (b)	2,250	4,500	2,250	
Kentucky	5.0		1	-----Flat rate-----				-----None-----			
Louisiana	2.0	- 6.0	3	12,500	(b)	-	50,001 (b)	4,500 (k)	9,000 (k)	1,000	Yes
Maine (a)	5.8	- 7.15	3	22,200	(l)	-	52,600 (l)	4,300	8,600	4,300	
Maryland	2.0	- 5.75	8	1,000	(m)	-	250,000 (m)	3,200	6,400	3,200	
Massachusetts	5.0		1	-----Flat rate-----				4,400	8,800	1,000	
Michigan (a)	4.25		1	-----Flat rate-----				4,400	8,800	4,400	
Minnesota (a)	5.35	- 9.85	4	26,960	(n)	-	164,401 (n)	-- (d)	-- (d)	4,250 (d)	
Mississippi	3.0	- 5.0	3	5,000		-	10,001	6,000	12,000	1,500	
Missouri (a)	1.5	- 5.4	9	1,053		-	8,424	-- (d)	-- (d)	-- (d)	Yes (o)
Montana (a)	1.0	- 6.9	7	3,100		-	18,400	2,510	5,020	2,510	Yes (o)
Nebraska (a)	2.46	- 6.84	4	3,290	(b)	-	31,750 (b)	140 (c)	280 (c)	140 (c)	
Nevada	No State Income Tax										
New Hampshire	State Income Tax of 5% on Dividends and Interest Income Only										
New Jersey	1.4	- 10.75	6	20,000	(p)	-	5 million (p)	1,000	2,000	1,500	
New Mexico	1.7	- 4.9	4	5,500	(q)	-	16,001 (q)	-- (d)	-- (d)	-- (d)	
New York (a)	4.0	- 8.82	8	8,500	(b)	-	1,077,550 (b)	0	0	1,000	
North Carolina	5.25		1	-----Flat rate-----				-----None-----			
<b>North Dakota (a)</b>	<b>1.10</b>	<b>- 2.90</b>	<b>5</b>	<b>40,125</b>	<b>(r)</b>	<b>-</b>	<b>440,600 (r)</b>	<b>-- (d)</b>	<b>-- (d)</b>	<b>-- (d)</b>	
Ohio (a)	0.0	4.797	6	21,750		-	217,400	2,350 (s)	4,700 (s)	2,350 (s)	
Oklahoma	0.5	- 5.0	6	1,000	(t)	-	7,200 (t)	1,000	2,000	1,000	
Oregon (a)	4.75	- 9.9	4	3,600	(b)	-	125,000 (b)	210 (c)	420 (c)	210 (c)	Yes (o)
Pennsylvania	3.07		1	-----Flat rate-----				-----None-----			
Rhode Island (a)	3.75	- 5.99	3	62,250		-	148,350	4,100	8,200	4,100	
South Carolina (a)	0.0	- 7.0	6	3,070		-	15,400	-- (d)	-- (d)	-- (d)	
South Dakota	No State Income Tax										
Tennessee	1% on Dividends and Interest Income Only (x)							1,250	2,500	0	
Texas	No State Income Tax										
Utah	4.95		1	-----Flat rate-----				--	--	--	
Vermont (a)	3.35	- 8.75	4	40,350	(v)	-	204,000 (v)	4,250	8,500	4,250	
Virginia	2.0	- 5.75	4	3,000		-	17,001	930	1,860	930	
Washington	No State Income Tax										
West Virginia	3.0	- 6.5	5	10,000		-	60,000	2,000	4,000	2,000	
Wisconsin (a)	4.0	- 7.65	4	11,970	(w)	-	263,480 (w)	700	1,400	700	
Wyoming	No State Income Tax										
Dist. of Columbia	4.0	- 8.95	6	10,000		-	1,000,000	-- (d)	-- (d)	-- (d)	

Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).

## Footnotes

- a. 19 states have statutory provision for automatically adjusting to the rate of inflation the dollar values of the income tax brackets, standard deductions, and/or personal exemptions. Michigan indexes the personal exemption only. Oregon does not index the income brackets for \$125,000 and over.
- b. For joint returns, taxes are twice the tax on half the couple's income.
- c. The personal exemption takes the form of a tax credit instead of a deduction.
- d. These states use the personal exemption/standard deduction amounts provided in the federal Internal Revenue Code.
- e. In Alabama, the per-dependent exemption is \$1,000 for taxpayers with state Adjusted Gross Income (AGI) of \$20,000 or less, \$500 with AGI from \$20,001 to \$100,000, and \$300 with AGI over \$100,000.
- f. Arkansas has separate brackets for taxpayers with income under \$75,000 and \$21,000.
- g. California imposes an additional 1% tax on taxable income over \$1 million, making the maximum rate 13.3% over \$1 million.
- h. Connecticut's personal exemption incorporates a standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$71,000.
- i. The Georgia income brackets reported are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$1,000, to \$10,000.
- j. In Indiana, includes an additional exemption of \$1,500 for each dependent child.
- k. The amounts reported for Louisiana are a combined personal exemption-standard deduction.
- l. The income bracket reported for Maine are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$44,450 to \$105,200.
- m. The income brackets reported for Maryland are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$1,000, to \$300,000.
- n. The income brackets reported for Minnesota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$39,410 to \$273,470.
- o. The deduction for federal income tax is limited to \$5,000 for individuals and \$10,000 for joint returns in Missouri and Montana, and to \$6,500 for all filers in Oregon.
- p. The New Jersey rates reported are for single individuals. For married couples filing jointly, the tax rates also range from 1.4% to 10.75%, with 8 brackets and the same high and low income ranges.
- q. The income brackets reported for New Mexico are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$8,000 to \$24,000.
- r. The income brackets reported for North Dakota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$67,050 to \$440,600.
- s. Ohio provides an additional tax credit of \$20 per exemption. Exemption amounts reduced for higher income taxpayers.
- t. The income brackets reported for Oklahoma are for single persons. For married persons filing jointly, the same tax rates apply to income brackets ranging from \$2,000, to \$12,200.
- u. Utah provides a tax credit equal to 6% of the federal personal exemption amounts (and applicable standard deduction).
- v. Vermont's income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from \$67,450 to \$248,350.
- w. The Wisconsin income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from \$15,960 to \$351,310.
- x. Tennessee Hall Tax Rate on Dividends and Interest is being phased out, 1% reduction each year.
- y. Alabama standard deduction is phased out for incomes over \$23,000. Rhode Island exemptions & standard deductions phased out for incomes over \$203,850; Wisconsin standard deduction phases out for income over \$15,939.
- z. Maryland standard deduction limited to 15% of AGI; Montana, 20% of AGI.

# INSURANCE PREMIUM TAX

Insurance Premium Tax history may be found at [www.nd.gov/tax/insurancehistory](http://www.nd.gov/tax/insurancehistory).

## CURRENT LAW

### *Imposition, Rates, and Administration*

Every insurance company licensed to do business in North Dakota is subject to a premium tax on the gross amount of its annual premiums, membership fees, and policy fees received from North Dakota policyholders. The premium tax rate is 2% for life insurance and 1.75% for accident, health, property, casualty, and surplus lines of insurance. A company domiciled in another state may be charged retaliatory tax — the tax rate of the home state — if the rate in the home state is higher than North Dakota's applicable premium tax rate.

A minimum \$200 annual filing fee is required provided the total tax liability of an entity required to pay tax is less than \$200.

The insurance premium tax is administered by the Insurance Commissioner and is collected quarterly.

### *Exemptions and Credits*

Gross receipts from annuities and from policies of benevolent and fraternal benefit companies are exempt. Credits against tax due are provided to insurers for the following situations:

- Assessment paid as a member of a comprehensive health association.
- Examination costs paid to the North Dakota Insurance Department (NDID) or contract examiners representing the NDID and for travel expense reimbursements paid directly to examiners.
- Ad valorem taxes on the premises occupied as the principal office in the state for over 50% of the year for which tax is paid.
- Investments in securities offered by a small business investment company created by the Myron G. Nelson Fund, Inc.
- Assessment paid to the Life and Health Insurance Guaranty Association.
- Insurers making or participating in an incentive fund to make loans to low-risk businesses for primary sector business projects (N.D.C.C. ch. 26.1-50).
- Assessment paid as a member of the Reinsurance Association of North Dakota.

### *Distribution of Revenue*

Collections are deposited in the State General Fund. The legislature may appropriate insurance premium tax revenue to the Insurance Tax Distribution Fund.

Insurance premium tax collections are deposited in the Insurance Tax Distribution Fund until the legislatively appropriated amounts are met. The remainder is deposited in the State General Fund. In the past, the Legislature has appropriated funds to the North Dakota Health Department Emergency Medical Services grants, North Dakota Firefighters Association, and to the certified city and rural fire districts.



## INSURANCE PREMIUM TAX COLLECTIONS AND DISBURSEMENTS

Fiscal Year	Total Collections	General Fund	Ins. Dist. Fund	Firefighter Death Benefit Fund
2010	\$35,893,902	\$31,098,902	\$4,782,691	\$10,000
2011	\$36,686,391	\$31,901,391	\$4,785,000	
2012	\$42,818,733	\$38,758,733	\$4,060,000	
2013	\$47,866,948	\$43,806,948	\$4,060,000	
2014	\$51,047,337	\$42,754,144	\$8,293,193	
2015	\$58,008,109	\$49,714,916	\$8,293,193	
2016	\$65,112,590	\$55,571,924	\$9,540,666	
2017	\$63,557,666	\$55,147,062	\$8,410,604	
2018	\$46,283,726	\$38,126,683	\$8,157,043	
2019	\$68,567,677	\$60,410,634	\$8,157,043	
2020	\$63,094,991	\$52,560,976	\$10,534,015	
2021 est.	\$50,937,000	\$41,937,000	\$9,000,000	

Source: North Dakota Insurance Department.

## INSURANCE PREMIUM TAX COLLECTIONS PER CAPITA FISCAL YEAR 2019

Rank	State	Per Capita Insurance Premium Taxes
1	Louisiana	\$194
2	Tennessee	\$146
3	Kansas	\$139
4	Nevada	\$138
5	Hawaii	\$127
6	Mississippi	\$119
7	Delaware	\$116
8	Rhode Island	\$111
9	Alaska	\$109
10	South Dakota	\$103
11	Montana	\$101
12	New Mexico	\$100
13	New York	\$96
14	Minnesota	\$93
15	Vermont	\$92
16	Maryland	\$92
17	<b>North Dakota</b>	<b>\$90</b>
18	Texas	\$90
19	Oklahoma	\$85
20	Alabama	\$84
21	Washington	\$84
22	Maine	\$72
23	Arizona	\$81
24	Arkansas	\$80
25	Missouri	\$73
26	West Virginia	\$72
27	Maine	\$70
28	California	\$69
29	Pennsylvania	\$66
30	Virginia	\$65
31	Massachusetts	\$65
32	Idaho	\$59
33	New Jersey	\$59
34	North Carolina	\$55
35	Florida	\$55
36	Colorado	\$55
37	Ohio	\$52
38	Iowa	\$49
39	Utah	\$49
40	Georgia	\$48
41	Connecticut	\$48
42	South Carolina	\$47
43	Wyoming	\$46
44	Michigan	\$44
45	Kentucky	\$39
46	Indiana	\$38
47	Wisconsin	\$37
48	Illinois	\$33
49	Nebraska	\$31
50	Oregon	\$19
U.S. Average		\$72

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov).



# LIQUOR AND BEER TAXES

Liquor and Beer Taxes history may be found at [www.nd.gov/tax/liquorbeerhistory](http://www.nd.gov/tax/liquorbeerhistory).

## CURRENT LAW

### *Imposition and Administration*

The tax on liquor and beer is a privilege tax imposed on all alcoholic beverage wholesalers doing business in North Dakota. In addition, direct shippers, microbrew pubs, brewer taprooms, domestic wineries, and domestic distilleries pay the taxes on alcoholic beverages made by those facilities and sold directly to consumers. A microbrew pub or distillery may not engage in any wholesaling activities. The Tax Commissioner administers the tax and licenses of wholesalers, direct shippers, microbrew pubs, brewer taprooms, domestic wineries, and domestic distilleries. The tax is collected on either a monthly or calendar year basis. Licenses are also required for alcoholic beverage suppliers shipping product to a North Dakota wholesaler and out-of-state direct shippers of alcoholic beverages to North Dakota consumers.

### *Exemptions*

If the alcohol is used for non-beverage purposes, it is exempt from the tax. These exemptions include:

- Denatured alcohol
- Patent, proprietary, medical, pharmaceutical, antiseptic, and toilet preparations
- Flavoring extracts
- Syrups and food products
- Scientific chemical and industrial products
- Wines delivered to priests, rabbis, and ministers for sacramental use

### *Rates*

The amount of the tax is determined by the type of beverage and the gallonage sold by a wholesaler. The tax rate schedule is as follows:

	<u>Per Wine Gallon</u>
Beer in bulk containers	\$ .08
Beer in bottles and cans	\$ .16
Wine (less than 17% alcohol), including sparkling wine	\$ .50
Wine (17% to 24% alcohol)	\$ .60
Distilled Spirits	\$ 2.50
Alcohol	\$ 4.05

## *Distribution of Revenue*

Revenue from the liquor and beer tax is deposited in the State General Fund.

## LIQUOR AND BEER TAXES COLLECTION

<u>Fiscal Year</u>	<u>Total Collections</u>
2010	\$7,411,422
2011	\$7,798,552
2012	\$8,523,427
2013	\$9,221,955
2014	\$9,220,018
2015	\$9,567,711
2016	\$9,106,683
2017	\$8,954,200
2018	\$8,918,246
2019	\$9,049,233
2020	\$9,115,734
2021 est.	\$8,857,000

Source: North Dakota Office of State Tax Commissioner.

## COMPARISON OF STATE TAX RATES - BEER

### JANUARY 1, 2020

State	Excise Tax	Sales Taxes Applied	Other Taxes
	Rates (\$ per gallon)		
Alabama	\$0.53	Yes	\$0.52/gallon local tax statewide
Alaska	1.07	n.a.	
Arizona	0.16	Yes	
Arkansas	0.23	Yes	3% off- 10% on-premise tax
California	0.20	Yes	
Colorado	0.08	Yes	
Connecticut	0.24	Yes	
Delaware	0.26	n.a.	
Florida	0.48	Yes	
Georgia	0.32	Yes	\$0.53/gallon local tax
Hawaii	0.93	Yes	\$0.54/gallon draft beer
Idaho	0.15	Yes	over 4% - \$0.45/gallon
Illinois	0.231	Yes	\$0.29/gallon in Chicago and \$0.09/gallon in Cook County
Indiana	0.115	Yes	
Iowa	0.19	Yes	
Kansas	0.18	--	8% off- and 10% on-premise
Kentucky	0.08	Yes	10.0% wholesale tax
Louisiana	0.40	Yes	\$0.048/gallon local tax
Maine	0.35	Yes	7% on-premise sales tax
Maryland	0.09	--	9% sales tax
Massachusetts	0.11		0.57% on private club sales
Michigan	0.20	Yes	
Minnesota	0.148	--	under 3.2% - \$0.077/gallon, 9% sales tax
Mississippi	0.4268	Yes	
Missouri	0.06	Yes	
Montana	0.14	n.a.	
Nebraska	0.31	Yes	
Nevada	0.16	Yes	
New Hampshire	0.30	n.a.	
New Jersey	0.12	Yes	
New Mexico	0.41	Yes	
New York	0.14	Yes	additional \$0.12/gallon in New York City
North Carolina	0.6171	Yes	
<b>North Dakota</b>	<b>0.16</b>	<b>--</b>	<b>7% state sales tax, bulk beer \$0.08/gal.</b>
Ohio	0.18	Yes	
Oklahoma	0.40	Yes	under 3.2% - \$0.36/gallon; 13.5% on-premise
Oregon	0.08	n.a.	
Pennsylvania	0.08	Yes	
Rhode Island	0.11	Yes	\$0.04/case wholesale tax
South Carolina	0.77	Yes	
South Dakota	0.27	Yes	
Tennessee	1.29	Yes	Excise Barrelage Tax and Wholesale Tax
Texas	0.194	Yes	14.95% on-premise and \$0.05/drink on airline sales
Utah	0.4226	Yes	over 3.2% - sold through state store
Vermont	0.265	Yes	more than 6% alcohol - \$0.55; 10% on-premise sales tax
Virginia	0.2565	Yes	
Washington	0.26	Yes	
West Virginia	0.18	Yes	
Wisconsin	0.06	Yes	
Wyoming	0.02	Yes	
Dist. of Columbia	0.09	Yes	9% off- and on-premise sales tax
U.S. Median	\$0.20		

Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).

n.a. = not applicable. These five states do not have a general sales tax.

# COMPARISON OF STATE TAX RATES - WINE

## JANUARY 1, 2020

State	Excise Tax Rates (\$ per gallon)	Sales Taxes Applied	Other Taxes
Alabama	\$1.70	Yes	\$0.26/gallon local; over 16.5% - \$9.16/gallon
Alaska	2.50	n.a.	
Arizona	0.84	Yes	over 24% - \$4.00/gallon
Arkansas	0.75	Yes	under 5% - \$0.25/gallon; \$0.05/case; 3% off- and 10% on-premise
California	0.20	Yes	sparkling wine - \$0.30/gallon
Colorado	0.28	Yes	
Connecticut	0.79	Yes	over 21% - \$1.98/gallon; sparkling wine - \$1.94/gallon
Delaware	1.63	n.a.	
Florida	2.25	Yes	over 17.259% - \$3.00/gallon, sparkling wine \$3.50/gallon
Georgia	1.51	Yes	over 14% - \$2.54/gallon; \$0.83/gallon local tax
Hawaii	1.38	Yes	sparkling wine - \$2.12/gallon, wine coolers - \$0.85/gallon
Idaho	0.45	Yes	
Illinois	1.39	Yes	over 20% - \$8.55/gallon; (\$0.36 - \$0.89/gallon in Chicago; (\$0.24 - \$0.45)/gallon in Cook County
Indiana	0.47	Yes	over 21% - \$2.68/gallon
Iowa	1.75	Yes	under 5% - \$0.19/gallon
Kansas	0.30	--	over 14% - \$0.75/gallon; 8% off- and 11% on-premise
Kentucky	0.50	Yes	10.0% wholesale
Louisiana	0.76	Yes	14% to 24% - \$1.32/gallon, over 24% and sparkling wine - \$2.08/gallon
Maine	0.60	Yes	over 15.5% - sold through state stores, sparkling wine - \$1.25/gallon; 7% on-premise sales tax
Maryland	0.40	--	9% sales tax
Massachusetts	0.55		sparkling wine - \$0.70/gallon;
Michigan	0.51	Yes	over 16% - \$0.76/gallon
Minnesota	0.30	--	14% to 21% - \$0.95/gallon, under 24% and sparkling wine - \$1.82/gallon; over 24% - \$3.52/gallon; \$0.01/bottle (except miniatures) and 9% sales tax
Mississippi	0.35	Yes	sparkling wine and champagne - \$1.00/gallon;
Missouri	0.42	Yes	includes additional charges
Montana	1.02	n.a.	over 16% - sold through state stores
Nebraska	0.95	Yes	over 14% - \$1.35/gallon
Nevada	0.70	Yes	14% to 22% - \$1.30/gallon, over 22% - \$3.60/gallon
New Hampshire	0.30	n.a.	
New Jersey	0.875	Yes	
New Mexico	1.70	Yes	
New York	0.30	Yes	
North Carolina	1.00	Yes	over 17% - \$1.11/gallon
<b>North Dakota</b>	<b>0.50</b>	<b>--</b>	<b>over 17% - \$0.60/gallon; 7% sales tax</b>
Ohio	0.30	Yes	over 14% to 21% - \$0.98/gal., vermouth - \$1.08/gal., sparkling wine - \$1.48/gal.
Oklahoma	0.72	Yes	sparkling wine - \$2.08/gallon; 13.5% on-premise
Oregon	0.67	n.a.	over 14% - \$0.77/gallon
Pennsylvania	see footnote (1)	Yes	
Rhode Island	1.40	Yes	sparkling wine - \$0.75/gallon
South Carolina	0.90	Yes	\$0.18/gallon additional tax
South Dakota	0.93	Yes	14% to 20% - \$1.45/gallon, over 21% and sparkling wine - \$2.07/gallon; 2% wholesale tax
Tennessee	1.21	Yes	15% on-premise
Texas	0.204	Yes	over 14% - \$0.408/gallon and sparkling wine - \$0.516/gallon; 6.7% on-premise and \$0.05/drink on airline sales
Utah	see footnote (1)	Yes	
Vermont	0.55	Yes	over 16% - sold through state store, 10% on-premise sales tax
Virginia	1.51	Yes	under 4% - \$0.2565/gallon and over 14% - sold through state stores
Washington	0.87	Yes	over 14% - \$1.75/gallon
West Virginia	1.00	Yes	5% local tax
Wisconsin	0.25	Yes	over 14% - \$0.45/gallon
Wyoming	see footnote (1)	Yes	
Dist. of Columbia	0.30	--	9% off- and on-premise sales tax; over 14% - \$0.40/gal.; sparkling wine - \$0.45/gal.
<b>U.S. Median</b>	<b>0.73</b>		

1. All wine sales are through state sources. Revenue in these states is generated from various taxes, fees, price mark-ups, and net profits.

n.a. = not applicable. These five states do not have a general sales tax. Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).

# COMPARISON OF STATE TAX RATES - DISTILLED SPIRITS

## JANUARY 1, 2020

State	Excise Tax Rates (\$ per gallon)	Sales Taxes Applied	Other Taxes
Alabama	see footnote (1)	Yes	
Alaska	\$12.80	n.a.	under 21% - \$2.50/gallon
Arizona	3.00	Yes	
Arkansas	2.50	Yes	under 5% - \$0.50/gallon, under 21% - \$1.00/gallon; \$0.20/case; 3% off- 14% on-premise retail taxes
California	3.30	Yes	over 50% - \$6.60/gallon
Colorado	2.28	Yes	
Connecticut	5.94	Yes	under 7% - \$2.71/gallon
Delaware	4.50	n.a.	25% or less - \$3.00/gallon
Florida	6.50	Yes	under 17.259% - \$2.25/gallon, over 55.780% - \$9.53/gallon
Georgia	3.79	Yes	\$0.83/gallon local tax
Hawaii	5.98	Yes	
Idaho	see footnote (1)	Yes	
Illinois	8.55	Yes	under 20% - \$1.39/gallon; \$2.68/gallon in Chicago and \$2.50/gallon in Cook County
Indiana	2.68	Yes	under 15% - \$0.47/gallon
Iowa	see footnote (1)	Yes	
Kansas	2.50	--	8% off- and 10% on-premise retail tax
Kentucky	1.92	Yes	under 6% - \$0.25/gallon; \$0.05/case and 11% wholesale tax
Louisiana	3.03	Yes	
Maine	see footnote (1)	Yes	
Maryland	1.50	Yes	9% sales tax
Massachusetts	4.05		under 15% - \$1.10/gallon, over 50% alcohol - \$4.05/proof gallon; 0.57% on private club sales
Michigan	see footnote (1)	Yes	
Minnesota	5.03	-	\$0.01/bottle (except miniatures) and 9% sales tax
Mississippi	see footnote (1)	Yes	
Missouri	2.00	Yes	
Montana	see footnote (1)	n.a.	
Nebraska	3.75	Yes	
Nevada	3.60	Yes	5% to 14% - \$0.70/gallon, 15% to 22% - \$1.30/gallon
New Hampshire	see footnote (1)	n.a.	
New Jersey	5.50	Yes	
New Mexico	6.06	Yes	
New York	6.44	Yes	under 24% - \$2.54/gal.; additional \$1.00/gal. in New York City
North Carolina	see footnote (1)	Yes (2)	
<b>North Dakota</b>	<b>2.50</b>	<b>-</b>	<b>7% state sales tax</b>
Ohio	see footnote (1)	Yes	
Oklahoma	5.56	Yes	13.5% on-premise
Oregon	see footnote (1)	n.a.	
Pennsylvania	see footnote (1)	Yes	
Rhode Island	5.40	Yes	
South Carolina	2.72	Yes	\$5.36/case and 9% surtax; additional 5% on-premise tax
South Dakota	3.93	Yes	under 14% - \$0.93/gallon; 2% wholesale tax
Tennessee	4.40	Yes	15% on-premise; under 7% - \$1.10/gallon
Texas	2.40	Yes	6.7% on-premise and \$0.05/drink on airline sales
Utah	see footnote (1)	Yes	
Vermont	see footnote (1)	No	10% on-premise sales tax
Virginia	see footnote (1)	Yes	
Washington (3)	14.27	-	\$9.24/gal. on-premise; 20.5% retail sales tax, 13.7% sales tax to on-premise
West Virginia	see footnote (1)	Yes	
Wisconsin	3.25	Yes	\$0.03/gallon administrative fee
Wyoming	see footnote (1)	Yes	
Dist. of Columbia	1.50	--	9% off- and on-premise sales tax
U.S. Median	\$3.77		

1. In 17 states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees, price mark-ups, and net liquor profits.
2. General sales tax applies to on-premise sales only.
3. Washington privatized liquor sales effective June 1, 2012.

n.a. = not applicable. These five states do not have a general sales tax. Source: Federation of Tax Administrators: [www.taxadmin.org](http://www.taxadmin.org).

# MOTOR FUEL TAXES

Motor Fuel Taxes history may be found at [www.nd.gov/tax/motorfuelhistory](http://www.nd.gov/tax/motorfuelhistory).

## CURRENT LAW

### *Imposition, Rates, and Administration*

#### **Motor Vehicle Fuel Tax (Gasoline and Gasohol)**

A motor vehicle fuel tax of 23 cents per gallon is imposed on motor vehicle fuel (gasoline and gasohol) sold to retailers and consumers. Consumers who paid the tax but used the fuel in nonlicensed equipment for agricultural or industrial purposes may obtain a refund.

One-half cent per gallon is withheld from industrial refunds to be deposited into the Agricultural Products Utilization Fund.

The state and political subdivisions may obtain a refund of 23 cents per gallon on all motor vehicle fuel used for construction, reconstruction, and maintenance of roads and highways.

The operator of a licensed emergency medical services operation may obtain a refund of 23 cents per gallon on all motor vehicle fuel used by emergency medical services vehicles.

**Special Fuels Taxes** Special fuels include diesel, kerosene, heating fuel, compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG) known as propane. A special fuels tax of 23 cents per gallon is imposed on all undyed (not red) diesel fuels, kerosene, CNG, LNG, and LPG sold for use in licensed vehicles.

For fuel uses other than in a licensed motor vehicle, a 4 cents per gallon special fuels excise tax is imposed on dyed (red) diesel fuels, kerosene, and CNG. A 2% special fuels excise tax is imposed on LPG. LNG and heating fuels are exempt from tax.

The 23 cents per gallon, the 4 cents per gallon, and the 2% special fuels excise tax are not refundable. Consumers using special fuels for a purpose other than in a licensed motor vehicle are urged to purchase special fuel subject to the 4 cents per gallon or LPG subject to the 2% special fuels excise tax in lieu of the 23 cents per gallon tax. The operator of a licensed emergency medical services operation may obtain a refund of 23 cents per gallon on all special fuel used by the emergency medical services vehicles.

A consumer, who uses undyed diesel fuel or other special fuel for a refrigeration unit on a truck or trailer that has a separate supply tank, and pays the special fuels tax of 23 cents per gallon, may file a claim for a refund. Four cents per gallon is withheld from the refund, the amount equal to the tax that would have been imposed if dyed diesel or other special fuel product had been used.

**Aviation Fuel Tax** The aviation fuel tax is imposed on the sale of aviation gasoline and jet fuels at a rate of 8 cents per gallon.

The operator of a licensed emergency medical services operation may obtain a refund of 8 cents per gallon on all aviation fuel used by emergency medical services vehicles.

**Tribal Tax** The North Dakota portion of the Standing Rock Sioux Tribe, the Spirit Lake Tribe, the Three Affiliated Tribes, and the Turtle Mountain Band of Chippewa passed ordinances imposing Tribal motor vehicle fuel and special fuel taxes. The ordinances are consistent with North Dakota's state fuel tax laws. The initial implementation date for the Standing Rock Sioux Tribe was January 1, 1999, for the Spirit Lake Tribe that date was November 1, 2006, for the Three Affiliated Tribes that date was October 1, 2007, and for the Turtle Mountain Band of Chippewa that date was September 1, 2010. The amount to be distributed to the tribes and to the state is based on the population demographics of the last United States census.

## DISTRIBUTION OF REVENUE

### Tax Types

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#### **Motor Vehicle Fuel Tax**

23¢ per gallon: Highway Tax Distribution Fund

Note: ½¢ per gallon is withheld from Industrial users' refunds to be deposited into the Agricultural Products Utilization Fund

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#### **Special Fuels Tax**

23¢ per gallon: Highway Tax Distribution Fund

Note: 4¢ per gallon is withheld from refrigeration unit refunds

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#### **Special Fuels Excise Tax**

4¢ per gallon: Highway Tax Distribution Fund

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#### **Special Fuels Excise Tax - LPG**

2% of sales price: Highway Tax Distribution Fund

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#### **Aviation Fuel Tax**

8¢ per gallon: 8¢ Aeronautics Commission Special Fund

Note: 4% is withheld from refunds for aviation fuel excise tax

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#### **Aviation Fuel Excise Tax**

4% of sales price: Aeronautics Commission Special Fund

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#### **Highway Tax Distribution Fund**

- 61.3% allocated to state highway purposes
- 34.5% allocated to the counties and cities
- 2.7% allocated to townships
- 1.5% allocated to public transportation

## FUEL TAXES AND FEES DISBURSEMENTS

Fiscal Year	Total Disbursement	Highway Distribution Fund	Township Highway Aid Fund	Agricultural Fuel Tax Fund	Agricultural Research Fund	Aeronautics Commission	State General Fund	Refund Reserve & Cash Bonds
2010	\$150,697,451	\$145,905,959	\$0	\$95,414	\$190,377	\$1,348,746	\$866,955	\$2,290,000
2011	\$170,524,000	\$166,210,750	\$0	\$102,091	\$201,801	\$1,559,903	\$905,455	\$1,544,000
2012	\$203,232,860	\$198,733,151	\$0	\$55,060	\$107,850	\$1,875,670	\$1,053,129	\$1,408,000
2013	\$210,288,049	\$206,030,768	\$0	\$45,110	\$88,727	\$1,898,277	\$1,065,166	\$1,160,000
2014	\$226,270,800	\$221,916,313	\$0	\$5,594	\$114,913	\$2,070,573	\$1,236,407	\$927,000
2015	\$230,545,215	\$225,541,578	\$0	-\$3,920	\$103,660	\$2,086,077	\$1,497,320	\$1,320,500
2016	\$195,138,154	\$190,010,419	\$0	\$234	\$11,634	\$1,980,464	\$1,304,404	\$1,831,000
2017	\$190,149,564	\$183,243,261	\$0	\$724	\$0	\$1,784,971	\$1,290,408	\$3,830,200
2018	\$195,924,971	\$190,964,253	\$0	\$1,236	\$0	\$1,722,026	\$1,298,457	\$1,939,000
2019	\$198,841,194	\$193,358,007	\$0	\$138	\$0	\$1,864,818	\$1,307,132	\$2,311,100
2020	\$192,289,785	\$187,848,808	\$0	\$672	\$0	\$1,737,806	\$1,280,599	\$1,421,900

## TRIBAL FUEL TAXES & FEES DISBURSEMENTS

Fiscal Year	Standing Rock	Spirit Lake	Three Affiliated Tribes	Turtle Mountain
2010	\$340,570	\$296,346	\$1,022,803	
2011	\$352,556	\$253,252	\$1,334,704	\$470,240
2012	\$338,563	\$265,414	\$2,041,593	\$710,542
2013	\$376,153	\$252,438	\$2,188,392	\$687,290
2014	\$365,333	\$255,200	\$2,467,753	\$606,968
2015	\$392,126	\$302,651	\$2,212,694	\$735,673
2016	\$438,909	\$285,816	\$2,607,928	\$700,811
2017	\$487,714	\$268,769	\$1,990,770	\$724,086
2018	\$352,577	\$260,658	\$1,758,207	\$707,045
2019	\$387,653	\$234,967	\$1,766,981	\$700,560
2020	\$344,357	\$184,151	\$2,018,951	\$744,272

## SPECIAL FUELS - GALLONS TAXED - PER GALLON TAX RATE

Fiscal Year	Total Gallons	Gallons on which Tax is Refunded	Net Taxed Gallons
2010	225,409,856	840,634	224,569,222
2011	278,419,258	801,553	277,617,705
2012	377,288,488	445,732	376,842,756
2013	385,066,135	601,255	384,464,880
2014	431,878,855	979,719	430,899,136
2015	426,155,431	1,125,794	425,029,637
2016	328,913,679	467,471	328,446,208
2017	311,098,089	641,100	310,456,989
2018	335,053,639	571,240	334,482,399
2019	343,998,837	650,265	343,348,572
2020	335,073,506	1,064,930	334,008,576

## MOTOR VEHICLE FUELS - GALLONS TAXED

Fiscal Year	Total Gallons	Gallons on which Tax is Refunded	Net Taxed Gallons
2010	377,395,361	6,879,324	370,516,037
2011	395,537,062	5,494,678	390,042,384
2012	428,956,203	5,929,272	423,026,931
2013	439,698,764	3,318,264	436,380,500
2014	463,422,793	2,739,283	460,683,510
2015	480,745,330	2,192,469	478,552,861
2016	457,495,033	2,046,784	455,448,249
2017	445,595,475	1,836,464	443,759,011
2018	445,784,427	1,862,896	443,921,531
2019	447,849,987	1,261,302	446,588,685
2020	431,414,677	1,295,337	430,119,340

## SPECIAL FUELS - GALLONS TAXED 2%, \$.04, OR HEATING FUEL

Fiscal Year	2% or \$.04/Gallon	Heating Fuel
2010	316,054,095	68,010,417
2011	385,552,293	72,358,292
2012	457,343,493	60,877,963
2013	474,182,067	75,015,596
2014	589,332,437	82,171,046
2015	574,069,505	79,997,280
2016	398,613,934	68,206,880
2017	389,577,189	72,744,014
2018	452,587,767	80,783,578
2019	480,875,221	91,389,757
2020	449,785,146	92,385,543



# STATE MOTOR FUEL TAX RATES

## JANUARY 1, 2020

	Gasoline			Diesel Fuel			Gasohol			Notes
	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	
Alabama (1) (9)	24.0		24.0	25.0		25.0	24.0		24.0	
Alaska	8.0	0.95	8.95	8.0	0.95	8.95	8.0	0.95	8.95	Refining Surcharge
Arizona	18.0	1.0	19.0	26.0	1.0	27.0	18.0	1.0	19.0	(8) LUST Tax
Arkansas	21.5	3.3	24.8	22.5	6.3	28.8	21.5	3.3	24.8	Environmental Fee, W. Sales Tax
California	47.3	6.0	53.3	36.0	32.0	68.0	47.3	6.0	53.3	Includes prepaid sales tax (7)
Colorado	22.0		22.0	20.5		20.5	22.0		22.0	
Connecticut	25.0		25.0	46.5		46.5	25.0		25.0	Plus a 8.1% Petroleum tax (gas)
Delaware	23.0		23.0	22.0		22.0	23.0		23.0	Plus 0.9% GRT
Florida (2)	18.3	16.096	34.396	19.3	13.9	33.2	18.3	16.096	34.396	Sales tax added to excise (2)
Georgia (5)	27.9		27.9	31.3		31.3	27.9		27.9	(5) Local sales tax additional
Hawaii (1)	16.0		16.0	16.0		16.0	16.0		16.0	Sales tax additional
Idaho	32.0	1	33.0	32.0	1	33.0	32.0	1	33.0	Clean Water Fee
Illinois (1) (5)	38.0	1.1	29.1	45.5	1.1	46.6	38.0	1.1	39.1	Sales tax add., env. & LUST fee (3)
Indiana (5)	30.0		30.0	49.0		49.0	30.0		30.0	Sales tax additional
Iowa	30.5		30.5	32.5		32.5	29.0		29.0	
Kansas	24.0	0.03	24.03	26.0	0.03	26.03	24.0	0.03	24.03	Inspection fees
Kentucky	24.6	1.4	26.0	21.6	1.4	23.0	24.6	1.4	26.0	Environmental fee (4) (3)
Louisiana	20.0	0.001	20.001	20.0	0.001	20.001	20.0	0.001	20.001	Inspection fee
Maine	30.0		30.0	31.2		31.2	30.0		30.0	
Maryland (5)	36.7		36.7	37.45		37.45	36.7		36.7	(5)
Massachusetts	24.0		24.0	24.0		24.0	24.0		24.0	
Michigan	26.3		26.3	26.3		26.3	26.3		26.3	Sales tax additional
Minnesota	28.5	0.1	28.6	28.5	0.1	28.6	28.5	0.1	28.6	Inspect fee
Mississippi	18.0	0.4	18.4	18.0	0.4	18.4	18.0	0.4	18.4	Environmental fee
Missouri	17.0	0.42	17.42	17.0	0.42	17.42	17.0	0.3	17.3	Inspection & Load fees
Montana	32.0		32.0	29.45		29.45	32.0		32.0	
Nebraska	29.3	0.9	30.2	29.3	0.3	29.6	29.3	0.9	30.2	Petroleum fee (5)
Nevada (1)	23.0	0.805	23.805	27.0	0.75	27.75	23.0	0.805	23.805	Inspection and cleanup fee
New Hampshire	22.2	1.625	23.825	22.2	1.625	23.825	22.2	1.625	23.825	Oil discharge cleanup fee
New Jersey	10.5	30.9	41.4	13.5	35.0	48.5	10.5	30.9	41.40	Petroleum fee
New Mexico	17.0	1.875	18.875	21.0	1.875	22.875	17.0	1.875	18.875	Petroleum loading fee
New York	8.05	17.4	25.45	8.0	15.65	23.65	8.05	17.4	25.5	Petroleum Tax, Sales tax additional
North Carolina	36.1	0.25	36.35	36.1	0.25	36.35	36.1	0.25	36.35	(5) Inspection tax
<b>North Dakota</b>	<b>23.0</b>		<b>23.0</b>	<b>23.0</b>		<b>23.0</b>	<b>23.0</b>		<b>23.0</b>	
Ohio	38.5		38.5	47.0		47.0	38.5		38.5	
Oklahoma	19.0	1.0	20.0	19.0	1.0	20.0	19.0	1.0	20.0	Environmental fee
Oregon (1)	36.0		36.0	36.0		36.0	36.0		36.0	
Pennsylvania	57.6		57.6	74.1		74.1	57.6		57.6	Oil franchise tax only (5)
Rhode Island (5)	34.0	1	35.0	34.0	1	35.0	34.0	1	35.0	LUST tax
South Carolina (9)	22.0	0.75	22.75	22.0	0.75	22.75	22.0	0.75	22.75	Inspection fee and LUST tax
South Dakota (1)	28.0	2	30.0	28.0	2	30.0	26.6	2	28.6	Inspection fee (gasohol E10)
Tennessee (1)	26.0	1.4	27.4	27.0	1.4	28.4	26.0	1.4	26.4	Petroleum Tax and Environmental Fee
Texas	20.0		20.0	20.0		20.0	20.0		20.0	
Utah	31.1		31.1	31.1		31.1	31.1		31.1	(4)
Vermont (5)	12.1	18.71	30.81	28.0	4.0	32.0	12.1	18.71	30.81	Cleanup Fee and Trans. Fee
Virginia (1)	16.2		16.2	20.2		20.2	16.2		16.2	(6)
Washington	49.4		49.4	49.4		49.4	49.4		49.4	0.5% privilege tax
West Virginia	20.5	15.2	35.7	20.5	15.2	35.7	20.5	15.2	35.7	Sales tax added to excise
Wisconsin	30.9	2.0	32.9	30.9	2.0	32.9	30.9	2.0	32.9	Petroleum Insp. Fee
Wyoming	23.0	1	24.0	23.0	1	24.0	23.0	1	24.0	License tax
Dist. of Columbia	23.5		23.5	23.5		23.5	23.5		23.5	
Federal	18.3	0.1	18.4	24.3	0.1	24.4	18.3	0.1	18.4	LUST tax

Compiled by FTA from various sources. Fee/Taxes column is for comparison purposes and does not include all taxes/fees levied.

- Tax rates do not include local option taxes. In AL, 1¢ to 3¢; HI, 8.8¢ to 18.0¢; IL, 5¢ in Chicago and 6¢ in Cook county (gasoline only); NV, 4.0¢ to 9.0¢; OR, 1¢ to 5¢; SD and TN, 1¢; and VA 2.1%.
- Local taxes for gasoline and gasohol vary from 0¢ to 6.0¢. Includes Inspection Fee, SCETS, and Statewide Local Tax.
- Carriers pay an additional surcharge equal to IL-14.9¢, KY-2% (g) 4.7% (d).
- Tax rate is based on the average wholesale price and is adjusted annually. The actual rates are: KY, 9%; and UT, 16.5%.
- Portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government, or inflation.
- Large trucks pay an additional (d) 3.5¢ (g) 12.6¢. Actual rates (g) 5.1%, (d) 6%.
- CA Gasoline subject to 2.25% sales tax. Diesel subject to a 13% sales tax.
- Diesel rate specified is the fuel use tax rate on large trucks. Small vehicles are subject to 18 cent tax rate.
- On July 1, 2020, SC tax will increase to 24 cents. On October 1, 2020, AL tax will increase to 26 cents (g) and 27 cents (d).

Source: Federation of  
Tax Administrators:  
[www.taxadmin.org](http://www.taxadmin.org).

# OIL AND GAS TAXES

Oil and Gas Taxes history may be found at [www.nd.gov/tax/oilgashistory](http://www.nd.gov/tax/oilgashistory).

## CURRENT LAW

### Oil And Gas Gross Production Tax

#### *Imposition and Rates*

The oil and gas gross production tax is imposed in lieu of property taxes on oil and gas producing properties.

**Oil** A 5% rate is applied to the gross value at the well of all oil produced, except royalty interest in oil produced from a state, federal, or municipal holding and from an interest held by an organized Native American tribe. Both the producer and purchaser of the oil are required to submit reports to the Tax Commissioner on a monthly basis. The reports show the volume and taxable value of sales of the production from each well. The producer remits the tax on oil not sold at the well. The purchaser is primarily responsible for remitting the tax on oil bought during a production month. The Tax Commissioner has the authority to waive a producer's filing requirement if certain conditions are met. Purchasers are required to file monthly reports electronically.

**Gas** The gross production tax on gas is an annually adjusted flat rate per thousand cubic feet (mcf) of all nonexempt gas produced in the state. The annual adjustments are made according to the average producer price index for gas fuels. Rates through June 30, 2021 are as follows:

Time Period	Tax Rate
July 1, 2018 – June 30, 2019	\$.0705
July 1, 2019 – June 30, 2020	\$.0712
July 1, 2020 – June 30, 2021	\$.0522

Exempt from the tax is gas used on the lease for production purposes and the royalty interest in gas produced from a state, federal, or municipal holding and from an interest held by an organized Native American tribe.

Shallow gas produced during the first 24 months of production from and after the first date of sales from a shallow gas zone, is exempt from gross production tax.

Gas, that would otherwise be flared, is exempt from the gross production tax when it is used in a generation unit producing electricity for use on site.

Monthly reports to the Tax Commissioner are required from both the producer and the purchaser/processor of the gas. The producer remits the tax on unprocessed gas and the purchaser/processor remits the tax on processed gas. The Tax Commissioner has the authority to waive a producer's filing requirement if certain conditions are met. Purchasers/processors are required to file monthly reports electronically.

#### *Distribution of Revenue*

During the 2019-21 biennium, revenue from the gross production tax is distributed monthly under the following formula:

- One-fifth of the tax must be deposited with the state treasurer who shall allocate the funding in this order:
  - 8% to the outdoor heritage fund, up to \$20 million per fiscal year.
  - 4% to the abandoned oil and gas well plugging and site reclamation fund, up to \$7.5 million per fiscal year, with an overall balance limit in the fund of \$50 million.
  - 30% of all gross production tax to the legacy fund.
- Four-fifths of the tax must be deposited with the state treasurer who shall allocate the funding in this order:
  - 100% of the first \$5 million will be allocated to the producing county.
  - 30% of the annual revenue in excess of the first \$5 million will be allocated to the producing county.
  - 70% of the annual revenue in excess of the first \$5 million will be allocated as follows:
    - Monthly amounts to the hub city funding pool to provide \$22 million to hub cities per fiscal year.
    - Monthly amounts to the hub city school district funding pool to provide \$3 million to hub city school districts per fiscal year.
- County revenue must be further allocated as follows:
  - 60% to the County general fund.
  - 5% proportionally to the school districts in the County.

- 20% to incorporated cities.
- 4% to townships.
- 9% proportionally among hub cities.
- 2% proportionally among hub city school districts.

Tax revenue distributed to a county is further split among the cities and schools within the county, based on population and average daily attendance, respectively. Additionally, a portion is shared with hub cities and with the townships in the largest producing counties.

## **Oil Extraction Tax**

### *Imposition and Rates*

The oil extraction tax is levied on the extraction of oil from the earth. The tax rate is 5% of the gross value of crude oil at the well.

For a well that is located both outside of the Bakken and Three Forks formations as well as 10 miles or more outside of an established field that includes the Bakken or Three Forks formation, the rate is reduced to 2% for the first 75 thousand barrels of oil during the first 18 months after completion.

The oil extraction tax is paid monthly with the gross production tax on a combined reporting form.

### *Exemptions*

To receive the full benefit of an exemption, or the 2% reduced rate, a producer must file the Industrial Commission's certification of well status with the Tax Commissioner within 18 months of the first day of eligibility. If the producer does not file within the 18-month period, then the exemption or reduced rate begins the first day of the month in which the certification is received by the Tax Commissioner.

The exemptions to the oil extraction tax are as follows:

- Royalty interest in oil extracted from a state, federal, or municipal holding and from a Native American holding within the boundary of a reservation.
- Oil extracted from a certified stripper well property. A stripper well property is property whose average daily production during a 12-month period did not exceed 10 barrels per day for a well of a depth of 6,000 feet or less, 15 barrels per day for a well of a depth of more than 6,000 feet but not more than 10,000 feet, and 30 barrels per day for a well of a depth of more than 10,000 feet outside the Bakken and Three forks formations, and 35 barrels per day for wells of a depth of more than 10,000 feet in the Bakken and Three Forks formations.

- Incremental oil from a qualifying secondary or tertiary recovery project. The exemption is five years for secondary recovery projects and 10 years for tertiary recovery projects from the date the incremental production begins.

Incremental production from a qualified tertiary recovery project from a horizontal well drilled and completed within the Bakken and Three Forks formations is not exempt from July 1, 2015, through June 30, 2017. Thereafter it is exempt for a period of five years from July 1, 2017, or the date the incremental production begins, whichever is later.

### *Distribution of Revenue*

Revenue from the oil extraction tax is distributed as follows:

- 30% allocated to the Legacy Fund as provided by the Constitution of North Dakota.
- 30% to the state.
- 20% divided equally between the Common Schools Trust Fund and Foundation Aid Stabilization Fund.
- 20% to the Southwest Water Pipeline Sinking Fund and to a Resources Trust Fund. Principal and income from the Resources Trust Fund may be expended only pursuant to legislative appropriation and are available for water and certain energy related projects.

## **State Share of Oil and Gas Taxes**

All the oil and gas revenues designated to be deposited in the state general fund shall be allocated by the state treasurer each biennium in the following order:

- The first \$200 million to the state general fund.
- The next \$200 million to the tax relief fund.
- The next \$75 million to the budget stabilization fund (within statutory limits).
- The next \$200 million to the state general fund.
- The next \$10 million to the lignite research fund.
- The next \$15 million to the state disaster relief fund (within annual overall limits to the fund).
- Up to the next \$30,375,000 as necessary to the municipal infrastructure fund.
- The next \$400 million to the strategic investment and improvements fund.
- Up to the next \$30,375,000 to the county and township infrastructure fund, equal to deposit to the municipal fund.
- The next \$169,250,000 – up to a total of \$230 million – designated for infrastructure development in non-oil producing counties (50% for municipal use and fifty percent for county and township use).
- The next \$20 million to the airport infrastructure fund.
- All additional biennial revenues to the strategic investment and improvements fund.

# OIL AND GAS TAXES DISTRIBUTION FORMULA CHANGES

## Gross Production Tax

		State				Counties						Maximum County		
Increments		General Funds	Oil & Gas Impact Grant Fund	Legacy Fund	Other Fund	Total County %	Cities	School Districts	Road & Bridge Fund	General Fund	Townships & Hub Cities	Under 3,000	3,000 to 6,000	Over 6,000
1957 Session	First 1/5:.....	100%												
	Remaining 4/5:.....													
	1st \$200,000.....	25%				75%								
	2nd \$200,000.....	50%				50%	15%	45%	40%					
	3rd \$400,000.....	75%				25%								
1981 Session	First 1/5:.....	100% <sup>(1)</sup>												
	Remaining 4/5:.....													
	1st \$ Million.....	25%				75%						\$3.2 M	FY-1982 \$3.5 M	\$4.0 M
	2nd \$ Million.....	50%				50%	20%	35%		45%		\$3.8 M	FY-1983 \$4.0 M	\$4.6 M
	Over \$2 Million.....	75%				25%								
1983 Session	.....											\$3.9 M	\$4.1 M	\$4.6 M
1989 Session	First 1/5:.....	66 2/3%	33 1/3%											
2007 Session	First 1/5:.....	66 2/3%	33 1/3%											
	Remaining 4/5:.....													
	1st \$ Million.....	0%				100%								
	2nd \$ Million.....	25%				75%	20%	35%		45%		\$3.9 M	\$4.1 M	\$4.6 M
	Over \$3 Million.....	50%				50%								
		75%				25%								
2009 Session	First 1/5:.....	(2)	(3)											
	Remaining 4/5:.....													
	1st \$2 Million.....	0%				100%								
	\$2 - \$3 Million.....	25%				75%	20%	35%		45%				
	\$3 - \$4 Million.....	50%				50%								
	\$4 - \$18 Million.....	75%				25%								
	Over \$18 Million.....	90%				10%								
2011 Session	.....		(3)	30% <sup>(4)</sup>										
2013 Session	First 1/5:.....	(2)	(3)	30% <sup>(4)</sup>	(5)									
	Remaining 4/5:.....													
	1st \$5 Million..... <sup>(6)</sup>	0%				100%	20%	35%		45%				
	Over \$5 Million..... <sup>(6)</sup>	75%				25%	20%	5%		60%	15%			
2015 Session	Over \$5 Million..... <sup>(7)</sup>	70%				30%								

<sup>(1)</sup> For the 1981-83 biennium only, the legislature provided that up to \$32 million of the 1/5 State General Fund share be distributed to the Highway Tax Distribution Fund and to township road and bridge funds.

<sup>(2)</sup> Each city in a oil-producing county which has a population of 12,500 or more and more than 1% of its private covered employment engaged in the mining industry was allocated \$500,000 per fiscal year (\$1,000,000 per fiscal year if more than 7.5% of mining employment) through the 2011-13 biennium. In the 2013-15 biennium, these hub cities received \$375,000 per percentage point of mining employment per fiscal year. Schools in these hub cities received \$125,000 per percentage point of mining employment per fiscal year.

<sup>(3)</sup> The total amount dedicated to the Oil and Gas Impact Grant Fund was increased to \$8 million in the 2009 session, to \$100 million in the 2011 session, and to \$240 million in the 2013 session.

<sup>(4)</sup> The Legacy Fund was established as a Constitutional amendment and requires 30% of all revenue to be deposited into this fund.

<sup>(5)</sup> 4%, up to \$15 million per fiscal year, is deposited in the Outdoor Heritage Fund. An additional 4%, up to \$5 million per fiscal year, is deposited in the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund. The total amount in this fund cannot exceed \$75 million.

<sup>(6)</sup> Counties with revenue up to \$5 million per fiscal year receive 100% of the 4/5's share and have the revenue distributed as shown. Counties with revenue exceeding \$5 million receive 100% of the first \$5 million and 25% of the revenue over \$5 million, and have the revenue distributed as shown.

<sup>(7)</sup> Counties with revenue up to \$5 million per fiscal year receive 100% of the 4/5's share and have the revenue distributed as shown. Counties with revenue exceeding \$5 million receive 100% of the first \$5 million and 30% of the revenue over \$5 million, and have the revenue distributed as shown.

## Oil Extraction Tax

	State General Fund	Legacy Fund	Education Funds	Water Pipeline & Trust Fund
1980 Measure #6	45%		45%	10%
1981 Session	30%		60%	10%
1983 Session	90%		10%	
1995 Session:				
FY 1996 and 1997	60%		20%	20%
After FY 1997	70%		20%	10%
1997 Session				
After FY 1997	60%		20%	20%
2011 Session				
After FY 2011	30%	30% <sup>(1)</sup>	20%	20%

1. The Legacy Fund was established as a Constitutional amendment and requires 30% of all revenue to be deposited into this fund.

## OIL AND GAS GROSS PRODUCTION TAX REVENUE

<b>Fiscal Year</b>	<b>Total Net Collections</b>	<b>State General Fund</b>
2010	\$302,099,211	\$32,718,333
2011	\$481,083,658	\$0
2012	\$795,681,003	\$146,501,416
2013	\$1,130,369,449	\$16,956,688
2014	\$1,492,982,452	\$146,071,108
2015	\$1,286,652,421	\$0
2016	\$750,474,504	\$83,379,177
2017	\$766,430,836	\$41,700,000
2018	\$1,073,026,703	\$169,646,223
2019	\$1,342,037,843	\$42,500,905
2020	\$1,079,900,629	\$209,211,929
2021 est.	\$680,632,685	\$29,631,049

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

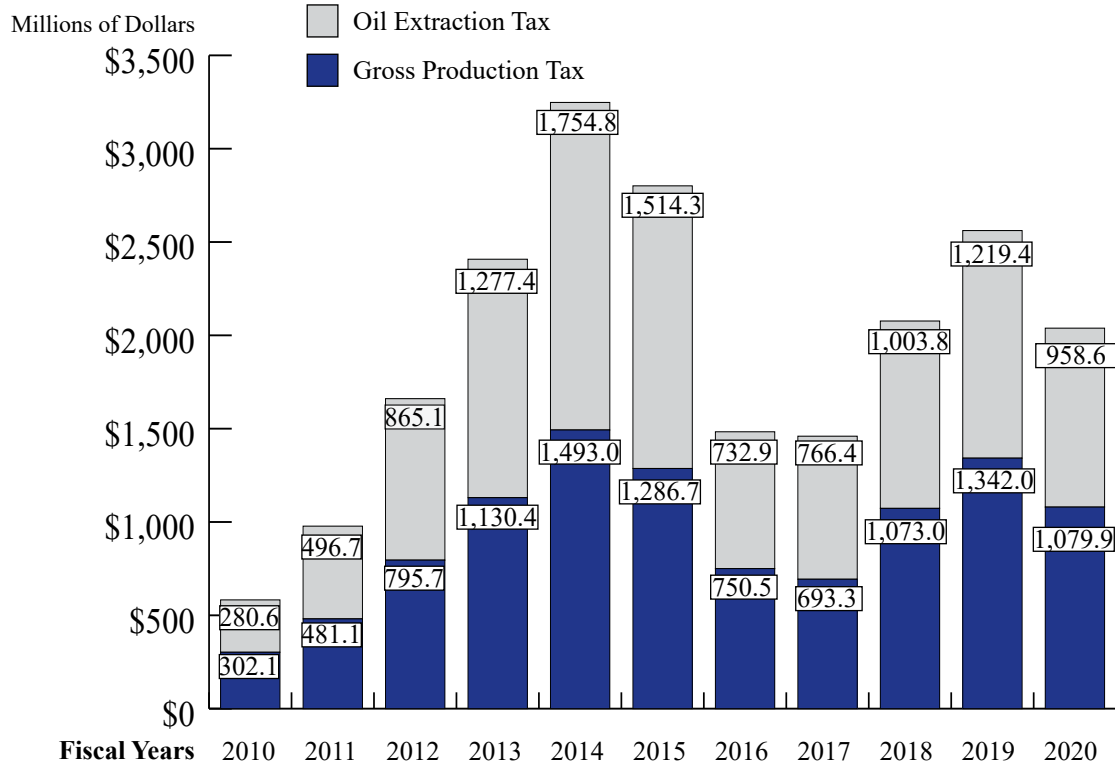
## OIL EXTRACTION TAX REVENUE

<b>Fiscal Year</b>	<b>Total Net Collections</b>	<b>State General Fund</b>
2010	\$280,611,437	\$38,281,667
2011	\$496,749,735	\$0
2012	\$865,121,628	\$112,550,313
2013	\$1,277,370,124	\$23,991,583
2014	\$1,754,824,617	\$153,928,892
2015	\$1,514,332,592	\$0
2016	\$732,866,348	\$116,620,823
2017	\$693,306,400	\$58,300,000
2018	\$1,003,828,719	\$172,974,233
2019	\$1,219,436,220	\$14,878,639
2020	\$958,579,683	\$141,402,989
2021 est.	\$604,167,315	\$19,754,033

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

Note: Oil and Gas Gross Production Tax and Oil Extraction Tax revenues had a statutory cap of \$71 million in distributions to the State General Fund through the 2009-11 biennium. That cap was increased to \$300 million per biennium through the 2015-17 biennium and was increased to \$400 million beginning with the 2017-19 biennium.

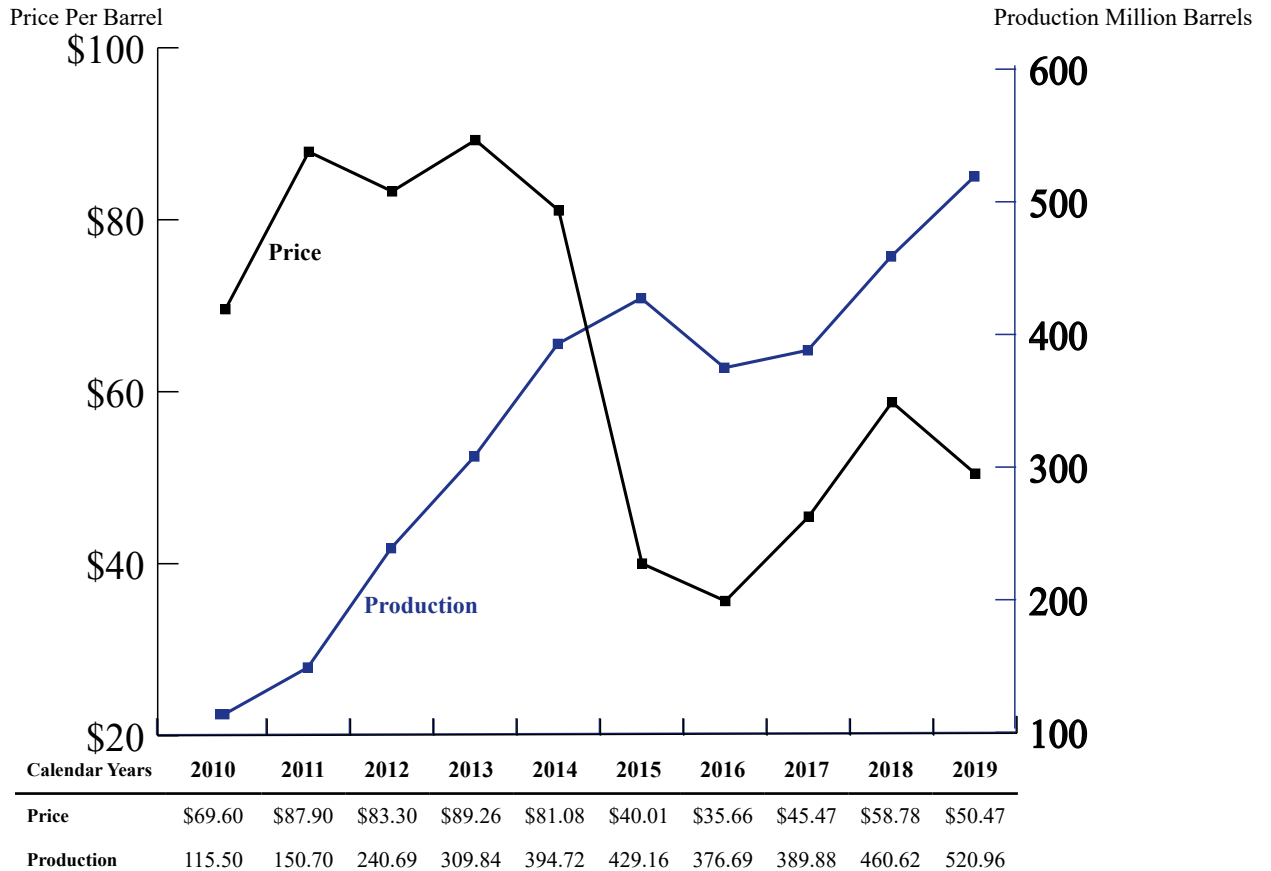
## TRENDS IN OIL AND GAS TAX COLLECTIONS



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

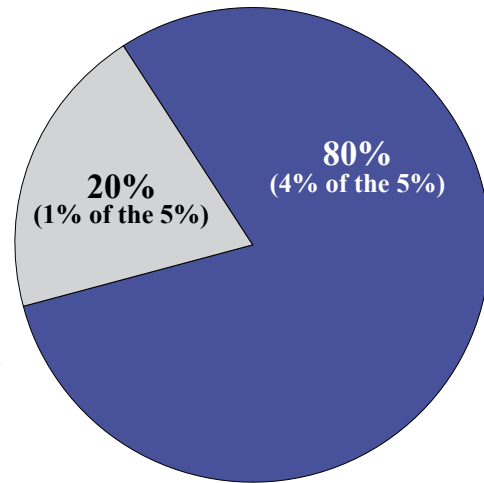
## NORTH DAKOTA OIL STATISTICS

ANNUAL PRODUCTION & AVERAGE ANNUAL PRICE FOR SWEET CRUDE 2010-2019



## 5% GROSS PRODUCTION TAX

- Heritage Fund
- Reclamation Fund
- Legacy Fund
- State General Fund

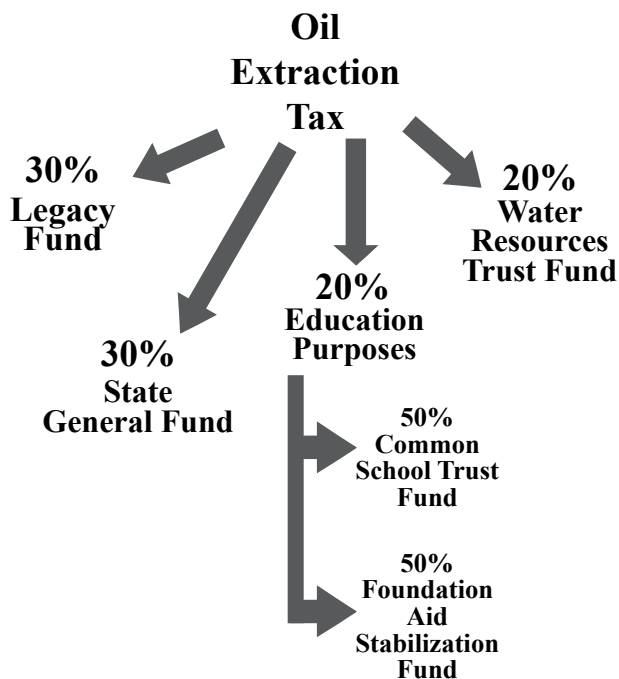


Breakdown of the 4%		
\$0 - \$5,000,000	100% County	0% State
Over \$5,000,000	30% County	70% State

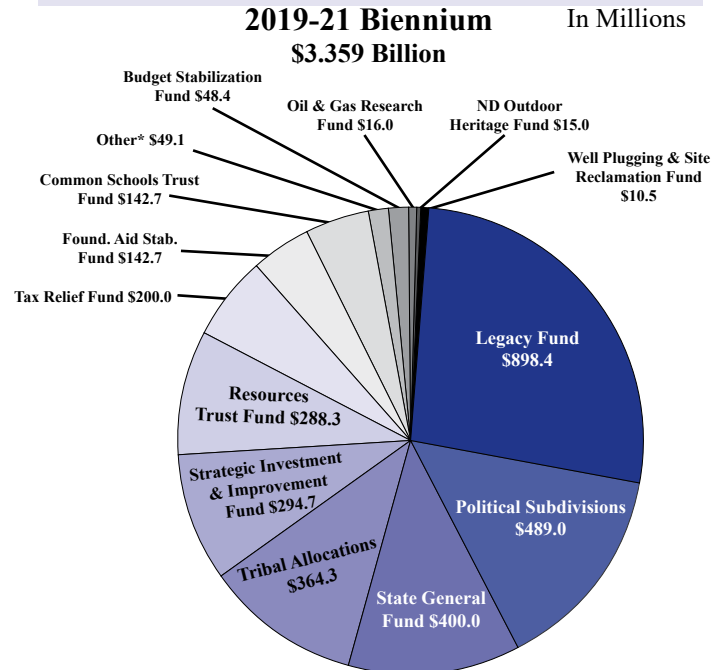
- Hub City Funding Pool
- Hub City School District Funding Pool

Footnote: There are additional sub-distributions within many of the broad distributions listed here.

## 5% OIL EXTRACTION TAX



## ESTIMATED DISTRIBUTION



\*Other

- Municipal Infrastructure Fund \$29.9
- Lignite Research Fund \$10.0
- State Energy Research Fund \$5.0
- Renewable Energy Dev. Fund \$3.0
- Energy Conservation Grant Fund \$1.2



# OIL TAXES IN THE 15 MAJOR OIL PRODUCING STATES

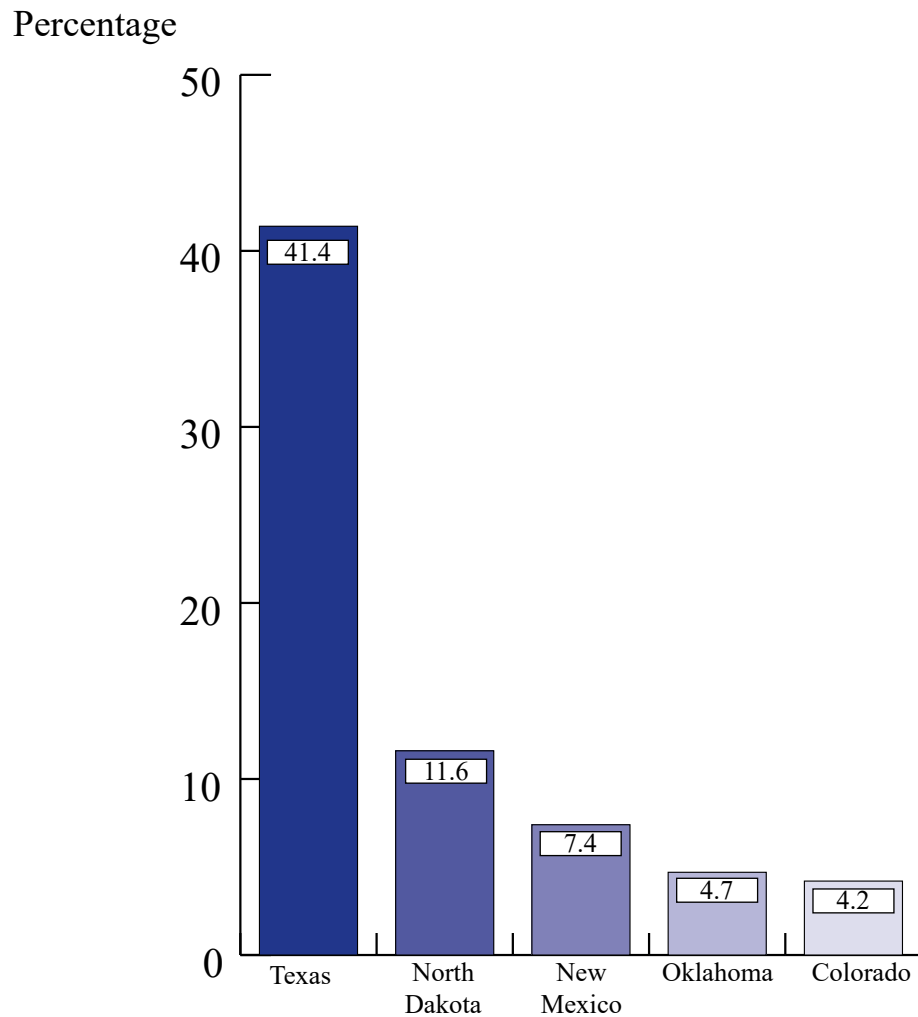
State	Severance or Gross Production Tax Rate	Local Ad Valorem Taxes Effective Rate	Misc. Taxes	Total Taxes	Annual Production (Million Barrels)			
					2016	2017	2018	2019
Alaska	0 to 35.0%	*	.01 - .04%	0 - 35.0%	179.2	180.5	174.8	169.9
California <sup>(1)</sup>		\$0.3626051		1%	186.1	173.2	169.2	161.5
Colorado <sup>(2)</sup>	2 to 5%	4 to 10%	1 to 4%	2 to 9%	115.9	128.4	171.4	187.6
Kansas <sup>(3)</sup>	4.33%	3.67%		8%	38.1	35.6	34.7	33.1
Louisiana	3.125 to 12.5%	*		3.125 - 12.5%	56.4	50	48.1	43.9
Michigan	4 to 6.6%	*		6.6%	5.6	5.4	5.4	5.1
Mississippi	0 to 6.0%	*		0 - 6.0%	20.4	18.1	16.9	17.1
Montana <sup>(4)</sup>	.8 to 15.1%			.8 to 15.1%	23.2	20.4	21.6	23.0
New Mexico	3.75%	2.339%	3.39%	9.479%	146	172.8	248.9	339.8
<b>North Dakota<sup>(5)</sup></b>	<b>5, 7 or 10%</b>	<b>*</b>		<b>5 - 10%</b>	<b>378</b>	<b>388.3</b>	<b>460.4</b>	<b>512.3</b>
Oklahoma	1 to 7.0%	*	0.9 of 1%	1 - 7.095%	153.7	165.9	199.6	211.9
South Dakota	4.5		.24%	4.74%	1.4	1.3	1.3	1.2
Texas <sup>(6)</sup>	0 to 4.6%	4 to 5%	½ cent per bbl	4 - 10% plus ½ cent per bbl	1,176	1,282.7	1,608.9	1,850.1
Utah <sup>(6)(7)</sup>	0, 3 or 5%	4 to 5%	0.2%	0 - 5% + ad valorem (4 - 5%)	30.5	33	37.1	37.4
Wyoming	2 to 6.0%	6.7%		8.7 - 12.7%	72.5	75.5	87.9	101.7

\* Severance (or gross production) tax is in lieu of local property taxes on the oil.

1. There is no statewide severance tax on oil and gas production in California. There are ad valorem (property) taxes administered by each county. There is a small statewide assessment on each barrel of oil and 10,000 cubic feet of natural gas produced. The rate is determined annually by Department of Conservation to fund agency operations. The assessment rate for fiscal year 2017/2018 is \$0.5038349.
2. Colorado has a 2% to 5% severance tax but allows 87.5% of local property taxes as a credit against the tax. Since property taxes average about 7% this credit generally eliminates the severance tax liability.
3. Kansas has an 8.0% severance tax but allows a credit of up to 3.67% for property taxes paid on oil properties. The severance tax is based on value. Actual rate paid after credit is 4.33%.
4. Montana's tax rates vary based on the type of well, when the well was drilled, and whether the taxpayer has a working or non-working interest. A portion of the production tax is allocated back to local governments in lieu of property taxes.
5. North Dakota has a gross production tax rate of 5% and an oil extraction rate of 5% with exemption and incentive rates of 0 or 2% and a trigger rate up to 6%.
6. Texas and Utah have property taxes on oil properties but it was not possible for local authorities to estimate an effective percentage rate.
7. Utah's severance tax is 3% on the first \$13 per barrel and 5% on any amount over \$13 per barrel.

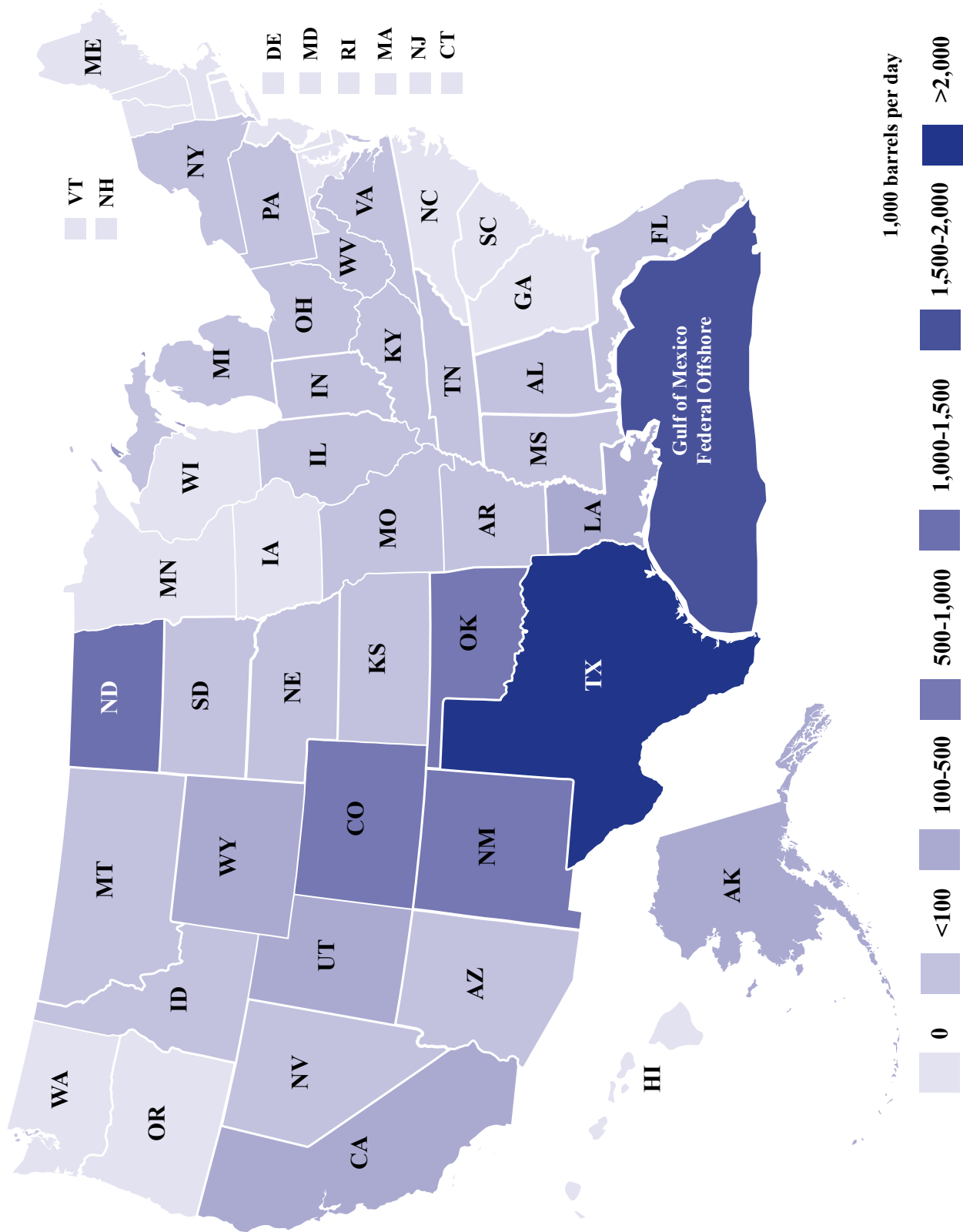
Source: Various sources researched by the North Dakota Office of State Tax Commissioner, Oil and Gas Section.

## TOP 5 CRUDE OIL-PRODUCING STATES AND PERCENTAGE OF SHARE OF TOTAL U.S. PRODUCTION IN 2019



Source: U.S. Energy Information Administration.

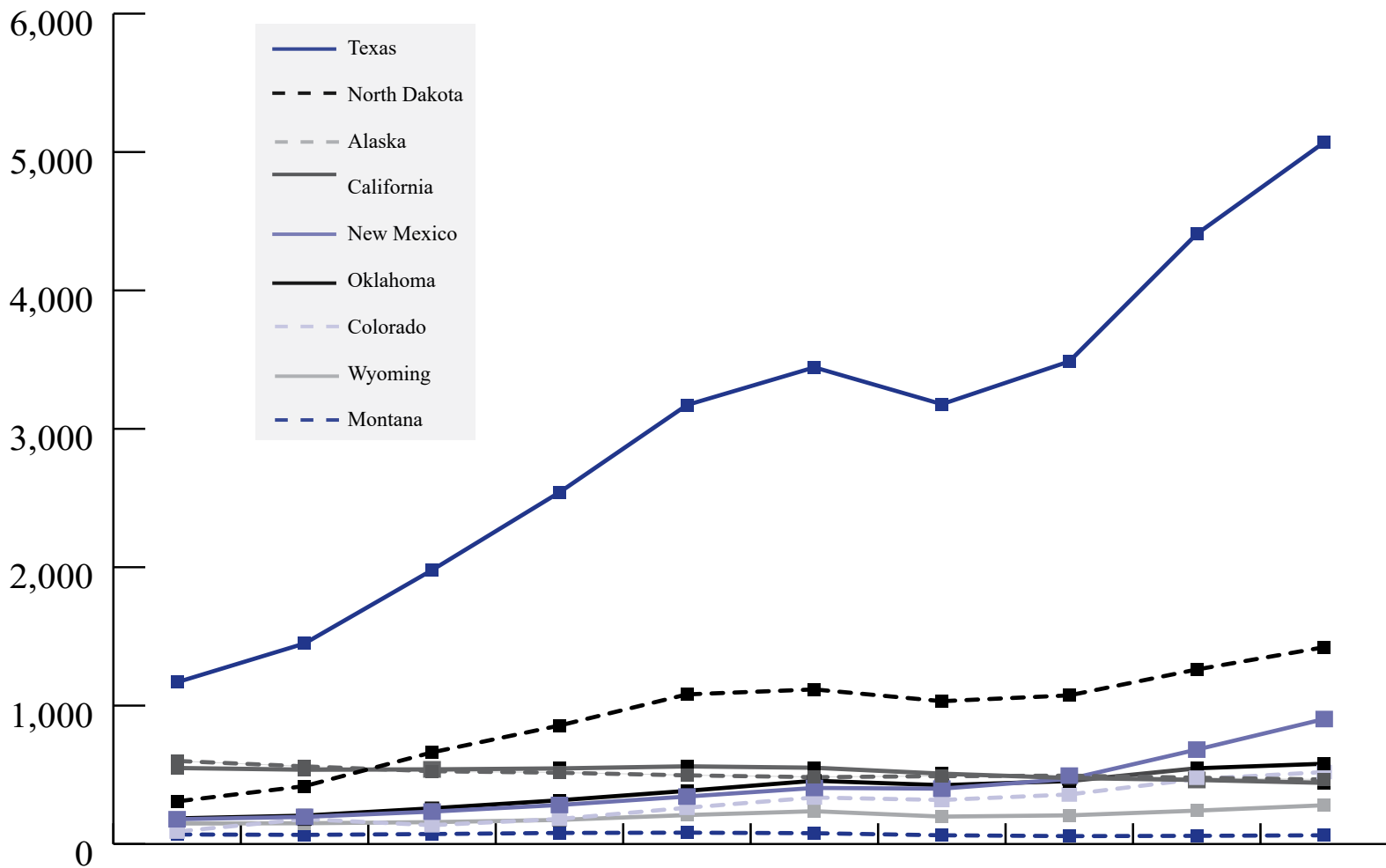
# U.S. CRUDE OIL PRODUCTION BY STATE IN 2019



Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*, September 2020

## TOP OIL AND GAS PRODUCING STATES AVERAGE ANNUAL BARRELS OF OIL PER DAY

Production Thousands of Barrels per Day



Calendar Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Texas	1,169	1,449	1,979	2,541	3,172	3,444	3,178	3,487	4,408	5,070
North Dakota	308	418	662	856	1,081	1,117	1,032	1,074	1,261	1,422
Alaska	600	561	526	515	496	483	490	494	479	466
California	549	537	539	546	561	551	508	477	463	442
New Mexico	179	196	234	282	343	405	400	470	682	903
Oklahoma	185	205	258	316	384	457	425	455	547	580
Colorado	90	180	136	181	262	336	318	358	469	520
Wyoming	148	150	158	174	209	237	198	207	241	280
Montana	69	66	72	80	82	78	63	57	59	63

Source: U.S. Energy Information Administration

# PROPERTY TAXES

Property Taxes history may be found at [www.nd.gov/tax/propertyhistory](http://www.nd.gov/tax/propertyhistory).

## CURRENT LAW

### Locally Assessed Property

#### *Imposition, Administration, and Distribution of Revenue*

All real property, unless specifically exempted, is subject to a property tax. A mobile home used as a residence or business is subject to the tax if it is 27 or more feet long or is attached to utility services.

The property tax is determined by multiplying the mill rate times the taxable value of real property.

The county determines and collects the tax and distributes the revenue to the county, cities, townships, school districts, and other taxing districts. The tax is due January 1<sup>st</sup> of each year following the year of assessment and is payable without penalty until March 1<sup>st</sup>. A 5% discount is allowed for taxes paid in full before February 15<sup>th</sup>.

#### *Mill Rates*

Local mill rates are established to meet the revenue needs of the taxing district. Each taxing district prepares a proposed budget to determine the money needed to provide services. After public hearings, the elected governing bodies adopt final budgets and certify tax levies (total property taxes) to the county auditor. The tax levy may not exceed the legal maximum. To determine the mill rate, the county auditor divides the total property taxes to be collected for each taxing district by the district's total taxable value.

#### *Taxable Value*

**Residential** The determination of taxable value begins with the true and full value or market value of the property. The true and full value of residential property is established by the local assessor. The assessed value is 50% of the true and full value and the taxable value is 9% of the assessed value.

**Commercial** The true and full value of most commercial property is established by the local assessor. The assessed value is 50% of the true and full value and the taxable

value is 10% of the assessed value. The true and full value of railroad, public utility, and airline property is centrally determined by the State Board of Equalization (see Centrally Assessed Property on page 59).

**Agricultural** The true and full value of agricultural property is based on productivity as established by North Dakota State University through computations of the capitalized average annual gross return of the land. This information is forwarded to the Tax Commissioner who certifies to the county directors of tax equalization the estimated average true and full agricultural value of farm and grazing land in each county.

The county tax directors use the certified estimates of the county average agricultural values to determine the average value of agricultural lands within each assessment district in the county. This estimate is based on the relative value of lands for each assessment district compared to the county average. In determining the relative value, the county tax directors are to use soil type and soil classification data from detailed and general soil surveys. In determining the relative value of each assessment parcel, the local assessor applies the following considerations in descending order of significance to the assessment determination:

- a. Soil type and soil classification data from detailed or general soil surveys.
- b. The schedule of modifiers that must be used to adjust agricultural property assessments within the county as approved by the State Supervisor of Assessments.
- c. Actual use of the property for cropland or noncropland purposes by the owner of the parcel.

The assessed value of agricultural land is 50% of the true and full value and the taxable value is 10% of the assessed value.

**Equalization Process** Equalization is a method required by law to adjust assessments so that they are consistent with market value, or in the case of agricultural land, the value of agricultural productivity. Local assessments are reviewed and equalized by either the Township Board of Equalization or the City Board of Equalization within the first 15 days of April. The Board of County Commissioners meets within the first 10 days of June to equalize among assessment districts within the county. The State Board of Equalization has the responsibility to equalize among counties and assessment districts in a county and meets the second Tuesday in August.

## *Exemptions and Credits*

Property tax exemptions and credits are listed below according to type of property.

### **Residential Property**

- Personal property is exempt.
- A property tax exemption of up to five years is available for the value added by rehabilitation or remodeling to property which is 25 years old or older if the city or county approves the exemption.
- Homes owned and occupied by persons who are blind or individuals with disabilities may be eligible for exemption or partial exemption from property taxes, subject to annual review.
- A geothermal, solar, or wind energy system may qualify for a five-year exemption.
- Qualifying new single-family residences and condominiums may be exempt for two years, provided the exemption is approved by the city or county. The exemption is limited to a maximum of \$150,000 of the structure's value.
- New single-family residential property, exclusive of land, may be exempt for the taxable year in which construction began and the next two taxable years if the property remains owned by the builder and unoccupied, provided the exemption is approved by the city or county.
- A single-family residence located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.
- Homeowners who are 65 years of age or older or individuals with permanent disabilities regardless of age may be entitled to certain property tax credits under the homestead property tax credit program. Qualifications include an annual income of \$42,000 or less (including social security and pensions) and assets of \$500,000 or less (including the market value of the homestead). A qualifying homeowner may receive a credit to reduce the property's taxable value by up to \$5,625. Applications are filed with the local assessor.
  - In addition, these homeowners may qualify for a special assessment credit which becomes a lien on the real property and must be repaid when the property is transferred.
- Renters who are 65 years of age or older or individuals with permanent disabilities regardless of age and who have an annual income from all sources of \$42,000 or less may be entitled to rent refunds under the homestead property tax credit program. Those who qualify may receive rent refunds of up to \$400 if 20% of the rent they pay exceeds 4% of their income. Renters apply to the Office of State Tax Commissioner for this refund.

- A disabled veteran with an armed forces service-connected disability of 50% or greater may qualify for a property tax credit on the veteran's homestead. The percentage of credit is equal to the percentage of the veteran's disability compensation rating for service connected disabilities and is applied to the first \$150,000 of true and full value of the homestead.

### **Commercial Property**

- Personal property is exempt.
- A property tax exemption of up to five years and in certain cases up to 10 years is available to a qualifying new or expanding business (see page 58, New Business Exemption).
- An exemption of up to five years is available for the value added to property by rehabilitation or remodeling if the city or county approves the exemption.
- The portion of a building used primarily for licensed day care is exempt if the city or county approves the exemption.
- Fixtures, buildings, and improvements used primarily as an adult care center are exempt upon approval by the city or county.
- A geothermal, solar, or wind energy system may qualify for a five-year exemption.
- A cooperative or nonprofit organization that provides water to its members and customers may be eligible for an exemption for its buildings and structures.
- A public parking structure is eligible for an exemption.
- A pollution control improvement is exempt if the city or county approves the exemption.
- A commercial building located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.
- Property of a housing authority used for administration and property solely owned and used by the authority to conduct powers granted under N.D.C.C. ch. 23-11 are exempt from all taxes and special assessments.

### **Agricultural Property**

- Personal property is exempt.
- Farm structures are exempt if located on agricultural land and used in operations normally associated with farming and ranching. Farm residences are exempt if located on 10 acres or more of agricultural land, if occupied or used by a farmer who normally devotes the major portion of time to farming operations, and the farmer must have received more than 66% of their combined annual gross income from farming activities in any one year of the two preceding calendar years. The income requirements apply to the combined income of the farmer and spouse.

- A qualifying wetland is exempt if the owner signs an agreement to keep the property as wetland. If the land is removed from wetland status, the landowner must repay up to 10 years of the taxes forgiven. This exemption is available if funds are available for the state to reimburse the political subdivisions for all revenue losses.
- State-owned land leased for grazing or pasture purposes is exempt. State-owned land leased for growing crops is exempt if payments in lieu of property taxes are made by the state.
- The surviving spouse of a farmer who at the time of death was an active farmer is eligible for the farm residence exemption through the end of the fifth taxable year after the taxable year of death of the deceased active farmer. The farm residence exemption applies for as long as the residence is continuously occupied by the surviving spouse of an individual who at the time of death was a retired farmer.
- Forested land may be eligible for a reduced property tax rate of 50 cents per acre.
- All property, including any possessory interest therein, relating to waterworks, mains, water distribution systems, sewage systems, and facilities for the collection, treatment, purification, and disposal in a sanitary manner of sewage, leased to the state or any agency or institution of the state, or to a private entity, which property is operated by, or providing services to, a municipality or other political subdivision is exempt.
- All property, including any possessory interest therein, belonging to the state or an agency or institution of the state leased to a private entity pursuant to N.D.C.C. § 54-01-02, which property is operated by, or providing services to, the state or its citizens is exempt.
- Property owned by the state and held under a lease and any structure, fixture, or improvement located on that property is not taxable to the leaseholder if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education.

### Other Property

- Property owned by a governmental unit is exempt.
- Property owned and used exclusively for religious or charitable purposes is exempt.
- Property belonging to institutions of public charity, used wholly or in part for public charity is exempt.
- Property owned by a religious organization used for religious services of the organization or as a residence for the minister in charge of services is exempt. Property owned by a religious organization may retain its exemption if the property is rented to a tax-exempt organization and no profit is realized from the rent.
- Property owned by a lodge, club, association, or like organization is exempt if the organization is nonprofit, if the property is used for meeting and for conducting business or ceremony, and if food or alcoholic beverages are not sold for profit on the premises. This property, however, is subject to taxation by cities for the cost of fire protection services.
- All property belonging to an educational institution and not used for profit is exempt.
- Property owned by a nonprofit corporation and used for promoting athletic and educational needs at a state educational institution is exempt.
- All land used exclusively for burying grounds or cemeteries is exempt.
- Land belonging to a military organization and used as a public park or monument ground and not for gain is exempt.
- Minerals in place in the earth are exempt if, at the time of extraction, they are subject to either the oil and gas gross production tax or the coal severance tax.
- Property of Native Americans, where the title cannot be transferred without the consent of the U.S. Secretary of the Interior, is exempt.

### *New Business Exemption*

**Parameters** A new or expanding business project may be granted a property tax exemption for up to five years. Two extensions are available:

- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- A project which is located on property leased from a governmental entity qualifies for an exemption for up to five additional years upon annual application by the project operator.

In addition to or instead of an exemption, local governments and any project operator may negotiate payments in lieu of property tax for a period of up to 20 years from the date project operations begin.

**Qualifications** A qualifying “project” is any new or expanded revenue-producing enterprise. Before a municipality may grant a property tax exemption, the project must be certified as a primary sector business by the Department of Commerce. A city or county with a population under 40,000 may grant an exemption to a project operating in the retail sector if the governing body has obtained approval from a majority of the qualified electors. All buildings, structures or improvements used in or necessary to the operation of the project qualify. The structure may be the project’s building or the project’s quarters within a larger building. An exemption may not be granted for land. A project is not eligible for an exemption if the project received a tax exemption under tax increment



financing or if the governing body determines the exemption fosters unfair competition or endangers existing business.

**Application Procedures** The project operator applies to the city governing body if the project is located within city boundaries. If the project is located outside city boundaries, application is made to the county commission.

- The application for exemption must be made and approved before construction of a new structure begins. If the project will occupy an existing structure, application must be made and approved before the structure is occupied. Application for payments in lieu of property tax need not be made prior to commencement of construction or occupancy of an existing building.
- The governing body confirms primary sector certification for property tax exemption application.
- Before a city grants a property tax incentive on a parcel that is anticipated to receive a property tax incentive for more than five years, the governing body of the city is required to send a letter, by certified mail, to the chairman of each county commission and the president of each school district affected by the tax incentive. The letter must provide terms of the proposed property tax incentive.
- Within 30 days of receipt of the notice, each affected county and school district must notify the city, in writing, whether it elects to participate in granting the tax incentive on the county or school district portion of the property tax. If no letter is received, the city must treat each county or school district as participating in the property tax incentive.
- The governing body must consult with the Department of Commerce. If the Department of Commerce determines that the total project costs are estimated to exceed one billion dollars, the Department of Commerce shall conduct a public hearing and provide notice to each affected taxing district and any existing business within the municipality that would be a competitor of the potential project.
- If the city or county governing body determines there are local competitors, the project operator must publish two notices in the official newspaper of the city or county at least one week apart, and the last notice must be published at least 15 days, but not more than 30 days, before the city or county considers the application. For example, notices published one week apart on May 1<sup>st</sup> and May 8<sup>th</sup> are appropriate for a hearing scheduled anytime between May 23<sup>rd</sup> and June 7<sup>th</sup>.
- The city or county governing body holds a public hearing on the application.
- After the public hearing, the city or county governing body acts on the application.

## 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 and the taxable value 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. Taxable value is 1.5% for 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. Taxable value is 3% for all other units on which construction is completed before January 1, 2015. The taxable value of centrally assessed property is subject to property taxes as discussed below for each type of property.

Steps in the assessment process are as follows:

1. The company must file an annual report with the Tax Commissioner by May 1<sup>st</sup>.
2. The Tax Commissioner prepares a tentative assessment by June 15<sup>th</sup>.
3. Notice of tentative assessment is sent to the company ten 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.

### *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.

## *Public Utilities*

Centrally assessed public utilities are investor-owned power, gas, and pipeline companies. The tax for telecommunications carriers is discussed on this page below. 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 CO<sub>2</sub> 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.

## *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.

## **Taxes Paid in Lieu of Property Taxes**

### *Telecommunications Carriers*

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.

### *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.

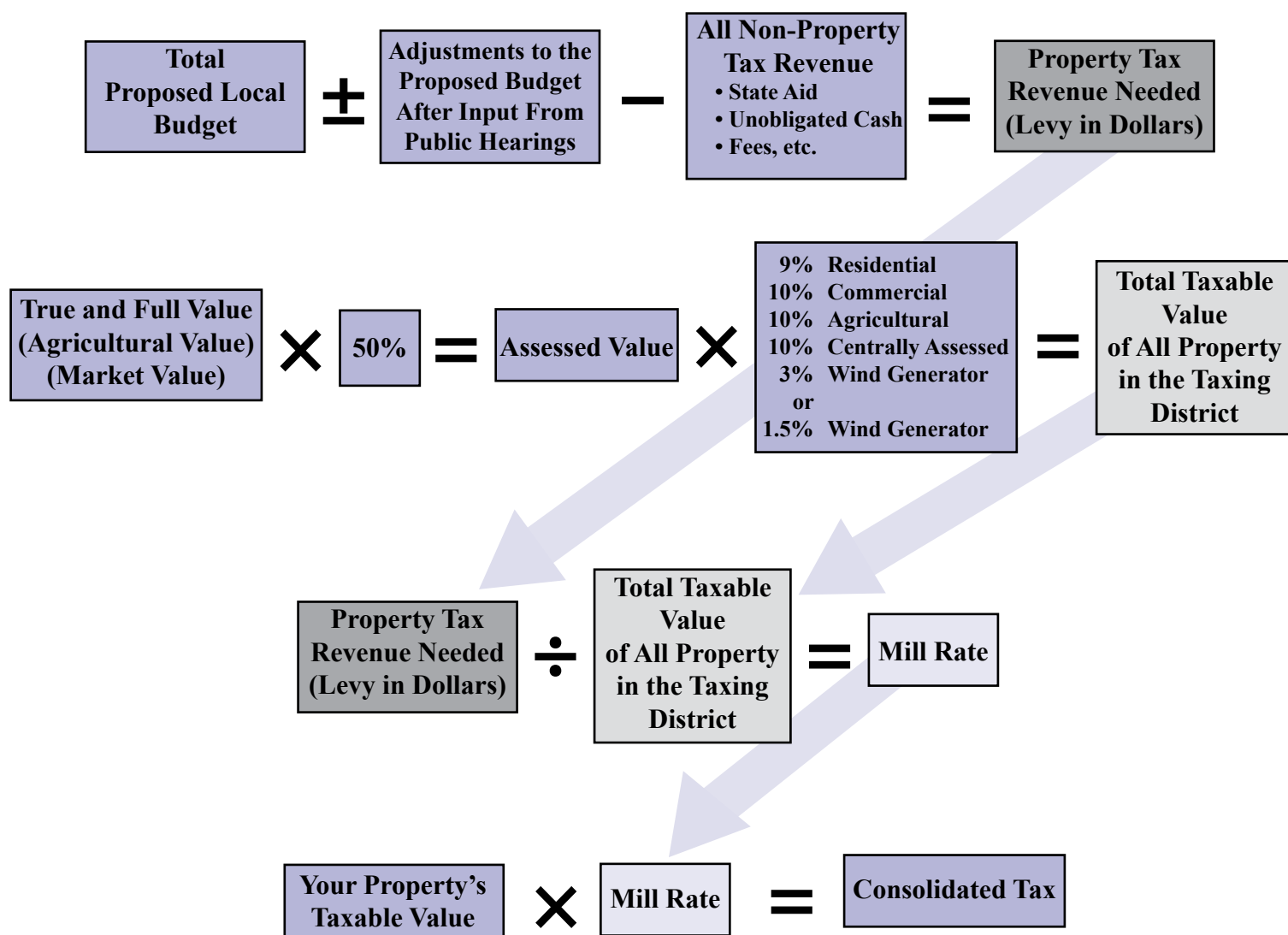
### *Coal Conversion Facilities*

The coal conversion tax is in lieu of property taxes on investor-owned or cooperative electrical generating plants which have at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, other coal conversion facilities consuming 500,000 tons or more of coal per year, or coal beneficiation plants. (See page 19.)

### *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.

# NORTH DAKOTA PROPERTY TAX SYSTEM



All property in North Dakota is subject to property tax unless it is specifically exempted. Except for a one-mill levy for the State Medical Center, property taxes are administered, levied, collected, and expended at the local level for the support of schools, counties, cities, townships, and other local units of government. The State does not levy a property tax for general government operations.

The property tax is an “ad valorem” tax, that is, it is based on the value of the property subject to tax.

# GENERAL PROPERTY TAXES BY COUNTY

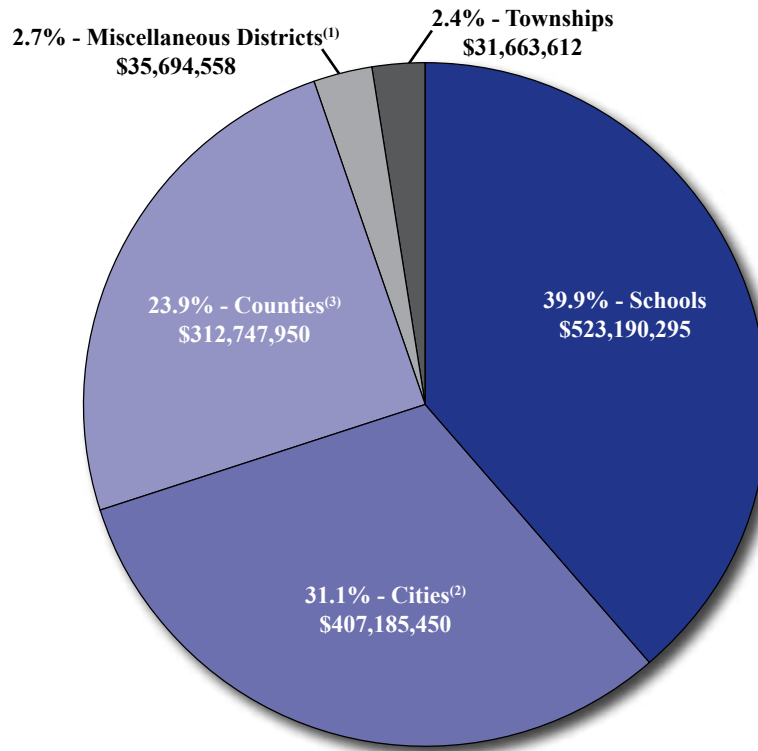
## PAYABLE IN 2017-2020

County	2017 Total Ad Valorem Property Taxes	Percent Change from Prior Year	2018 Total Ad Valorem Property Taxes	Percent Change from Prior Year	2019 Total Ad Valorem Property Taxes	Percent Change from Prior Year	2020 Total Ad Valorem Property Taxes	Percent Change from Prior Year
Adams	\$3,708,735.44	4.8%	\$3,688,570.06	-0.5%	\$3,614,777.62	-2.0%	\$3,745,412.48	3.6%
Barnes	\$18,087,195.05	5.9%	\$18,267,694.74	1.0%	\$19,260,319.17	5.4%	\$20,180,944.92	4.8%
Benson	\$6,153,914.79	4.8%	\$6,448,598.86	4.8%	\$6,328,688.22	-1.9%	\$6,418,463.72	1.4%
Billings	\$2,319,229.02	12.2%	\$2,396,598.51	3.3%	\$2,385,505.36	-0.5%	\$2,423,857.64	1.6%
Bottineau	\$11,114,758.23	2.0%	\$11,511,997.08	3.6%	\$11,850,867.33	2.9%	\$13,025,705.14	9.9%
Bowman	\$4,831,517.95	9.6%	\$4,513,705.78	-6.6%	\$4,575,830.84	1.4%	\$4,730,032.99	3.4%
Burke	\$5,422,442.14	11.3%	\$5,201,962.81	-4.1%	\$5,033,335.90	-3.2%	\$5,083,976.57	1.0%
Burleigh	\$107,178,013.43	6.8%	\$108,978,320.71	1.7%	\$109,387,012.71	0.4%	\$116,187,879.92	6.2%
Cass	\$217,163,307.48	7.2%	\$226,524,302.65	4.3%	\$243,763,998.23	7.6%	\$261,432,101.49	7.2%
Cavalier	\$10,773,414.15	7.9%	\$10,626,079.22	-1.4%	\$11,166,728.40	5.1%	\$11,913,884.97	6.7%
Dickey	\$9,049,361.55	2.6%	\$8,752,575.92	-3.3%	\$9,092,018.11	3.9%	\$9,406,505.47	3.5%
Divide	\$6,420,408.93	13.3%	\$6,756,879.39	5.2%	\$7,514,499.30	11.2%	\$7,816,027.35	4.0%
Dunn	\$7,403,621.19	8.9%	\$7,914,946.52	6.9%	\$8,157,827.76	3.1%	\$7,810,578.40	-4.3%
Eddy	\$3,201,092.09	5.3%	\$2,941,661.99	-8.1%	\$3,244,640.52	10.3%	\$3,530,878.41	8.8%
Emmons	\$5,878,403.34	6.7%	\$6,076,872.42	3.4%	\$6,600,047.51	8.6%	\$6,793,627.47	2.9%
Foster	\$6,452,824.71	18.5%	\$6,330,874.98	-1.9%	\$6,698,651.20	5.8%	\$6,824,304.43	1.9%
Golden	\$2,051,651.28	7.3%	\$1,967,862.97	-4.1%	\$2,057,116.45	4.5%	\$2,323,723.69	13.0%
Grand	\$89,372,607.90	7.5%	\$86,084,879.77	-3.7%	\$88,370,805.34	2.7%	\$92,005,303.69	4.1%
Grant	\$4,349,330.29	6.5%	\$4,148,778.30	-4.6%	\$4,145,001.17	-0.1%	\$4,506,752.07	8.7%
Griggs	\$4,520,960.70	-0.3%	\$4,029,451.59	-10.9%	\$4,181,586.09	3.8%	\$4,212,338.92	0.7%
Hettinger	\$5,675,919.01	17.9%	\$5,441,495.97	-4.1%	\$5,590,960.27	2.7%	\$5,714,537.04	2.2%
Kidder	\$3,345,557.67	8.7%	\$3,296,646.52	-1.5%	\$3,610,129.39	9.5%	\$3,895,123.35	7.9%
LaMoure	\$8,694,209.14	11.9%	\$8,760,386.46	0.8%	\$8,829,949.09	0.8%	\$8,806,630.48	-0.3%
Logan	\$3,287,238.43	2.3%	\$3,157,078.36	-4.0%	\$3,369,024.60	6.7%	\$3,532,416.74	4.8%
McHenry	\$8,437,973.41	7.5%	\$7,827,330.96	-7.2%	\$8,321,506.14	6.3%	\$8,535,873.77	2.6%
McIntosh	\$4,051,080.48	11.4%	\$4,199,712.10	3.7%	\$4,541,368.30	8.1%	\$5,037,147.30	10.9%
McKenzie	\$22,484,697.56	19.2%	\$25,846,361.88	15.0%	\$26,687,861.37	3.3%	\$32,326,214.09	21.1%
McLean	\$14,531,281.87	17.6%	\$14,019,222.60	-3.5%	\$15,392,221.77	9.8%	\$17,033,499.29	10.7%
Mercer	\$8,584,675.35	11.1%	\$9,490,092.80	10.5%	\$9,920,295.94	4.5%	\$10,394,377.37	4.8%
Morton	\$34,260,410.19	8.2%	\$36,373,630.16	6.2%	\$39,458,476.25	8.5%	\$41,032,533.10	4.0%
Mountrail	\$18,014,443.59	10.5%	\$17,893,632.40	-0.7%	\$18,797,611.79	5.1%	\$19,513,103.09	3.8%
Nelson	\$5,454,545.99	4.7%	\$5,252,258.26	-3.7%	\$5,519,623.08	5.1%	\$5,679,804.03	2.9%
Oliver	\$2,742,026.37	8.7%	\$2,568,716.34	-6.3%	\$2,229,298.76	-13.2%	\$2,390,858.94	7.2%
Pembina	\$12,778,426.86	3.3%	\$12,423,676.20	-2.8%	\$13,021,653.09	4.8%	\$13,551,864.52	4.1%
Pierce	\$6,843,360.19	0.1%	\$6,728,126.37	-1.7%	\$6,822,813.45	1.4%	\$6,943,753.07	1.8%
Ramsey	\$14,243,883.05	6.1%	\$13,125,935.40	-7.8%	\$14,167,992.35	7.9%	\$14,633,685.17	3.3%
Ransom	\$7,698,015.92	1.5%	\$8,115,677.60	5.4%	\$8,207,259.15	1.1%	\$8,566,863.28	4.4%
Renville	\$4,845,370.92	7.6%	\$4,783,823.15	-1.3%	\$4,739,346.84	-0.9%	\$4,919,457.00	3.8%
Richland	\$24,621,140.14	2.8%	\$24,596,396.20	-0.1%	\$25,911,043.56	5.3%	\$27,008,661.85	4.2%
Rolette	\$4,686,330.88	16.1%	\$4,488,859.78	-4.2%	\$4,714,178.01	5.0%	\$5,081,440.60	7.8%
Sargent	\$7,914,261.21	5.3%	\$8,091,409.48	2.2%	\$8,622,590.60	6.6%	\$9,022,004.22	4.6%
Sheridan	\$2,478,120.31	5.2%	\$2,305,488.91	-7.0%	\$2,733,912.10	18.6%	\$2,869,467.44	5.0%
Sioux	\$873,836.75	4.6%	\$814,378.17	-6.8%	\$819,160.78	0.6%	\$929,879.92	13.5%
Slope	\$1,351,812.87	6.3%	\$1,520,505.94	12.5%	\$1,606,224.25	5.6%	\$1,615,701.76	0.6%
Stark	\$47,890,571.19	8.2%	\$44,441,474.04	-7.2%	\$44,515,752.49	0.2%	\$44,398,524.66	-0.3%
Steele	\$5,569,672.86	-2.7%	\$5,671,988.69	1.8%	\$6,105,222.38	7.6%	\$6,362,379.59	4.2%
Stutsman	\$27,430,134.18	5.3%	\$26,590,676.08	-3.1%	\$28,612,825.49	7.6%	\$30,072,712.19	5.1%
Towner	\$5,044,585.87	5.2%	\$5,150,111.98	2.1%	\$5,443,080.30	5.7%	\$5,813,978.30	6.8%
Trail	\$12,732,868.47	4.3%	\$12,704,523.00	-0.2%	\$13,498,036.01	6.2%	\$14,065,456.19	4.2%
Walsh	\$15,561,664.89	4.5%	\$15,662,806.82	0.6%	\$16,273,671.06	3.9%	\$16,551,005.35	1.7%
Ward	\$90,392,832.26	1.1%	\$96,148,576.40	6.4%	\$100,249,068.77	4.3%	\$97,006,962.93	-3.2%
Wells	\$8,997,927.00	12.4%	\$8,280,058.44	-8.0%	\$7,320,207.39	-11.6%	\$8,477,728.37	15.8%
Williams	\$57,676,074.32	7.6%	\$55,775,135.12	-3.3%	\$57,316,512.01	2.8%	\$61,818,278.27	7.9%
Total	\$1,024,647,738.86	6.8%	\$1,034,708,806.85	1.0%	\$1,080,398,134.06	4.4%	\$1,133,974,223.01	5.0%

Source: North Dakota Office of State Tax Commissioner.

## PERCENT OF PROPERTY TAXES BY TAXING DISTRICT LEVIED IN 2019 - PAYABLE IN 2020

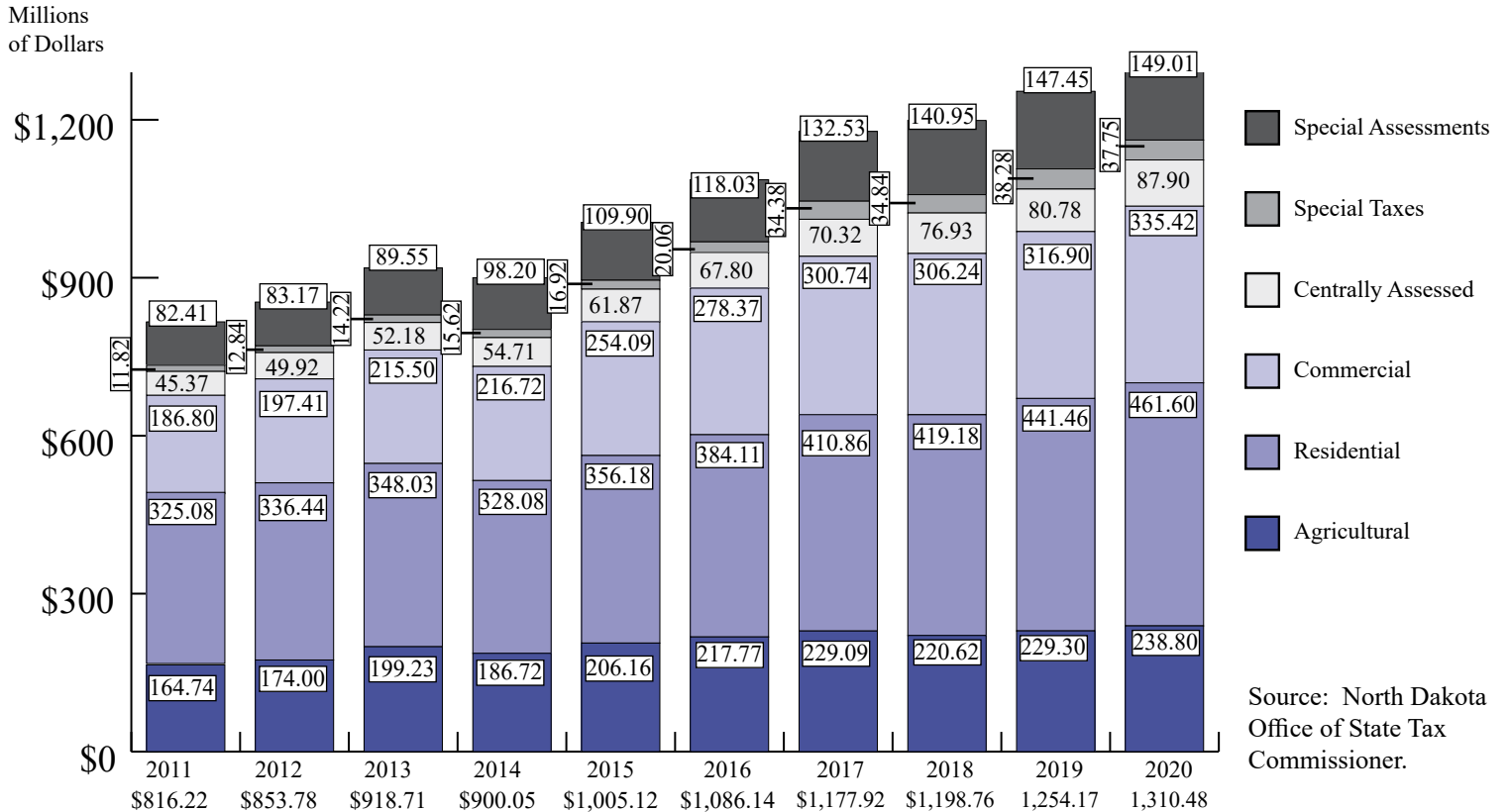
GRAND TOTAL - \$1,310,481,866



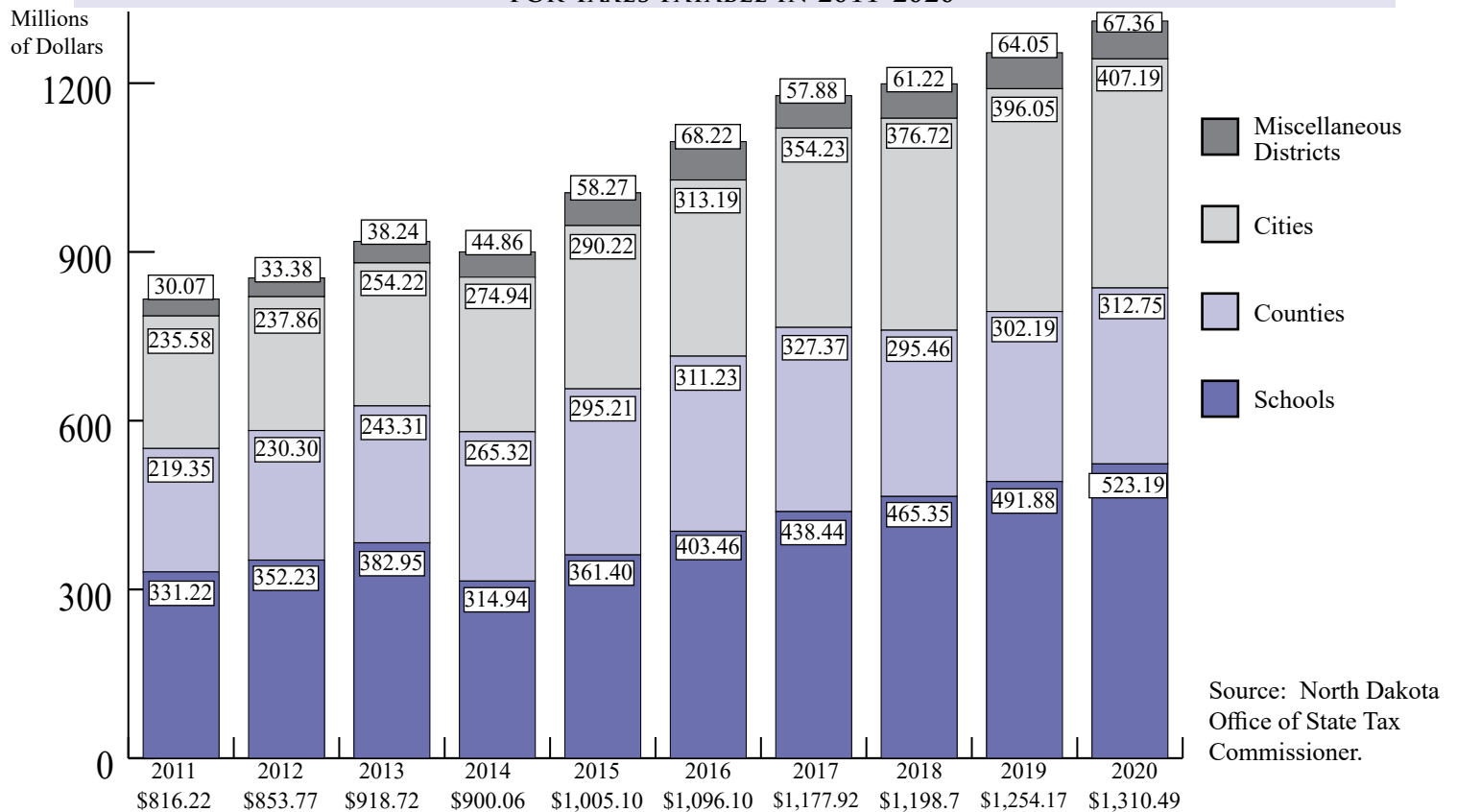
1. Includes Garrison Diversion Conservancy District, rural fire protection districts, hospital district, soil conservation districts, rural ambulance districts, recreation service districts, Southwest Water Authority, and all special assessments for rural districts. Also including constitutional one mill levy for medical center at the University of North Dakota.
2. Includes city park districts, special assessments, and tax increments.
3. Includes county park districts, county library, county airport, water management districts, vector control, irrigation and water districts, unorganized townships, and board of county parks.

Source: North Dakota Office of State Tax Commissioner.

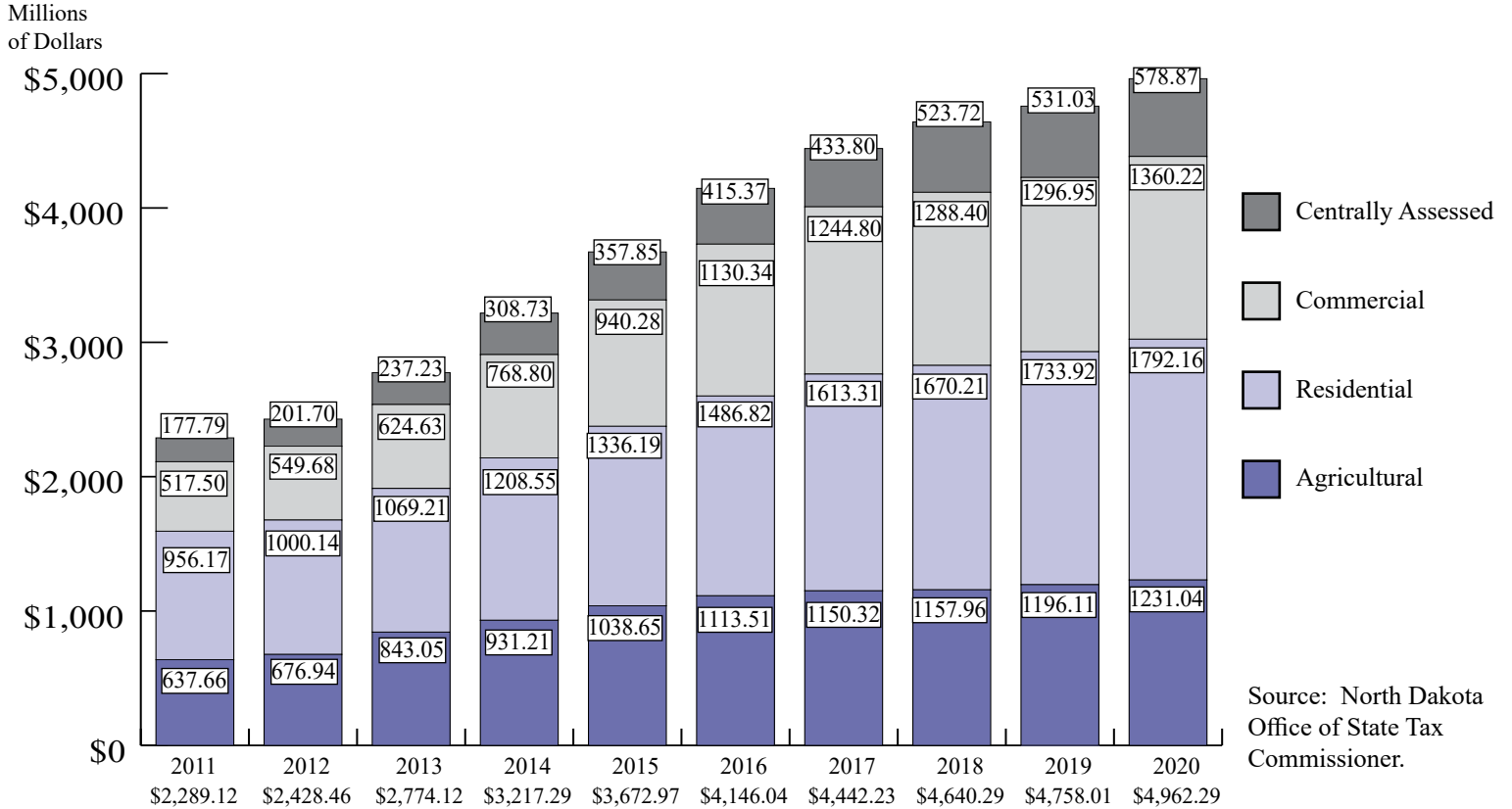
## AD VALOREM AND SPECIAL TAXES BY PROPERTY CLASS FOR TAXES PAYABLE IN 2011-2020



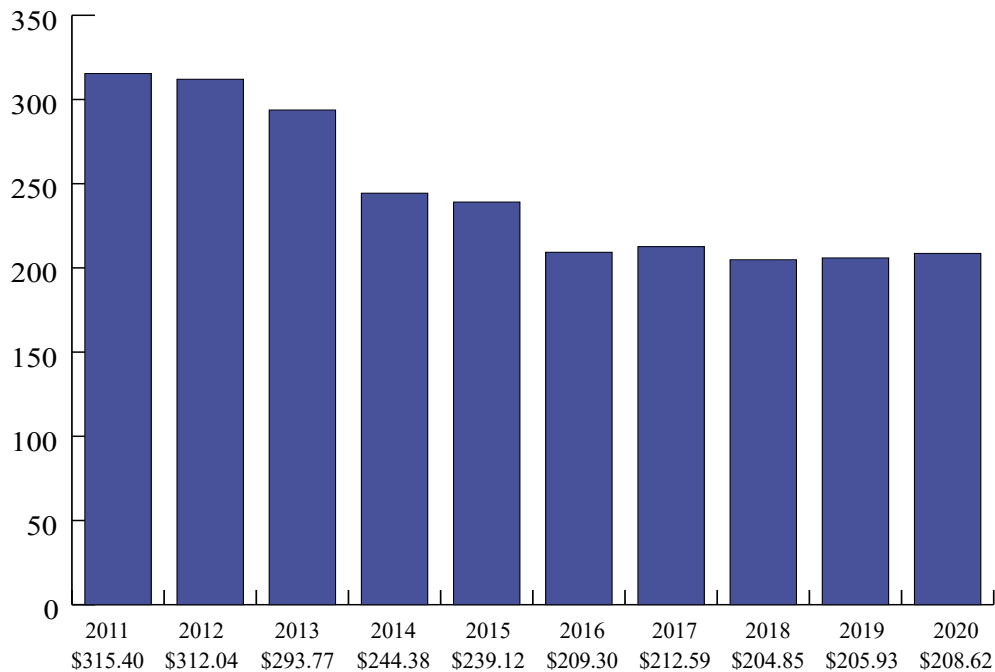
## AD VALOREM AND SPECIAL TAXES BY TAXING DISTRICT FOR TAXES PAYABLE IN 2011-2020



## TAXABLE VALUE BY PROPERTY CLASS FOR TAXES PAYABLE IN 2011-2020



## STATEWIDE AVERAGE MILL RATES FOR TAXES PAYABLE IN 2011-2020





## EFFECTIVE RATES BY CLASSIFICATION

PAYABLE IN 2018, 2019, AND 2020

Property Classification	Effective Rate		
	2018	2019	2020
Residential	1.13%	1.15%	1.16%
Agricultural	0.95%	0.96%	0.97%
Commercial	1.19%	1.22%	1.23%
Centrally Assessed*	0.73%	0.76%	0.76%

\*The effective rate on centrally assessed wind turbine electric generation units is understated because of their reduced taxable value percentage. That causes the effective rate on the centrally assessed property to be understated.

## AD VALOREM PROPERTY TAXES PERCENT OF TOTAL BY CLASSIFICATION

PAYABLE IN 2018, 2019, AND 2020

	2018	2019	2020
Residential	41.0%	41.3%	41.1%
Agricultural	21.6%	21.5%	21.3%
Commercial	29.9%	29.7%	29.8%
Centrally Assessed	7.5%	7.6%	7.8%

## EXPLANATION OF TERMS AND TRENDS

**Millage:** A tax rate expressed as mills per dollar.

**True and full value:** For residential and commercial property, “true and full value” is the local assessor’s estimate of the market value of the property. For agricultural property, “true and full value” is based on agricultural production and is typically less than its market value or selling price.

**Effective tax rates:** In relation to property tax, the effective tax rate is expressed as the ratio between the property value and the current tax bill. For North Dakota, the rate is calculated by dividing the tax levied by the true and full value. Alternatively, the rate may be calculated by multiplying the mill levy by the taxable value rate. The taxable value rate is 5% for all property, except for residential property the taxable value rate is 4.5% (50% x 9%). Wind generation units subject to ad valorem tax may have various rates depending on the date construction was completed.

**Trends:** The reduction in the average statewide mill rate between 2016 and 2017, and the less than 1% increase in ad valorem property tax, is mainly due to the pilot program and the state’s assumption of the county human service (1220) levy. The use of the human service levy was suspended during the pilot program and the levy was repealed during the 2019 legislative session when the legislature made the funding permanent. Taxable value changes have taken on a steadier rate of increase as markets are becoming established at a more consistent rate. The statewide average increase in property value from 2016 to 2019 is approximately 3.7%. It appears new construction continues at more of a historical trend rate and not necessarily part of a boom.

## STATE COMPARISONS

North Dakota's property taxes are relatively moderate compared to those in other states, whether measured per capita or per \$1,000 of personal income. In recent years, property values have increased significantly resulting in a corresponding increase in property tax assessments. In response, many states have implemented various property tax relief initiatives in an effort to reduce the property tax burden. The tables compare the property taxes on equally valued homes in similar size in North Dakota cities as well as in neighboring states. Neighboring states' property taxes on similarly valued residences may appear less than North Dakota's because those states provide a homestead credit for all owner-occupied residential property. North

Dakota's homestead credit is available only to elderly and individuals with disabilities with limited income.

Rankings (as shown on the following page) based on collections offer insight into overall tax levels. However, further analysis is needed to see the details of how state tax systems differ. Property taxes may vary by property classification and different types of property may be taxed or excluded. Some states, such as Wyoming, use the property tax to tax mineral wealth while states like North Dakota levy separate severance taxes.

### PROPERTY TAXES ON AN OWNER OCCUPIED HOME IN NORTH DAKOTA - PAYABLE IN 2019

<b>\$100,000 Home</b>		<b>\$200,000 Home</b>	
<b>City</b>	<b>Tax Amount*</b>	<b>City</b>	<b>Tax Amount*</b>
Bowman	\$1,101	Bismarck	\$2,129
Carrington	\$1,729	Devils Lake	\$2,882
Grafton	\$1,966	Dickinson	\$2,202
Kenmare	\$1,342	Fargo	\$2,632
Lisbon	\$1,467	Grand Forks	\$2,862
Rugby	\$1,327	Jamestown	\$2,953
Washburn	\$1,252	Mandan	\$2,389
		Minot	\$3,039
		Valley City	\$2,851
		Wahpeton	\$3,290
		West Fargo	\$2,692
		Williston	\$1,797

\* Calculations assume taxes are paid by February 15<sup>th</sup>, allowing the taxpayer a 5% discount.

Source: North Dakota Office of State Tax Commissioner.

### PROPERTY TAXES ON A \$200,000 OWNER OCCUPIED HOME IN NEIGHBORING STATES - PAYABLE IN 2019

<b>South Dakota<sup>1</sup></b>		<b>Montana</b>		<b>Minnesota<sup>2</sup></b>	
<b>City</b>	<b>Tax Amount</b>	<b>City</b>	<b>Tax Amount</b>	<b>City</b>	<b>Tax Amount</b>
Aberdeen	\$3,514	Miles City	\$2,380	Bemidji	\$2,714
Rapid City	\$2,808	Great Falls	\$2,115	St. Cloud	\$2,705
Sioux Falls	\$3,056	Billings	\$1,892	Minneapolis	\$2,654

<sup>(1)</sup> An owner-occupied residence (primary residence) receives an approximate 19% property tax reduction compared to other classifications of property.

<sup>(2)</sup> Homestead Market Value Exclusion: Starting with taxes payable in 2014, the maximum exclusion of 40% of value occurs at \$76,000 and phases out as home value grows.

Source: Survey by North Dakota Office of State Tax Commissioner.

## PER CAPITA STATE & LOCAL PROPERTY TAXES 2018

Rank	State	Amount
1	New Jersey	\$3,378
2	New Hampshire	\$3,364
3	Connecticut	\$3,107
4	New York	\$3,025
5	Vermont	\$2,740
6	Massachusetts	\$2,566
7	Rhode Island	\$2,432
8	Illinois	\$2,277
9	Maine	\$2,249
10	Alaska	\$2,196
11	Wyoming	\$2,014
12	Nebraska	\$2,010
13	Texas	\$1,973
14	Montana	\$1,712
15	Iowa	\$1,702
16	Virginia	\$1,700
17	Maryland	\$1,694
18	California	\$1,680
19	Wisconsin	\$1,680
20	<b>North Dakota</b>	<b>\$1,649</b>
21	Minnesota	\$1,649
22	Washington	\$1,645
23	Colorado	\$1,616
24	Kansas	\$1,605
25	South Dakota	\$1,587
26	Pennsylvania	\$1,587
27	Oregon	\$1,557
28	Michigan	\$1,465
29	Florida	\$1,378
30	Hawaii	\$1,358
31	Ohio	\$1,356
32	South Carolina	\$1,211
33	Georgia	\$1,205
34	Arizona	\$1,125
35	Missouri	\$1,073
36	Utah	\$1,070
37	Mississippi	\$1,061
38	Nevada	\$1,044
39	Indiana	\$1,033
40	Idaho	\$1,023
41	North Carolina	\$993
42	West Virginia	\$950
43	Delaware	\$931
44	Louisiana	\$894
45	Kentucky	\$845
46	New Mexico	\$833
47	Tennessee	\$799
48	Arkansas	\$776
49	Oklahoma	\$771
50	Alabama	\$598
U.S. Average		\$1,675

## PER \$1,000 OF PERSONAL INCOME STATE & LOCAL PROPERTY TAXES 2018

Rank	State	Amount
1	New Hampshire	\$54.70
2	Vermont	\$51.15
3	New Jersey	\$49.79
4	Maine	\$46.10
5	Rhode Island	\$44.66
6	New York	\$44.05
7	Connecticut	\$41.50
8	Illinois	\$39.84
9	Texas	\$38.59
10	Nebraska	\$38.00
11	Alaska	\$36.37
12	Massachusetts	\$35.73
13	Montana	\$35.50
14	Iowa	\$33.91
15	Wyoming	\$33.15
16	Wisconsin	\$32.54
17	Kansas	\$31.31
18	Michigan	\$30.65
19	Oregon	\$30.23
20	South Dakota	\$30.13
21	<b>North Dakota</b>	<b>\$29.55</b>
22	Virginia	\$29.32
23	Minnesota	\$28.73
24	Pennsylvania	\$28.27
25	Mississippi	\$28.04
26	Ohio	\$27.82
27	South Carolina	\$27.57
28	Colorado	\$27.44
29	Florida	\$27.03
30	Maryland	\$27.00
31	Washington	\$26.45
32	California	\$26.37
33	Georgia	\$25.66
34	Arizona	\$25.23
35	Hawaii	\$24.59
36	West Virginia	\$23.06
37	Idaho	\$22.95
38	Missouri	\$22.78
39	Utah	\$22.75
40	Indiana	\$21.84
41	North Carolina	\$21.49
42	Nevada	\$20.88
43	New Mexico	\$19.97
44	Kentucky	\$19.97
45	Louisiana	\$19.34
46	Arkansas	\$17.90
47	Delaware	\$17.58
48	Tennessee	\$16.93
49	Oklahoma	\$16.81
50	Alabama	\$13.99
U.S. Average		\$30.66

Source: Census State Government Tax Collections: [www.census.gov](http://www.census.gov); U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts: [www.bea.gov/regional](http://www.bea.gov/regional).

# SALES AND USE TAXES

Sales and Use Taxes history may be found at [www.nd.gov/tax/salesusehistory](http://www.nd.gov/tax/salesusehistory).

## CURRENT LAW

### Sales, Use, and Gross Receipts Tax

#### *Imposition and Rates*

**Sales Tax** North Dakota imposes a sales tax on the gross receipts of retailers. The tax is paid by the purchaser and collected by the retailer.

The sales tax is levied as follows:

- 3% rate on the gross receipts from retail sales of new mobile homes.
- 3% sales tax surcharge on each motor vehicle rental contract for a period of fewer than 30 days, provided the gross vehicle weight of the motor vehicle is ten thousand pounds or less.
- 5% general rate on the gross receipts from retail sales of tangible personal property, communication services, magazines, and other periodicals sold over the counter, cigarettes and tobacco products, and admission to recreation activities; from the rental of hotel, motel, and bed and breakfast accommodations for periods of less than 30 consecutive days; from the leasing of tangible personal property; and from the rental of motor vehicles for periods less than 30 days.

**Use Tax** The purchase price of tangible personal property purchased outside of the state for storage, use, or consumption within the state is subject to a use tax. In addition, tangible personal property not originally purchased for use in North Dakota is subject to a use tax based upon its fair market value at the time it was brought into the state. Credits are allowed for sales and use taxes paid to other states.

The use tax is collected by any retailer who maintains in this state, directly or indirectly, an office, distribution house, sales house, warehouse, or other place of business or has a sales representative operating in this state either permanently or temporarily.

Use tax is paid by contractors installing materials in real property, including real property owned by government and tax-exempt entities. North Dakota use tax is also paid by contractors buying materials in North Dakota and installing them in other states, unless the materials are exempt in the state where installed.

Use tax rates are the same as the sales tax rates listed.

#### **Out-of-State Retailers and Marketplace Facilitators**

Sales and use tax is also collected by retailers and marketplace facilitators that do not maintain a physical presence within North Dakota, if the retailer or marketplace facilitator has North Dakota sales of taxable goods or services exceeding \$100,000 in the previous or current calendar year.

**Local Sales and Use Taxes** Cities or counties that have adopted home rule charters may levy sales and use taxes. North Dakota home rule statutes require the Tax Commissioner to administer the local taxes. The state pays the revenue collected to the local governments on a monthly basis. Cities and counties with a local tax during the 2018-2019 biennium are listed on pages 76 and 77.

**Farm Machinery Gross Receipts Tax** North Dakota imposes a 3% gross receipts tax on retail sales of new farm machinery and new irrigation equipment used exclusively for agricultural production purposes. A person that receives new farm machinery or new irrigation equipment for storage use, or consumption in North Dakota is also subject to the gross receipts tax. Credits are allowed for similar taxes paid to other states. Used farm machinery and repair parts and used irrigation equipment and repair parts used exclusively for agricultural production purposes are exempt from sales, use, and gross receipts taxes. New equipment subject to gross receipts tax is not subject to sales tax.

**Alcoholic Beverage Gross Receipts Tax** North Dakota imposes a 7% gross receipts tax on retail sales of alcoholic beverages sold for consumption either on or off the premises. A person that receives alcoholic beverages for storage use or consumption in North Dakota is also subject to the gross receipts tax. Credits are allowed for similar taxes paid to other states. Alcoholic beverages are not subject to sales tax.

#### *Exemptions*

Receipts from the sale of tangible personal property for the purpose of “resale” or “processing” by the purchaser are not subject to the sales, use, or gross receipts tax. In addition, receipts from the sale of the following items are exempt from sales, use, and gross receipts tax:

- Food and food ingredients for human consumption except for prepared food for immediate consumption, candy, and soft drinks.

- Food used as samples in grocery stores.
- Commercial fertilizers, fungicides, herbicides, adjuvants, feeds, and seeds used for agricultural purposes.
- Agricultural by-products used to produce steam or electricity.
- Interstate communications (telephone calls, etc.).
- Hotel or motel rooms rented and used by the same individual for 30 or more consecutive days.
- Machinery and equipment that a new or expanding plant uses primarily for manufacturing, processing, or recycling. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Materials used to construct an agricultural processing plant. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Computer and telecommunications equipment that is an integral part of a new or expanding business (except a manufacturer or recycler) that is certified as a primary sector business by the Department of Commerce. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Production equipment and other tangible personal property used to construct certain defined electrical power generating plants. To qualify, a plant must produce a specified amount of electricity and use certain power sources (coal and other sources). The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Production equipment and other tangible personal property used to repower an existing power plant. Repowering means an investment of more than two hundred million dollars or one million dollars per megawatt of installed nameplate capacity, whichever is less. Environmental upgrade equipment used in power plants, repowering existing power plants, oil refineries, or gas processing plants. The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Tangible personal property used to construct or expand any of the following:
  1. System used to compress, process, gather, collect, or refine gas recovered from an oil or gas well.
  2. Gas processing facility.
  3. Liquefied natural gas production facility.
  4. Oil refinery with a capacity to process at least 5,000 barrels of oil per day.
  5. Coal gasification by-product processing or extraction facility.
  6. Fertilizer or chemical processing plants, qualified straddle plant, qualified fractionator, or qualified associated infrastructure that has received from the Department of Environmental Quality before July 1, 2023 an air quality permit or a notice that the air quality permit application process is complete.
- 7. System used to compress, gather, collect, store, transport, or inject carbon dioxide for secure geological storage or use in enhanced recovery of oil or natural gas. The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Machinery and equipment purchased to produce coal from a new mine. Replacement machinery and equipment qualifies for exemption if the capitalized investment in the new mine exceeds 20 million dollars. The mine operator must pay the tax and apply for a refund. The exemption may not exceed five million dollars of tax paid for each new mine.
- Enterprise information technology equipment and computer software used by a qualifying new or refurbished data center. The exemption is available to the first four qualifying data centers constructed or refurbished between January 1, 2015 and December 31, 2020.
- Used mobile homes.
- Used farm machinery, used irrigation equipment, and new and used farm machinery and farm irrigation repair parts.
- Newspapers.
- Newsprint and printer's ink sold to publishers.
- Magazine subscriptions.
- Electricity.
- Water.
- Steam used to process agricultural products.
- Flight simulators or mechanical equipment used with a flight simulator.
- Money.
- Lottery tickets and bingo cards.
- Admissions to, or sales made at, an annual church supper or bazaar held in a publicly-owned building.
- Admission tickets to state or local fairs.
- Performances of community non-profit music or dramatic arts organizations.
- Film rentals if admissions to view the film are subject to sales tax.
- Prescription drugs.
- Prosthetic medical devices.
- Mobility-enhancing equipment for use by individuals with disabilities.
- Oxygen and anesthesia gases for medical purposes.
- Diabetic and bladder dysfunction supplies.
- Ostomy devices and supplies.
- Items sold to federal chartered credit unions.
- Items subject to other taxes such as coal, benefited coal, aircraft, motor vehicles, gasoline, and combustible fuels.
- Items sold to private nonprofit schools.
- Bibles, hymnals, textbooks, prayerbooks sold to nonprofit religious organizations.
- Items sold to governmental agencies, including public schools.



- Items sold to residents of Montana, including business entities where the individual owners are Montana residents or they are domestic Montana corporations, if the total sales price exceeds \$50.
- Items sold to residents of Canada if purchase is over \$25 (must apply online for a refund of tax paid).
- Items sold to a Commerce Authority for use in the Authority's infrastructure.
- Items sold on a Native American reservation to an enrolled Native American or to the tribal government.
- Goods sold to a hospital or skilled nursing facility, basic care or intermediate care facility, assisted living facility, or emergency medical service provider.
- Items sold at an auction unless the auctioneer is selling retail inventory or consigned goods owned by an undisclosed principal.
- Items sold to a charitable organization to be awarded as a prize in a raffle if the winner is subject to tax upon receipt.
- CO<sub>2</sub> used for enhanced oil recovery.
- Equipment used to sell biodiesel fuel.
- Hydrogen used to power internal combustion engines or fuel cells.
- Natural gas.
- Equipment used to produce and store hydrogen.
- Precious metal bullion with purity not less than .999.
- Memberships and entrance fees to activities and events organized and operated by nonprofit social and recreational clubs exempt from federal income tax.
- Equipment used by licensed special fuel dealers to sell green diesel.
- Gross receipts from coin-operated amusement.
- Internet access service, effective July 1, 2017.
- Equipment brought temporarily into the state by an out-of-state business without a previous business presence in North Dakota to perform work related to repairing critical infrastructure for a declared disaster.
- Commemorative memorial coins produced and sold by the North Dakota Department of Veteran's Affairs.

### *Administration*

Every business making taxable retail sales and every business accruing a use tax liability must obtain a North Dakota sales and use tax permit from the Tax Commissioner. The State of North Dakota maintains a website that summarizes requirements for new business registrations in the state. For more information, visit [www.nd.gov/BusinessReg](http://www.nd.gov/BusinessReg).

Most businesses pay sales, use, and gross receipts taxes on a quarterly basis. However, businesses reporting taxable sales and purchases of \$333,000 or more during the previous calendar year must file monthly returns in an electronic format.

Whether the tax is paid monthly or quarterly, the tax payment and a return reporting all sales and purchases are due the last day of the month following the end of the reporting period.

As compensation for collecting and remitting sales and use taxes, all sales tax permit holders may retain 1.5% percent of the combined state sales, use, and gross receipts tax due with each sales tax return up to \$110.

### *Distribution of Sales, Use, Gross Receipts, and Motor Vehicle Excise Tax Revenue*

Revenue collected from the sales, use, farm machinery gross receipts, alcoholic beverage gross receipts, and motor vehicle excise taxes is divided between the State General Fund and the State Aid Distribution Fund. The formula to determine the State Aid Distribution Fund portion is designed to keep the amount constant regardless of tax rate changes. The formula is:

$$43.5\% \times (1\% \div \text{by general sales tax rate}) \times (\text{net collections})$$

This formula to determine the State Aid Distribution Fund currently yields 8.7% of the net collections. The distribution of the State Aid Distribution Fund portion is 53.7% to revenue sharing for counties and 46.3% for cities.

### **Motor Vehicle Excise Tax**

#### *Imposition and Rates*

The purchase price of any motor vehicle purchased or acquired, either within or outside of North Dakota, for use on the streets or highways of this state is subject to a motor vehicle excise tax if the vehicle is required to be registered in North Dakota.

The motor vehicle excise tax is 5% of the purchase price (the sale price less any trade-in amount). If the vehicle is acquired by means other than purchase, the tax is 5% of the fair market value. When a motor vehicle weighing less than ten thousand pounds is leased for at least one year, the motor vehicle excise tax is 5% of the lease consideration. All other leased vehicles are taxed at 5% of the purchase price. North Dakota excise tax is due on the fair market value of the motor vehicle when it enters North Dakota to be registered for use. North Dakota allows credit for any excise tax paid on a motor vehicle in another state if that state allows a reciprocal credit.

The motor vehicle excise tax is in addition to motor vehicle registration fees for license plates. The registration fees are paid annually to the Department of Transportation.

## Exemptions

Discounts and other incentives offered by vehicle manufacturers are exempt from tax when the incentive reduces the amount paid by the purchaser to the seller at the time of purchase. In addition, a motor vehicle is exempt from motor vehicle excise tax if the vehicle is:

- Purchased for resale by a licensed dealer.
- Owned by a person who has a change of name due to marriage, adoption, or court order.
- Subject to a lien change but the registered owner has not changed.
- Inherited.
- A gift between a husband and wife, parent and child, brother and sister, or grandparent and grandchild.
- Transferred between joint tenants in whose names the vehicle was previously titled and the vehicle is transferred without monetary consideration.
- Transferred because of a business reorganization and ownership of the reorganized business remains in the same person or persons and the title transfer is completed within 180 days of the reorganization.
- Transferred from a revocable living trust to the trustor or to the spouse, child, or sibling of the trustor.
- Transferred without consideration into a trust in which the beneficiary is the previous vehicle title holder.
- Transferred between a lessee and a lessor if the lessee has been in continuous possession of the vehicle for one year or longer and the lessor has paid tax on its purchase price of the vehicle at the time of titling.
- Purchased or leased by the federal government, the State of North Dakota, or a political subdivision of the state.
- Acquired by a private nonprofit school for the transportation of students.
- A motor vehicle purchased by a nonprofit senior citizens or individuals with disabilities organization.
- A motor vehicle used exclusively by a public transportation provider contracted by the Department of Transportation to provide public transportation to the elderly and individuals with disabilities.
- Acquired by a nonprofit county or local historical society that is exempt from federal income tax.
- An ambulance purchased for use by emergency medical service operators.
- Transferred without consideration to or from a person within 30 days before the person enters into or is discharged from the armed services of the United States or while the person is serving in the armed forces of the United States.
- Purchased by a disabled veteran or by an unremarried surviving spouse of the veteran.
- Specially equipped for an individual with disability.
- Purchased by a resident who was a prisoner of war and registers the vehicle with a distinctive license plate.
- Purchased by a charitable organization to be awarded as a prize in a raffle and the vehicle will be subject to tax when registered.
- Purchased by the state lottery to be awarded as a prize.
- Manufactured by persons for their own use.
- A motor carrier vehicle.
- A class six, seven, or eight chassis and purchased for installation or assembly of heavy duty equipment by a person engaged in the business of installing or assembling the equipment.
- Purchased by an enrolled Native American that resides on a North Dakota reservation.
- Donated to a nonprofit 501(c)(3) corporation that has an established program for the purpose of receiving vehicles for the purpose of donating the vehicle to an individual with demonstrated need.

## Administration

### Music And Dramatico-Musical Composition Performing Rights Tax

A 5% tax is levied on the gross receipts from all sales, licenses, and other dispositions of performing rights in music or dramatico-musical compositions. The tax is administered by the Tax Commissioner and revenue from the tax is placed in the State General Fund.

### Provider Assessment for Intermediate Care

A quarterly assessment is billed to each licensed North Dakota Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). The assessment is charged for each licensed bed at the facility on the first day of each calendar quarter and is payable by the last day of each calendar quarter. The assessment amount, which is effective each July 1, is calculated by the Department of Human Services and may not be greater than the following:

$$\frac{[1.5\% \text{ times aggregate annual gross revenues of all ICF/IID as of December 31}]}{\text{Number of licensed beds as of December 31}}$$

The Provider Assessment is administered by the Tax Commissioner and is deposited in the Provider Assessment Fund. The quarterly assessment rate as of July 1, 2020 was \$2,154 for each licensed bed.



## **Local Lodging, Restaurant, and Motor Vehicle Rental Taxes**

### *Imposition and Rates*

The governing body of any city or county may, by ordinance, impose a tax, not to exceed 2%, upon the receipts from leasing or renting hotel and motel accommodations. Revenue from the tax must be deposited in a visitors promotion fund to be used for tourism promotion. These funds may not be used for capital construction.

A city or county may impose an additional 1% tax on lodging accommodations and on receipts from restaurant sales of prepared food or beverages. Revenue from this tax must be deposited in the visitors promotion capital construction fund.

A city or county may also impose by ordinance a tax, not to exceed 1%, on the gross receipts of retailers on the rental of motor vehicles for fewer than 30 days if the motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up at an airport. Revenue from the tax must be deposited in a visitors promotion fund.

### *Administration*

The Tax Commissioner administers and collects all local motor vehicle rental taxes and local lodging and restaurant taxes and most local lodging taxes. The Tax Commissioner remits the revenue to the cities and counties on a monthly basis. An administrative fee of 3% of collections is deposited in the State General Fund. Fargo, Grand Forks, Minot, Valley City, and West Fargo administer their lodging taxes themselves.

## **Aircraft Excise Tax**

### *Imposition and Rates*

A 5% tax is imposed on the purchase price or market value of aircraft registered in North Dakota. The tax applies whether the aircraft is purchased in North Dakota or outside the state. If the aircraft is purchased for lease or rental, the tax may be imposed on the lease or rental cost of the aircraft.

On aircraft designed exclusively for aerial applications of agricultural fertilizers, pesticides, and other agricultural materials, a reduced tax rate of 3% applies to the purchase price or rental cost of the aircraft.

### *Exemptions*

An aircraft is exempt from the aircraft excise tax if the aircraft is:

- A gift between a husband and wife, parent and child, or brother and sister.
- Inherited.
- Purchased for resale by a licensed dealer.
- Purchased by a disabled veteran.
- Purchased or leased by the federal government, the State of North Dakota, or a political subdivision of the state.
- Owned by an individual and transferred to a partnership or corporation.
- Transferred from a partnership without consideration to one of the partners when the partnership dissolves.
- Acquired by a private nonprofit school.
- Transferred between joint tenants in whose names the aircraft was previously titled if the aircraft is transferred without monetary consideration.
- Owned by a person who has a change of name due to marriage, adoption, or court order.
- Subject to a lien change but only if the registered owner has not changed.
- Transferred from a corporation to one of the stockholders when a corporation is dissolved.
- An air ambulance purchased for use by emergency medical service operators.
- Acquired by a nonprofit aviation museum exempt from federal income taxes.

### *Administration*

The tax is paid by the purchaser to the Director of Aeronautics when the aircraft is acquired. The purchaser is required to submit the tax with an "aircraft purchaser's certificate" showing a description of the aircraft, the names and addresses of the buyers and sellers, and the full purchase price of the aircraft.

### *Distribution of Revenue*

Revenue from the tax is deposited in the Aeronautics Commission Special Fund.

## **Prepaid Wireless Emergency 911 Fee**

A 2.5% fee is imposed on the retail sale of all prepaid wireless telecommunication services. The fee, which is administered by the Tax Commissioner, is collected from the purchaser by the retailer at the time of sale. The fee revenue is deposited in the Prepaid Wireless Emergency 911 Fee Fund and remitted quarterly to the governing joint powers entity responsible for managing emergency communication services. Proceeds from the fee must be used for implementation, maintenance, or operation of the emergency services communication system.

# SALES, USE, GROSS RECEIPTS, AND MOTOR VEHICLE EXCISE TAXES COLLECTIONS AND DISBURSEMENTS

## TOTAL (Sales, Use, Gross Receipts, and Motor Vehicle Excise Taxes)

Fiscal Year	All Funds Total	To General Fund	To State Aid Distribution Fund <sup>(1)</sup>	To Highway Distribution Fund
2010	\$684,133,784	\$609,730,225	\$55,911,259	\$18,492,300
2011	\$870,094,332	\$781,906,507	\$69,159,829	\$19,027,996
2012	\$1,253,929,914	\$1,153,615,521	\$100,314,393	\$0
2013	\$1,408,934,591	\$1,296,087,675	\$112,846,916	\$0
2014	\$1,470,103,954	\$1,350,402,059	\$119,701,895	\$0
2015	\$1,539,004,442	\$1,404,997,475	\$134,006,947	\$0
2016	\$1,130,358,595	\$1,031,702,359	\$98,656,236	\$0
2017	\$998,576,111	\$907,949,932	\$90,626,180	\$0
2018	\$1,038,228,813	\$943,462,443	\$94,766,370	\$0
2019	\$1,190,129,429	\$1,082,056,312	\$108,073,117	\$0
2020	\$1,199,308,521	\$1,090,066,381	\$109,242,140	\$0
2021 est.	\$983,404,162	\$897,848,000	\$85,556,162	\$0

Sales, Use, and Gross Receipts Taxes				Motor Vehicle Excise Tax			
Fiscal Year	Total Sales and Use	General Fund	State Aid Distribution Fund <sup>(1)</sup>	Total Motor Veh. Taxes	General Fund	State Aid Distribution Fund <sup>(1)</sup>	Highway Distribution Fund
2010	\$603,732,481	\$554,253,326	\$49,479,155	\$80,401,303	\$55,476,899	\$6,432,104	\$18,492,300
2011	\$774,954,353	\$712,958,005	\$61,996,348	\$95,139,978	\$68,948,502	\$7,163,481	\$19,027,996
2012	\$1,121,132,626	\$1,031,442,016	\$89,690,610	\$132,797,288	\$122,173,505	\$10,623,783	\$0
2013	\$1,267,030,354	\$1,165,535,777	\$101,494,577	\$141,904,237	\$130,551,898	\$11,352,339	\$0
2014	\$1,320,167,042	\$1,212,460,100	\$107,706,942	\$149,936,912	\$137,941,959	\$11,994,953	\$0
2015	\$1,386,664,221	\$1,265,789,682	\$120,877,539	\$152,340,201	\$139,210,793	\$13,129,408	\$0
2016	\$1,013,881,354	\$925,369,574	\$88,511,780	\$116,477,241	\$106,332,785	\$10,144,456	\$0
2017	\$872,125,246	\$792,498,262	\$79,626,984	\$126,450,866	\$115,451,670	\$10,999,196	\$0
2018	\$912,480,709	\$829,120,206	\$83,360,503	\$125,748,104	\$114,342,237	\$11,405,867	\$0
2019	\$1,053,082,524	\$957,359,511	\$95,723,013	\$137,046,905	\$124,696,801	\$12,350,104	\$0
2020	\$1,067,910,278	\$970,559,564	\$97,350,714	\$131,398,243	\$119,506,817	\$11,891,426	\$0
2021 est.	\$860,358,160	\$785,507,000	\$74,851,160	\$123,046,022	\$112,341,000	\$10,705,002	\$0

- The formula to calculate the State Aid Distribution Fund is: 40% (1% ÷ general sales tax rate) (net collections of sales, use, and motor vehicle excise tax collections). Revenues deposited in the State Aid Distribution Fund are provided as a standing and continuing appropriation.

Source: North Dakota Office of State Tax Commissioner and estimates prepared with the North Dakota Office of Management and Budget.

## OTHER REVENUE COLLECTIONS

LOCAL OPTION TAXES, MUSIC AND COMPOSITION TAX, AND PROVIDER ASSESSMENT COLLECTIONS

Fiscal Year	Local Sales & Use <sup>(1)</sup>	City Lodging <sup>(2)</sup>	City Motor Vehicle Rental <sup>(3)</sup>	City Restaurant and Lodging	Music and Composition	Provider Assessment
2010	\$119,411,810	\$1,872,368	\$110,557	\$4,289,399	\$155,923	\$4,094,197
2011	\$144,237,942	\$2,443,479	\$127,952	\$4,651,722	\$143,774	\$4,508,026
2012	\$191,754,625	\$3,438,749	\$192,917	\$5,478,371	\$147,883	\$4,719,614
2013	\$206,247,609	\$3,751,242	\$197,511	\$5,801,405	\$132,391	\$5,482,322
2014	\$228,776,287	\$4,373,399	\$189,413	\$6,327,731	\$171,020	\$5,901,063
2015	\$258,117,910	\$4,705,913	\$179,706	\$7,746,922	\$165,488	\$5,996,408
2016	\$248,900,701	\$3,482,668	\$139,597	\$7,837,962	\$175,946	\$5,887,038
2017	\$236,697,628	\$3,150,426	\$162,286	\$7,612,502	\$187,317	\$6,000,215
2018	\$239,582,346	\$2,996,871	\$136,744	\$7,744,140	\$225,235	\$5,642,021
2019 <sup>(4)</sup>	\$270,903,204	\$3,494,404	\$148,053	\$8,484,042	\$295,810	\$5,562,089
2020 <sup>(4)</sup>	\$286,829,975	\$3,375,314	\$137,862	\$8,276,123	\$123,322	\$5,475,444

1. Collections by the North Dakota Office of State Tax Commissioner. Collections include Gross Receipts tax.
2. Amounts are city lodging taxes collected by the North Dakota Office of State Tax Commissioner. Fargo, Grand Forks, Minot, Valley City, and West Fargo administer city lodging taxes themselves and those collections are not included here.
3. City motor vehicle rental tax was authorized by the 2005 Legislature. Currently, Bismarck, Minot, and Grand Forks impose this 1% tax.
4. The local sales and use tax collections from remote sellers were \$4,056,821 in FY 2019 and \$13,539,998 in FY 2020. These amounts are included in the collections shown above.

Source: North Dakota Office of State Tax Commissioner.

## TAXATION OF REMOTE SALES

In June 2018, the U.S. Supreme Court ruled in favor of the states in the landmark case, “South Dakota Department of Revenue versus Wayfair, Inc.” The case, originally brought by South Dakota and signed onto by other states with sales taxes, sought permission from the Court to require outside businesses to collect a state’s sales and use taxes from its customers for items purchased through the internet and other remote platforms. In ruling for the states, the Supreme Court overturned an existing law requiring a physical presence within the state before the burden of collecting sales taxes could be imposed on a seller.

Sales Quarter	Calendar Year 2018	Calendar Year 2019	Calendar Year 2020
First Quarter		\$5,081,179	\$13,519,879
Second Quarter		\$6,704,368	\$16,919,692
Third Quarter	\$913,037	\$7,575,783	\$16,523,435
Fourth Quarter	\$5,189,445	\$16,420,185	

Source: North Dakota Office of State Tax Commissioner

# LOCAL SALES, USE AND GROSS RECEIPTS TAXES

## NET COLLECTIONS REMITTED FISCAL YEARS 2018 AND 2019

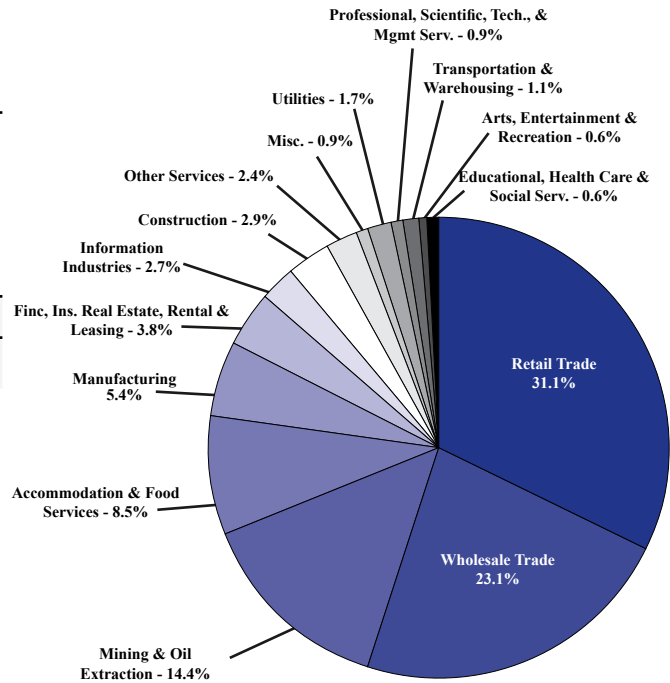
Biennium					Biennium				
City	Start Date*	Tax FY-2018	Tax FY-2019	Total	City	Start Date*	Tax FY-2018	Tax FY-2019	Total
Alexander	1/16	\$632,158.62	\$561,102.87	\$1,193,261.49	Lincoln	4/18	\$10,381.10	\$109,102.87	\$119,483.97
Anamoose	1/09	\$19,934.00	\$17,696.17	\$37,630.17	Linton	10/93	\$238,432.68	\$216,897.94	\$455,330.62
Aneta	1/05	\$11,846.94	\$11,581.29	\$23,428.23	Lisbon	7/95	\$512,734.37	\$604,936.92	\$1,117,671.29
Ashley	4/98	\$58,483.43	\$69,722.42	\$123,205.85	Maddock	10/02	\$87,051.86	\$90,366.16	\$177,418.02
Beach	10/97	\$143,978.88	\$123,060.44	\$267,039.32	Mandan	4/91	\$3,863,667.07	\$3,993,056.00	\$7,856,723.07
Belfield	4/95	\$444,816.34	\$123,060.44	\$1,045,779.19	Mapleton	7/07	\$149,673.41	\$165,974.89	\$315,648.30
Berthold	1/96	\$59,769.36	\$83,882.68	\$143,652.04	Max	2/11	\$25,219.66	\$32,483.02	\$57,702.68
Beulah	10/03	\$716,831.00	\$728,328.08	\$1,445,159.08	Mayville	1/97	\$373,584.82	\$376,597.80	\$750,182.62
Bisbee	1/12	\$16,263.96	\$24,634.26	\$40,898.22	McClusky	1/96	\$18,754.45	\$24,426.79	\$43,181.24
Bismarck	4/86	\$15,254,881.99	\$16,293,076.24	\$31,547,958.23	McVille	1/02	\$30,453.77	\$31,738.52	\$62,192.29
Bottineau	10/93	\$871,846.30	\$854,920.38	\$1,726,766.68	Medora	1/00	\$667,439.13	\$691,472.10	\$1,358,911.23
Bowman	10/94	\$272,752.32	\$441,648.82	\$714,401.14	Michigan	10/01	\$41,083.89	\$47,038.22	\$88,122.11
Buffalo	1/03	\$43,258.96	\$41,617.30	\$84,876.26	Milnor	10/98	\$103,191.55	\$120,998.81	\$224,190.36
Burlington	1/19	\$0.00	\$30,435.66	\$30,435.66	Minnewaukan	1/07	\$38,975.30	\$25,015.99	\$63,991.29
Cando	1/98	\$179,525.02	\$197,916.16	\$377,441.18	Minot	4/86	\$19,827,044.96	\$21,494,727.19	\$41,321,772.15
Carpio	7/17	\$19,214.45	\$26,050.90	\$45,265.35	Minto	4/07	\$35,964.93	\$42,310.21	\$78,275.14
Carrington	1/94	\$832,934.09	\$828,325.90	\$1,661,259.99	Mohall	10/92	\$94,584.39	\$155,215.17	\$249,799.56
Carson	10/02	\$18,905.10	\$41,783.58	\$60,688.68	Mott	4/97	\$154,934.27	\$150,704.13	\$305,638.40
Casselton	4/98	\$381,342.31	\$507,276.18	\$888,618.49	Munich	1/99	\$12,981.73	\$15,494.40	\$28,476.13
Cavalier	10/94	\$367,594.50	\$377,355.57	\$744,950.07	Napoleon	10/96	\$150,698.19	\$156,689.38	\$307,387.57
Center	1/16	\$171,888.71	\$113,821.90	\$285,710.61	Neché	1/04	\$53,413.63	\$47,734.20	\$101,147.83
Cooperstown	7/96	\$151,287.06	\$166,603.37	\$317,890.43	New England	10/02	\$97,815.01	\$126,634.86	\$224,449.87
Crosby	1/93	\$501,779.13	\$525,227.68	\$1,027,006.81	New Leipzig	1/99	\$11,982.80	\$15,053.75	\$27,036.55
Devils Lake	7/88	\$2,984,203.69	\$3,151,791.86	\$6,135,995.55	New Rockford	10/96	\$254,222.84	\$266,050.67	\$520,273.51
Dickinson	7/90	\$8,465,648.51	\$9,304,471.19	\$17,770,119.70	New Salem	4/07	\$96,999.81	\$130,637.81	\$227,637.62
Drake	7/05	\$36,836.02	\$33,114.74	\$69,950.76	New Town	1/18	\$350,069.99	\$772,272.86	\$1,122,342.85
Drayton	10/97	\$158,199.47	\$122,415.63	\$280,615.10	Northwood	1/03	\$148,140.91	\$147,950.76	\$296,091.67
Dunseith	1/05	\$65,565.95	\$74,163.34	\$139,729.29	Oakes	10/96	\$412,910.87	\$427,032.56	\$839,943.43
Edgeley	1/97	\$182,832.22	\$244,264.43	\$427,096.65	Oxbow	1/02	\$83,489.06	\$61,300.15	\$144,789.21
Edinburg	4/99	\$19,501.47	\$23,178.44	\$42,679.91	Page	4/05	\$28,588.77	\$27,743.12	\$56,331.89
Elgin	4/00	\$56,154.99	\$60,134.76	\$116,289.75	Park River	1/95	\$334,099.89	\$359,648.40	\$693,748.29
Ellendale	1/95	\$249,079.08	\$266,035.29	\$515,114.37	Pembina	1/93	\$218,636.85	\$240,158.93	\$458,795.78
Enderlin	10/98	\$301,185.65	\$350,873.75	\$652,059.40	Portland	1/97	\$44,228.63	\$50,406.01	\$94,634.64
Fairmount	4/05	\$70,607.20	\$55,062.23	\$125,669.43	Powers Lake	4/97	\$62,097.79	\$76,855.45	\$138,953.24
Fargo	4/89	\$46,914,285.33	\$48,854,727.38	\$95,769,012.71	Ray	1/13	\$252,002.80	\$369,106.82	\$621,109.62
Fessenden	10/18	\$0.00	\$46,874.62	\$46,874.62	Reeder	1/03	\$10,087.89	\$8,143.01	\$18,230.90
Finley	10/98	\$121,475.94	\$129,494.21	\$250,970.15	Regent	1/97	\$30,838.69	\$35,281.56	\$66,120.25
Forman	1/09	\$74,452.78	\$88,174.25	\$162,627.03	Richardton	10/97	\$138,074.74	\$152,651.64	\$290,726.38
Fort Ransom	1/00	\$22,205.81	\$26,080.79	\$48,286.60	Rolette	1/03	\$79,933.48	\$81,330.55	\$161,264.03
Fredonia	1/15	\$11,634.30	\$10,560.37	\$22,194.67	Rolla	1/94	\$430,787.65	\$475,326.84	\$906,114.49
Gackle	1/06	\$23,498.36	\$20,296.16	\$43,794.52	Rugby	1/93	\$706,875.22	\$701,549.91	\$1,408,425.13
Garrison	1/96	\$306,649.05	\$329,099.71	\$635,748.76	Scranton	4/02	\$43,464.95	\$44,040.11	\$87,505.06
Glen Ullin	1/07	\$76,826.52	\$78,500.29	\$155,326.81	South Heart	4/13	\$74,847.93	\$64,852.58	\$139,700.51
Glenburn	7/08	\$40,316.07	\$38,177.56	\$78,493.63	St. John	1/01	\$17,477.05	\$18,666.87	\$36,143.92
Grafton	1/91	\$997,602.19	\$1,176,663.37	\$2,174,265.56	Stanley	10/95	\$1,257,009.04	\$1,314,475.21	\$2,571,484.25
Grand Forks	1/85	\$18,996,874.37	\$24,521,293.89	\$43,518,168.26	Steele	10/96	\$244,756.86	\$288,156.04	\$532,912.90
Granville	7/10	\$21,574.61	\$18,763.09	\$40,337.70	Strasburg	4/93	\$51,048.24	\$57,783.15	\$108,831.39
Grenora	10/02	\$22,528.03	\$33,277.19	\$55,805.22	Streeter	1/09	\$10,378.09	\$9,087.00	\$19,465.09
Gwinner	4/05	\$376,618.71	\$733,543.03	\$1,110,161.74	Surrey	7/12	\$64,209.62	\$78,728.62	\$142,938.24
Halliday	7/96	\$17,611.56	\$45,948.82	\$63,560.38	Tioga	1/95	\$2,052,209.39	\$2,974,603.55	\$5,026,812.94
Hankinson	10/97	\$201,375.05	\$218,200.46	\$419,575.51	Tower City	10/02	\$72,186.87	\$82,322.25	\$154,509.12
Hannaford	10/04	\$19,890.81	\$14,424.38	\$34,315.19	Towner	10/98	\$74,085.08	\$74,915.76	\$149,000.84
Harvey	10/91	\$398,748.26	\$445,867.18	\$844,615.44	Turtle Lake	10/00	\$73,539.98	\$72,906.51	\$146,446.49
Harwood	1/09	\$137,544.82	\$149,867.81	\$287,412.63	Underwood	10/06	\$234,653.17	\$283,648.38	\$518,301.55
Hatton	4/98	\$92,648.72	\$111,696.74	\$204,345.46	Valley City	1/92	\$1,824,159.62	\$2,011,614.72	\$3,835,774.34
Hazleton	10/00	\$0.00	\$43,541.45	\$43,541.45	Velva	1/99	\$196,805.70	\$209,459.70	\$406,265.40
Hazen	4/95	\$232,925.57	\$365,078.00	\$598,003.57	Wahpeton	7/91	\$2,289,791.18	\$2,416,047.60	\$4,705,838.78
Hettinger	7/96	\$256,496.01	\$295,745.92	\$552,241.93	Walhalla	10/97	\$156,464.47	\$164,649.30	\$321,113.77
Hillsboro	10/98	\$373,548.73	\$357,052.44	\$730,601.17	Washburn	10/00	\$279,459.72	\$298,328.09	\$577,787.81
Hoople	1/99	\$18,014.48	\$19,033.32	\$37,047.80	Watford City	10/98	\$3,950,075.86	\$5,054,070.18	\$9,004,146.04
Hope	1/01	\$54,649.32	\$82,028.50	\$136,677.82	West Fargo	10/94	\$9,851,176.27	\$10,867,186.32	\$20,718,362.59
Horace	4/17	\$336,302.16	\$408,538.48	\$744,840.64	Westhope	7/10	\$41,106.80	\$58,964.91	\$100,071.71
Jamestown	7/91	\$5,013,494.08	\$5,078,246.41	\$10,091,740.49	Williston	7/91	\$20,551,980.16	\$24,863,152.64	\$45,415,132.80
Kenmare	1/93	\$341,881.96	\$338,718.66	\$680,600.62	Wilton	10/00	\$133,269.36	\$141,675.35	\$274,944.71
Killdeer	4/95	\$911,741.21	\$1,363,826.68	\$2,275,567.89	Wimbledon	1/05	\$20,268.81	\$23,221.05	\$43,489.86
Kindred	4/12	\$149,373.26	\$189,565.06	\$338,938.32	Wishek	4/97	\$168,159.03	\$186,204.98	\$354,364.01
Kulm	4/98	\$54,745.35	\$73,084.38	\$127,829.73	Woodworth	1/09	\$7,063.69	\$8,110.24	\$15,173.93
Lakota	1/07	\$71,620.70	\$89,365.10	\$160,985.80	Wyndmere	10/12	\$76,888.17	\$86,339.67	\$163,227.84
LaMoure	1/97	\$172,928.24	\$176,647.95	\$349,576.19					
Langdon	1/94	\$416,082.85	\$516,295.20	\$932,378.08					
Larimore	1/95	\$70,306.57	\$73,827.54	\$144,134.11					
Leeds	10/14	\$75,663.07	\$73,821.08	\$149,484.15					
Leonard	4/07	\$44,399.58	\$49,047.10	\$93,446.68					
Lidgerwood	10/00	\$97,444.75	\$99,174.27	\$196,619.02					
Lignite	1/15	\$26,409.74	\$22,356.70	\$48,766.44					

## LOCAL SALES, USE AND GROSS RECEIPTS TAXES - CONTINUED

NET COLLECTIONS REMITTED FISCAL YEARS  
2018 AND 2019

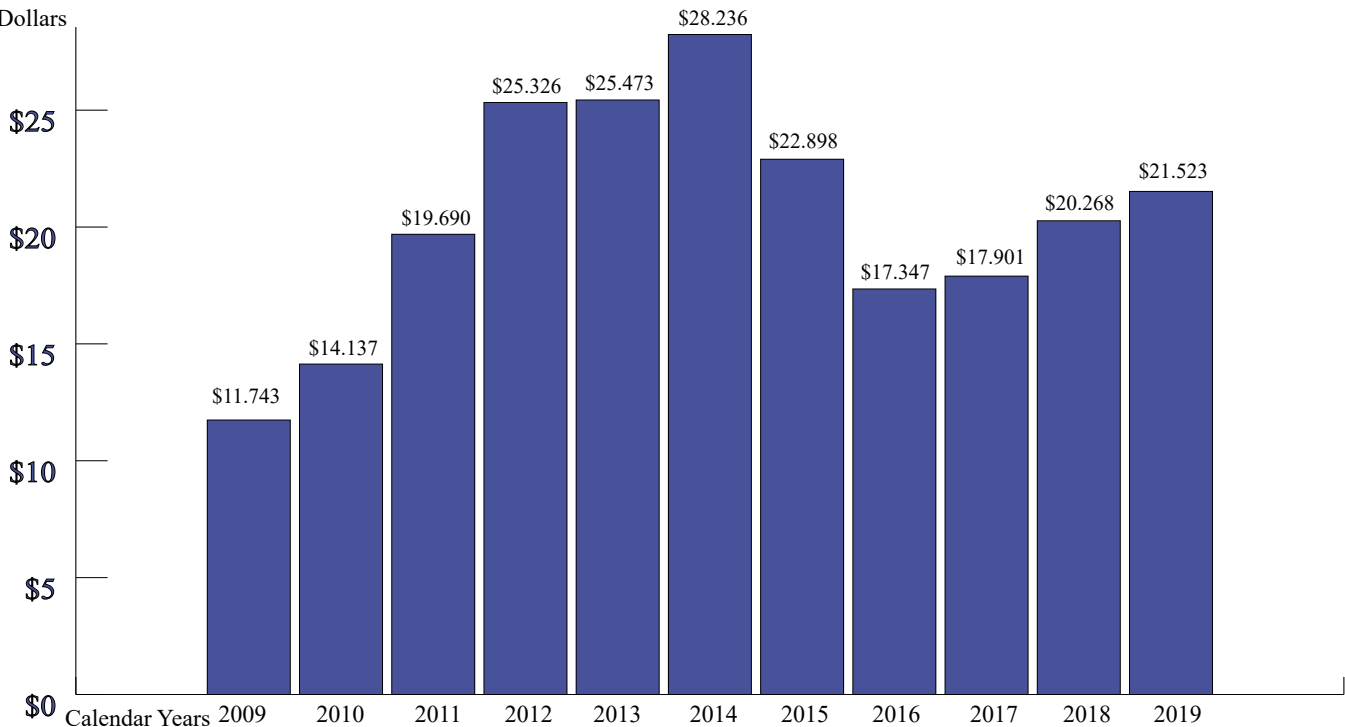
County	Start Date*	Tax FY-2018	Tax FY-2019	Biennium Total
Burleigh County	10/14	\$8,297,568.12	\$8,501,311.29	\$16,798,879.41
Cass County	10/99	\$15,126,630.49	\$16,022,790.21	\$31,149,420.70
Hettinger County	1/17	\$86,379.71	\$100,454.32	\$186,834.03
Morton County	10/14	\$1,570,054.76	\$1,676,615.39	\$3,246,670.15
Steele County	4/05	\$190,123.47	\$173,472.77	\$363,596.24
Walsh County	4/01	\$232,209.73	\$269,051.48	\$501,261.21
Ward County	4/13	\$5,874,740.91	\$6,425,095.78	\$12,299,836.69
Williams County	10/06	\$22,718,012.89	\$29,683,301.79	\$52,401,314.68
<b>Totals for Counties</b>		<b>\$54,095,720.08</b>	<b>\$62,852,093.03</b>	<b>\$116,947,813.11</b>
<b>Total Local Option Taxes Paid</b>		<b>\$239,542,899.78</b>	<b>\$270,882,482.08</b>	<b>\$510,425,381.86</b>

## TAXABLE SALES AND PURCHASES PERCENTAGE BY BUSINESS CLASSIFICATION - CALENDAR YEAR 2019



## TRENDS IN TAXABLE SALES AND PURCHASES

Billions  
of Dollars



## STATE COMPARISONS

There are 11 states with general state sales tax rates lower than North Dakota's 5% rate. However, in comparing North Dakota's sales tax to other states, one must also consider the tax base, the goods and services subject to the tax, as well as the level of local sales taxes.

**Tax Base** Does a state include groceries, electricity, prescription drugs, and services such as legal, business, accounting, architecture, lawn care?

In an effort to lessen the impact of taxes on a family's ability to buy necessities, North Dakota exempts groceries, residential electricity, natural gas and heating fuels, and a few other essentials. States can also make a sales tax somewhat more progressive by taxing goods or services used mostly by upper income purchasers. The charts on the next few pages detail specific items taxed in each state.

**Local Sales Taxes** In addition to a general state sales tax, most states allow local subdivisions to levy a sales tax as well. In some cases (Colorado, for example), the local rate may actually be higher than the state rate. As of October 2020, 142 cities and 8 counties impose a local tax from .25 to 3%. However, most local taxes have a refund provision that allows the purchaser to obtain a refund of the local tax paid on any portion of a purchase greater than the current local cap.

Thirty-nine city and county taxes are imposed at a rate of 1% or less and the remaining 112 local taxes have a rate greater than 1%.

**Example** A comparison of sales taxes in North Dakota and South Dakota provides a good example of the impact of different tax bases and local taxes. Because more goods and services are taxed in South Dakota, that state's 4.5% state sales tax rate generally results in a higher tax payment than North Dakota's 5% rate.

### STATE SALES TAX RATES COMPARISON WITH THE OTHER 45 STATES (AND D.C.) THAT LEVY A SALES TAX - OCTOBER 2020

	Number of States		
	Rates Lower Than ND	Rates the Same As ND	Rates Higher Than ND
Other States' Rates Compared to ND's	13	1	31

Note: Out of a possible 198 taxable services, North Dakota taxes only 22 services and does not tax groceries or electricity.

Five states do not levy a sales tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.

Source: Sales Tax Institute

## TOTAL SALES AND GROSS RECEIPTS TAX COLLECTIONS PER CAPITA FISCAL YEAR 2019

Rank	State	Per Capita Total Sales & Gross Receipts Taxes
1	Hawaii	\$3,575
2	Washington	\$2,807
3	Nevada	\$2,544
4	Connecticut	\$2,185
5	<b>North Dakota</b>	<b>\$2,052</b>
6	Minnesota	\$1,980
7	Indiana	\$1,869
8	Texas	\$1,859
9	South Dakota	\$1,824
10	New Jersey	\$1,806
11	Vermont	\$1,800
12	Mississippi	\$1,758
13	New Mexico	\$1,757
14	Maine	\$1,732
15	Pennsylvania	\$1,729
16	Rhode Island	\$1,729
17	Florida	\$1,699
18	Wyoming	\$1,648
19	Maryland	\$1,637
20	Arkansas	\$1,630
21	West Virginia	\$1,629
22	Ohio	\$1,585
23	Tennessee	\$1,571
24	Kansas	\$1,553
25	Illinois	\$1,542
26	Iowa	\$1,540
27	California	\$1,524
28	Wisconsin	\$1,451
29	Michigan	\$1,437
30	Arizona	\$1,435
31	Idaho	\$1,418
32	Kentucky	\$1,413
33	New York	\$1,400
34	Massachusetts	\$1,387
35	Louisiana	\$1,377
36	Nebraska	\$1,334
37	Utah	\$1,266
38	North Carolina	\$1,221
39	Oklahoma	\$1,174
40	Alabama	\$1,146
41	Colorado	\$1,040
42	South Carolina	\$1,018
43	Virginia	\$1,007
44	Missouri	\$904
45	Georgia	\$896
46	New Hampshire	\$731
47	Montana	\$620
48	Delaware	\$619
49	Oregon	\$442
50	Alaska	\$381
U.S. Average		\$1,539

Total Sales and Gross Receipts Taxes includes taxes on alcoholic beverages, amusements, insurance premiums, motor fuels, pari-mutuels, public utilities, tobacco products, and other selective sales.

## GENERAL SALES AND GROSS RECEIPTS TAX COLLECTIONS PER CAPITA FISCAL YEAR 2019

Rank	State	Per Capita General Sales & Gross Receipts Taxes
1	Hawaii	\$2,690
2	Washington	\$2,186
3	Nevada	\$1,786
4	<b>North Dakota</b>	<b>\$1,382</b>
5	New Mexico	\$1,365
6	Wyoming	\$1,330
7	Texas	\$1,315
8	Florida	\$1,304
9	South Dakota	\$1,293
10	Connecticut	\$1,287
11	Mississippi	\$1,254
12	New Jersey	\$1,221
13	Indiana	\$1,201
14	Maine	\$1,200
15	Arkansas	\$1,184
16	Tennessee	\$1,149
17	Arizona	\$1,148
18	Kansas	\$1,145
19	Minnesota	\$1,100
20	Ohio	\$1,086
21	Iowa	\$1,079
22	Idaho	\$1,068
23	Rhode Island	\$1,058
24	California	\$1,051
25	Nebraska	\$1,017
26	Massachusetts	\$991
27	Wisconsin	\$978
28	Michigan	\$963
29	Illinois	\$948
30	Pennsylvania	\$918
31	Kentucky	\$892
32	Utah	\$884
33	West Virginia	\$834
34	Maryland	\$809
35	North Carolina	\$807
36	Louisiana	\$804
37	New York	\$790
38	Oklahoma	\$776
39	South Carolina	\$673
40	Vermont	\$661
41	Virginia	\$639
42	Missouri	\$608
43	Alabama	\$594
44	Georgia	\$589
45	Colorado	\$586
46	Alaska	\$0
47	Delaware	\$0
48	Montana	\$0
49	New Hampshire	\$0
50	Oregon	\$0
U.S. Average		\$1,023

Source: Census State Government Tax Collections:  
www.census.gov.



# COMPARISON OF STATE SALES & GROSS RECEIPTS TAX RATES

TAX RATES IN EFFECT OCTOBER 1, 2020

State	General State Rate	Highest Local Rate	Grocery Foods	Alcohol	New Farm Machinery	Electricity (non-mfg. use)	Natural Gas (non-mfg. use)	Water (Utilities)	Taxable Services of 198	Direct Manufacturing Use			
										Consumables	Natural Gas	Electricity	Machinery
Alabama	4%	5%	4%	4%	1.5%	4% (12)	4% (12)	4% (12)	49	4%	4% (19) (12)	4% (19) (12)	1.5%
Alaska*		7.5%											
Arizona	5.6%	5.6%		5.6%	6.5% (4)	5.6%	5.6%	5.6%	60	5.6%			
Arkansas	6.5%	3.5%	0.125%	6.5%	6.5% (4)	6.5%	6.5%	6.5%	73	6.5%			
California	7.25%	3.25%		7.25%	2.25%	.00029 cents (5)	Varies		21	7.25%	Varies (5)	.00029 cents (5)	3.3%
Colorado	2.9%	4.75%		2.9%	(4)	2.9% (6)	2.9% (6)	(16)	19	2.9%	2.9%	2.9%	2.9%
Connecticut	6.35%			6.35%		6.35% (6) (7)	6.35% (6) (7)		99	6.35% (1) (15)	(15) (22)	(22)	(1) (22)
Dist. of Columbia	5.75%			10%		0.007/Kilowatt hour (13)	0.0707/Therm (13)		91	5.75%	\$0.0777/Therm (13)	0.0077/Kilowatt hour (13)	
Delaware*									152				
Florida	6%	2.5%		6.35% or 6.59% (74)		6% (6)			69				
Georgia	4%	4.9%		4%	4% (4)	4%	4%		36	4%	(27)	(27)	(14)
Hawaii	4%	0.5%	4%	4%	4%	4%	4% (55)	4%	167	4%	4%	4%	4%
Idaho	6%	3%	6%	6%	(28)	(45)	(45)	(45)	30	(50)	(45)	(45)	(50)
Illinois	6.25%	4.5%	1%	6.25%	(37)	(5)	(5)	(5)	29				
Indiana	7%			7%	(54)	7%	7%	7%	36				
Iowa	6%	1%		6%		6% (6)	6% (6)	6%	89				
Kansas	6.5%	5.1%	6.5%	(32)		6.5% (6) (7)	6.5% (6) (7)	6.5% (6) (7)	74				
Kentucky	6%			6%	6% (26)	6% (6)	6% (6) (7)	6% (6) (7)	80	6%	6% (20)	6% (20)	(14)
Louisiana	4.45%	8.5%		4.45%		2% (6)	2% (6) (7)	2% (6)	60	4.45%	2%	2%	
Maine	5.5%			5.5% (38)	(4)	5.5% (39)	5.5% (6)	5.5% (6)	33	(17)	(46)	(46)	
Maryland	6%		(56)	9%		6% (6)	6% (6)	6% (6)	40				
Massachusetts	6.25%				(4)	6.25% (6)	6.25% (6)		19				
Michigan	6%			6%		6% (8)	6% (8)		27	(18)	(18)	(18)	(10)
Minnesota	6.875%	1.5%	7%	6.875 or 9.375% (24)		6.875% (6) (7)	6.875% (6) (7)	6.875% (6)	67	6.875% (6) (7)			(58)
Mississippi	7%	1%		7%	1.5%	7% (6) (30)	7% (6) (30)	7% (6) (30)	79	7%	(21)	(21)	1.5%
Missouri	4.225%	10.35%	1.225%	4.225%	(26)	4.225% (6) (11)	4.225% (6) (11)	4.225% (6) (11)	24	(21)	(21)	(15) (23)	(14) (21)
Montana*									17				
Nebraska	5.5%	2.5%	(56)	5.5%	6.85%	5.5%	5.5%	5.5%	81	5.5%	5.5% (22)	5.5% (22)	5.5% (22)
Nevada	6.85%	1.525%		6.85%					21	6.85%			6.85%
New Hampshire*									9				
New Jersey	6.625%		(59)	6.625% (29)	(60)	6.625%	6.625%	(71)	84	6.625%	6.625%	6.625%	6.625% (61)
New Mexico	5.125%	4.3125%	(49)	5.125%	2.5625%	5.125%	5.125%	5.125%	164				
New York	4%	4.875%		4%		4% (6)	4% (6)		64				
North Carolina	4.75%	2.75% (69)	2% (73)	4.75% (67)	4.75% (62)	7% (63) (68)	7% (63) (68)	4.75% (51)	62	4.75%	7% (64)	7% (65)	4.75% (66)
North Dakota	5%	3%		7%	3%				22	5%			(14)
Ohio	5.75%	2.25%		5.75%		4.5% (7) (57)	5.75% (3)		86				
Oklahoma	4.5%	7%	4.5%	4.5%		4.5% (7) (57)	4.5% (7) (57)		33	4.5%			
Oregon*									1				
Pennsylvania	6%	2%		6% (31)	(7)	6% (6)	6% (6)	6% (6)	67				
Rhode Island	7%			7%	(4)			7% (6)	37				
South Carolina	6%	1%		6%		6% (6)	6% (6)	(53)	39				
South Dakota	4.5%	3% (72)	4.5%	4.5%	4.5% (40)	4.5%	4.5% (7)		152				
Tennessee	7%	2.75%	4%	7%	(4)	Varies (9)	Varies (9)	7%	76	4.5%	4.5%	4.5%	4.5%
Texas	6.25%	2%		(42)		6.25% (6)	6.25% (6)		90		1.5%	1.5%	
Utah	4.85%	4.2%	1.75%	4.85%		2% (43)	2% (43)		64	4.85%			
Vermont	6%	1%		6% (34)		6%	6%		37				
Virginia	4.3%	1%	2.5%	6% (52)	(47)	Varies (16) (35)	Varies (16) (35)	(16)	17	4.3% (70)	4.3% (70)	Varies (16) (35)	
Washington	6.5%	3.9%		6% (2)	6.5%	(36)	(36)	(36)	167	6.5%	(36)	(36)	
West Virginia	6%	1%		6% (33)	(4)				115	6%			
Wisconsin	5%	0.5%		5%	(4)	5% (7) (48)	5% (7) (48)		92	5%			
Wyoming	4%	2%	(25)	4%		4% (7)	4% (7)		66	4% (41)			(44)

\*This state does not impose a sales tax.

# Comparison of State Sales & Gross Receipts Tax Rates Footnotes

1. Provides full exemption from manufacturing, Connecticut has a broader overlapping partial (50%) exemption from materials, tools, fuel, machinery, and equipment used in fabricating and processing
2. Sales of beer, wine, and liquor by the drink are subject to regular state and local retail sales tax. Liquor purchased by the bottle has a higher spirits tax that is included in the price.
3. If sold by public utility then it is exempt. If sold by non-public utility then taxed at 5.75%.
4. Farm machinery is exempt from sales and use taxes if the purchaser is engaged in farming as a business enterprise.
5. In some states the tax is called a "utility tax" rather than a sales tax. In California the tax is an energy resources surcharge paid by consumers. In the District of Columbia, the tax is a gross receipts tax.
6. Residential use is exempt.
7. Agricultural use is exempt.
8. In Michigan, the tax rate is 4% on electricity and natural gas used for home heating.
9. Residential use is exempt, commercial is .7%, industrial 1.5%.
10. Exemption is based on percentage used in manufacturing.
11. Hotels and motels are exempt.
12. 4% of such gross sales or gross receipts not over \$40,000; amounts over \$40,000 but not over \$60,000, the tax is \$1,600 plus 3% of the excess over \$40,000; amounts over \$60,000, the tax is \$2,200 plus 2% of the excess over \$60,000.
13. Utilities are taxed as a gross receipts tax, not a general sales tax.
14. The exemption is generally for machinery and equipment used for new or expanding production. States have different definitions and qualifications.
15. Materials, tools, and fuel used in the actual fabrication of a product for sale, in an agricultural production process, or in the fishing industry are exempt.
16. Exempt when delivered to customers through mains, lines, pipes, or bottles.
17. Exempt if consumed within 1 year.
18. Exempt when used in actual production process.
19. Exempt if separately metered and used in electrothermal or electrolytic process manufacturing.
20. Amounts over 3% of production costs are exempt.
21. If used or consumed in manufacturing, processing, compounding, mining, or producing of any product is exempt from state sales tax, but no local tax.
22. Natural Gas and Electricity are exempt if more than 50% is used in manufacturing. Machinery is exempt when purchased by a person primarily engaged in business as a manufacturer.
23. May apply for exemption, if electricity cost is greater than 10% of production costs.
24. Generally, 3.2 beer and any intoxicating liquor is taxed at 6.875% plus an additional 2.3% gross receipts tax (depending on the type of liquor license, some sales are not subject to the additional 2.5% on 3.2 beer and wine coolers - e.g. sales at grocery stores).
25. Food for domestic home consumption is sales/use tax exempt while prepared foods remain taxable.
26. Exempt if used exclusively for agricultural purposes, used on land that is owned or leased to produce farm products, and used directly in production of farm products.
27. This exemption does not apply to electricity manufacturers.
28. As applied to the business of farming, the production exemption applies to all tangible personal property which is primarily and directly used to conduct the farming business, and which is necessary or essential to the operation. Idaho code section 63-3622(e) specifies that the term "directly used or consumed in or during" a farming operation means the performance of a function reasonably necessary to the operation of the total farming business, including the planting, growing, harvesting, storage, and removal from storage of crops and other agricultural products, and movement of crops and produce from the place of harvest to the place of initial storage. It includes disinfectants used in the dairy industry to clean cow udders or to clean pipes, vats, or other milking equipment.
29. Alcoholic beverages are also subject to an additional 3% AC Luxury Sales Tax on sales within Atlantic City.
30. Church use is exempt.
31. Pennsylvania imposes 6% sales tax on alcohol purchased from the Liquor Control Board or beer distributors/wholesalers. No tax is levied on retail sales of alcohol from eating/drinking establishments.
32. 8% for off-premise consumption and 10% for on-premise consumption.
33. There is a local municipal tax imposed by ordinance to collect 5% tax on off-premises retail sales of liquor and wine.
34. Alcoholic beverages are subject to 6% sales tax when sold at retail. Alcoholic beverages are subject to 10% meals & rooms tax if purchased at a bar or restaurant.
35. Virginia has a three tier tax rate system called a consumption tax for gas & electricity. This is paid by the consumer. The rate goes down as usage goes up.
36. There is a public utility tax levied on the provider, not a sales tax.
37. Exempt if used primarily (more than 50% of the time) in production agriculture or for use in state or federal agricultural programs.
38. Taxed at 8% if served at a restaurant.
39. First 750 kilowatt hours of residential use are exempt.
40. Farm machinery tax is a 4.5% excise tax.
41. Sales of tangible personal property to a person engaged in the business of manufacturing, processing or compounding when the tangible personal property purchased becomes an ingredient or component of the tangible personal property manufactured, processed or compounded for sale or use and sales of containers, labels or shipping cases used for the tangible personal property so manufactured, processed or compounded. This subparagraph shall apply to chemicals and catalysts used directly in manufacturing, processing, or compounding which are consumed or destroyed during that process. W. S. 39-15-105(a)(ii)(A).
42. As of Jan. 1, 2014, based on the permit held by the seller, the sale of alcohol is subject to a 6.25% sales tax (with additional local sales taxes of up to 2% possible), or a 6.7% mixed beverages gross receipts tax plus an 8.25% mixed beverages sales tax

43. Commercial electric and gas utility rate is 4.7%.
44. Machinery must be purchased by a manufacturer classified under NAICS code sector 31-33, does not include non-capitalized machinery except machinery expensed under Section 179 of the IRS Code, and must be executed in the case of a lease and in the case of a sale on or after July 1, 2004.
45. Idaho Code Section 63-3622F exempts the sale or purchase of natural gas, electricity, and water when delivered to consumers at the place of consumption by means of pipes, wires, mains or similar systems.
46. 95% is exempt. Remaining 5% is subject to 5.5% tax.
47. Exempt if used in agricultural production for market.
48. Residential heating use is exempt in the months of November through April.
49. Sales of qualifying food for home consumption are deductible only at retail food stores as defined under the federal food stamp program.
50. In general, Idaho Code Section 63-3622D provides an exemption from sales and use taxes for certain tangible personal property used in production activities. Recommend referencing 63-3622D + IDAPA 35.01.02.079 directly for specific exclusions to the exemption.
51. Water delivered by or through mainlines or pipes for either commercial or domestic use or consumption is exempt. Sales of water not delivered by or through main lines or pipes is taxable the general rate.
52. In Virginia, localities do not receive any monies collected from sales made by ABC stores--all such sales deposited into the state's general fund.
53. Water sold by public utilities is exempt if rates and charges are of the kind determined by the PSC of water sold by non-profit corporations organized pursuant to Chapter 36 of Title 33 South Carolina Code of Laws.
54. Transactions involving agricultural machinery, tools, and equipment are exempt if acquired by a person occupationally engaged in the production of food or commodities for sale and: (1) for direct use in the direct production of food and food ingredients or commodities for sale, or (2) used in gathering, moving or spreading animal waste. IC 6-2.5-5-2 discusses in more detail.
55. Petroleum products refined in Hawaii that will be further refined by another taxpayer are exempt (HRS section 237-27).
56. Food for human consumption is sales/use tax exempt unless prepared for immediate consumption.
57. Residential use is exempt from state sales tax, local taxes apply.
58. The exemption applies to all machinery and equipment used in the integrated production process of producing goods or electricity for ultimate sale at retail.
59. Grocery food is not taxable so long as it is not considered "prepared food."
60. Farm equipment is only exempt if it meets N.J.S.A. 54:32B-8, 16.
61. Machinery is exempt if it meets N.J.S.A. 54:32B-8-13.
62. Farm machinery is exempt from sales and use taxes if the purchaser meets the requirements in NCGS 105-164.13E.
63. Agricultural use is exempt from sales and use taxes if the purchaser meets the requirements in NCGS 105-164.13E.
64. Natural gas is exempt if the purchaser meets the requirements in NCGS 105-164.13 (57).
65. Electricity is exempt if the purchaser meets the requirements in NCGS 105-164.13 (57).
66. Machinery is exempt if the purchaser meets the requirements in the applicable subsection of NDGS 105-164.13.
67. Sales of beer, wine, and mixed beverages are subject to the general rate. Sales of spirituous liquor and antique spirituous liquor purchased by the bottle at government operated stores and in permitted distilleries are subject to the 7% combined general rate. All alcoholic beverages are subject to additional excise taxes. "Combined general rate" is defined in NCGS 105-164.3 (4a). The terms "antique spirituous liquor" and "spirituous liquor" are provided in NCGS 18B-101.
68. Subject the 7% "combined general rate" as defined in NCGS 105-164.3 (4a) versus the general state and local rate.
69. Highest local rate consists of 2.25% county rate, plus .5% transit tax, where applicable, for each county jurisdiction
70. Industrial materials for future processing, manufacturing, refining, or conversion into articles of tangible personal property for resale that enter into the production of or become a component part of the finished product are exempt. Industrial materials that are coated upon or impregnated into the product at any stage of its being processed, manufactured, refined, or converted for resale also are exempt.
71. Water (utilities) - Exempt under N.J. S.A. 54:32B-8-7.
72. In addition to the General Municipal Sales and Use Tax, cities are permitted to adopt a 1% tax for debt retirement (Per SDCL 10-52-2.4). This is in addition to the General Municipal tax imposed. When the debt is paid in full for the specified projects in their ordinance the additional 1% tax will cease. One city has implemented this additional tax increasing their city tax to 3%.
73. Subject to 2.00% local rate of tax for food unless the sales are for items listed in G.S. 105-164.13B which include: (1) Dietary supplements; (2) Food sold through a vending machine; (3) Prepared food, other than bakery items sold without eating utensils by an artisan bakery; (4) Soft drinks; and (5) Candy. These items are subject to the 4.75% general State rate and applicable local rates of tax.
74. 6.35% if no mixed drinks are being sold and 6.59% if mixed drinks are sold.

Source: North Dakota Office of State Tax Commissioner.

# SALES & GROSS RECEIPTS TAX COMPARISON OF SURROUNDING STATES AND PROVINCES

## RATES IN EFFECT OCTOBER 1, 2020

	North Dakota	South Dakota	Wyoming	Minnesota	Iowa	Manitoba	Saskatchewan
<b>General State Rate</b>	5%	4.5%	4%	6.875%	6%	7% (2)	6%
<b>Maximum Local Rate</b>	3%	3% (50)	2%	1.5%	1%		
<b>Products</b>							
Motor Vehicles (sales or excise tax)	5%	4%	4%	6.5%		7%	6%
Natural Gas (sales or utility)		4.5%	4% (3) (4)	6.875% (5)	6%	7% (15)	6% (45)
Electricity		4.5%	4% (3) (4)	6.875% (1) (5)	6%	7% (13)(15)	6% (49)
Coal		4.5%	4% (1)		6%	7%	
City and Rural Water				6.875% (7)	6%		
Newspapers (retail and subscription)		4.5%				7%	
Magazines (retail)	5%	4.5%	4%	6.875%	6%	7%	
Magazines (subscriptions)		4.5%	4%		6%	7%	
Bibles/Textbooks to Religious Groups		4.5%	(32)	(14)	6%		
Prescription Drugs							
Agricultural Supplies		4.5% (6)	4% (6)			(40)	(48)
New Farm Machinery	3%	4.5%				(40)	
Farm Machinery Parts			4%			(40)	
Alcoholic Beverages	7%	4.5%	4%	6.875% or 9.375% (11)	6%	7%	(29)
Money (gold & silver coins)						8% (46)	6% (46)
Manufactured Homes - New	3%	4%	4% (9)	6.9%	5% (37)	7% (16)	(30)
Manufactured Homes - Used		4%		(19)	(41)	7% (16)	(41)
Grocery Foods		4.5%	(33)				
Restaurant	5%	4.5%	4%	6.875%	6%	7%	
<b>Miscellaneous</b>							
Hotel & Motel Accommodation Rental	5% (17)	4.5%	4%	6.875%	5% (38)	7% (17)	5%
Film Rental to Theatres and TV Stations			4%				
Film Rentals (other than to Theatres/TV)	5%	4.5%	4% (44)	6.875%	6%	7%	6%
State/Local Fairs /Admission				6.875%			
Inter-State Telephone				6.875%		7%	6%
Cable Television		4.5%	(20)	6.875%	6%	7%	6%
Receipts from Vending Machines	5%	4.5%	4%	6.875%	6%	7%	
Sales to Private and Parochial Schools			4% (21)			7%	6%
Sales To Hospitals		4.5% (10)	4% (21)	6.875% (35)		7% (28)	(42)
Sales to Nursing Homes		4.5%	4% (21)	6.875% (35)	6%	7% (28)	(42)
<b>Services (22)</b>							
Number of Taxable Services (22)	22	152	66	66	94		19
Veterinary Services		4.5%					6%
Financial Services		4.5% (23)			6%	7% (8)	
Oil & Gas Field Services (non-materials)		4.5%	4% (31)				
Construction (non-materials)		2% (24)				7% (27)	
Funeral Services		4.5%					
Miscellaneous Personal Services		4.5% (25)			6%		
Transportation Services		4.5% (18)	4% (12)				
Lawn Care Services		4.5%		6.875%			
Engineering, Architecture & Surveying		4.5%				7% (47)	(43)
Health Services							
Laundry and Dry Cleaning Services		4.5%	4%	6.875% (36)	6%	7%	6%
Beauty and Barber Shops		4.5%			6%	7% (39)	
Farm Machinery Repair			4%		6%	(40)	
Automotive Repair		4.5%	4%		6%	7%	6%
Miscellaneous Repair (Tangible Property)		4.5%	4%		6%	7%	6%
Accounting, Auditing, and Bookkeeping		4.5%				7%	6%
Business Services (consulting, etc.)		4.5%			(34)		
Legal Services		4.5%				7%	6%
<b>Compensation to Retailers</b>	Yes (26)	Yes	Yes	No	No	Yes (26)	No

## Sales & Gross Receipts Tax Comparison of Surrounding States and Provinces Footnotes

1. Exempt as a fuel for use as boiler fuel in the production of electricity.
2. Canada also levies a federal goods and services tax (GST) of 5% in addition to the general provincial sales tax (PST).
3. Exempt for agricultural use.
4. Exempt if used directly in manufacturing, processing, or agriculture.
5. Exempt for agricultural and industrial production of personal property and exempt for residential use during the winter months.
6. Exempt if feeds, seeds, roots, bulbs, small plants, and fertilizer.
7. Residential water bills are exempt.
8. Effective July 15, 2012, sales tax will apply on the following types of insurance contracts: property and casualty insurance, group life insurance, trip cancellation insurance, baggage insurance, and land titles insurance. Sales tax will not apply to Autopac vehicle premiums for health, accident, sickness, and individual life insurance.
9. 70% of price.
10. Exempt if hospital is charitable or non-profit.
11. 3.2 beer and any intoxicating liquor is taxed at 6.875% plus an additional 2.5% gross receipts tax, however grocery stores are not required to charge the additional 2.5% on 3.2 beer and wine coolers.
12. Intra-state passenger transportation services are taxable and inter-state transportation of freight and passengers are exempt in Wyoming.
13. Reduced rate for use in manufacturing, mining, and oil well operators.
14. Textbooks required for a course of study are exempt.
15. Exempt for domestic heating and for farm use.
16. A point-of-sale exemption is available on the residential purchase of a mobile, modular, or ready-to-move home. Vendors will apply sales tax, at point of sale, at a rate of 4% of the basic selling prices (excluding furniture, appliances, etc.).
17. Rooms rented by and for the same individual are exempt if rented for 30 consecutive days (in North Dakota) or 31 consecutive days (in Iowa). In Manitoba, hotels and motels rented for one continuous month or more are exempt, and rooms in a lodging/rooming/boarding houses with accommodations for less than four tenants is also exempt.
18. Only passenger transportation is taxable in South Dakota.
19. 65% of dealer's cost of new mobile homes for residential purposes is taxed at 6.875% (effective rate of 4.469%). Used homes for residential purposes are exempt. New and used homes for non-residential purposes are taxed at 6.875% of sales price.
20. Cable service itself is not enumerated as taxable by statute, the rental of equipment (i.e. cable box, remotes, etc.) as well as video on demand and pay per view is taxable.
21. Sales to schools, hospitals, or nursing homes considered charitable or religious are exempt in Wyoming.
22. The number of taxable services in the study "Sales Taxation of Services." Federation of Tax Administrators, 2017.
23. Real estate commissions are taxable; other financial services are exempt.
24. 2% on prime contract. This tax is an excise tax not a sales tax.
25. Most membership fees are exempt.
26. Maximum compensation to retailer in North Dakota is \$93.75 per monthly return or 1.5% (\$1,125 per year), and in Manitoba, \$58 per return. Vendors with tax reported of greater than \$3,000 in one period no longer receive compensation.
27. Mechanical and/or Electrical (M&E) trades are considered to be working on tangible personal property (TPP). The RST on M&E work applies to the total selling price on all contracts or service/maintenance work. Other construction services are not taxable.
28. Equipment and supplies designed solely for the use of individuals with disabilities, and drugs dispensed on the prescription of a medical practitioner are exempt in Manitoba.
29. 10% liquor tax.
30. New residential at 2.5% and new commercial at 5%.
31. Oil and gas services rendered at the well site of an oil or gas well in the production casing phase are taxable. Services rendered in the pre-production casing phase and associated with building the location are exempt.
32. Purchases made by religious and charitable organizations for fundraising purposes for the conduct of regular religious or charitable functions and activities and not in the course of any regular business are exempt from sales/use tax.
33. Food for domestic home consumption is sales/use tax exempt while prepared food and foods sold through vending machines remains taxable.
34. Investment counseling is taxable at 6%.
35. Sales to non-profit hospitals and nursing homes, as well as to local government hospitals and nursing homes, are exempt.
36. Coin-operated washers and dryers are exempt.
37. All taxable mobile homes or manufactured housing is subject to a 5% use tax in an amount equal to 20% of the mobile home's manufactured housing's purchase price (80% of the home's or housing's purchase price is exempt from use tax).
38. 5% excise tax and if applicable an additional hotel/motel tax which cannot exceed 7% and must be imposed in increments of one or more full percentage points.
39. Effective July 1, 2012, sales tax will apply on the following personal services: spa treatments, non-medical skin and nail services (such as manicures, pedicures and facials), tattooing, piercing, and hair services (including hair removal and augmentation).
40. Agricultural supplies, farm machinery, and farm machinery repair parts can be purchased exempt by a farmer in Manitoba by completing a farm-use certificate.
41. Only residential are exempt if tax was previously paid.
42. Some exemptions apply.
43. Only 30% of certain aspects of engineering and architecture are taxable. Surveying is not taxable.
44. Electronically delivered specific digital products, which includes digital audio-video works, digital audio works, and digital books, where the customer does not receive permanent possession of the product are no longer subject to Wyoming sales tax. However, these same products are taxable if the customer does receive permanent possession of the product.
45. Natural gas only used to operate stationery internal combustion engines is taxable.
46. Taxable if sold above face value.
47. Engineering and architectural design services are taxable in Manitoba. Surveying is exempt.
48. Some supplies are exempt such as feed and seed, but other agricultural supplies are taxable.
49. Residential use is exempt.
50. In addition to the General Municipal Sales and Use Tax, cities are permitted to adopt a 1% tax for debt retirement (Per SDCL 10-52-2.4). This is in addition to the General Municipal tax imposed. When the debt is paid in full for the specified projects in their ordinance the additional 1% tax will cease. One city has implemented this additional tax increasing their city tax to 3%.



# UNEMPLOYMENT INSURANCE

Unemployment Insurance history may be found at [www.nd.gov/tax/unemploymenthistory](http://www.nd.gov/tax/unemploymenthistory).

## CURRENT LAW

### *Imposition*

The Unemployment Insurance Program provides temporary income for persons who have lost employment through no fault of their own while they search for new jobs.

The intent of the program is not only to protect an unemployed worker's financial health, but also to help keep main street businesses and a community's economy stable during periods of high unemployment.

Unemployment Insurance taxes are paid by employers under two tax systems, federal and state. Taxes are paid to the federal government under the Federal Unemployment Tax Act (FUTA). These taxes are used to fund the administrative costs of the federal and state programs, to finance a variety of services provided through the network of state employment security agencies, and the federal costs associated with extended benefits. All state premiums go into the North Dakota Unemployment Insurance Trust Fund. The Trust Fund is used solely to pay unemployment insurance benefits to unemployed workers.

### *Employers Subject to North Dakota Unemployment Compensation Law*

- Any employer with one or more workers during 20 different weeks in a calendar year or who has paid \$1,500 or more in wages in a calendar quarter.
- Any employer who acquires the business of another liable employer.
- Any employer employing workers in North Dakota who is liable under the FUTA.
- Political subdivisions and Native American tribes or business enterprises wholly owned by Native American tribes become liable immediately upon employing any non-excluded workers.
- Nonprofit organizations with 501(c)(3) income tax exemptions are liable if they employ four or more workers during 20 different weeks in a calendar year.
- Employers of agricultural labor are covered if they pay \$20,000 or more in wages in a calendar quarter or employ 10 or more workers in 20 different weeks in a calendar year.

- Employers of domestic labor in a private home, local college club, or local chapter of a college fraternity or sorority are covered if they pay \$1,000 or more in wages in a calendar quarter.

### *Services Excluded from Coverage*

Some types of employment are excluded from unemployment insurance taxes. The most notable exclusion is for services performed for a son, daughter, or spouse, or services performed by a child under age 18 for a parent while living in the parents' home.

This exclusion does not apply to corporations or certain limited liability companies (LLC). It applies to partnerships only if the worker has an exempting relationship with each partner.

### *Corporations and Limited Liability Companies*

Corporate officers who perform services for the corporation and receive remuneration for that service are considered employees. The same applies to LLC managers if: 1) the LLC is treated as a corporation for federal income taxation or, 2) the manager(s) is not a member. Employers of certain corporate officers and certain covered LLC managers with 25 percent or more ownership interest may, with the concurrence of the officer or manager, apply to exclude the officer's or LLC manager's services from employment. The application to do so must be filed within 60 days of formation of the corporation/LLC, or in January of the year in which the exclusion is to begin.

### *Taxes*

Employers pay the entire tax for both federal and state unemployment compensation taxes. Tax rates are calculated each year and will vary based upon a variety of factors such as projected statewide benefits paid, projected income and the condition of the state's unemployment compensation trust fund.

When an employer becomes liable for unemployment insurance, the employer is classified as a "new employer" and is assigned a new employer rate. Tax rates are re-determined for each calendar year based on the employer's history as of the preceding October.

If, prior to October, non-construction employers have at least six quarters of coverage and construction employers have at least ten quarters of coverage, they are classified as experience-rated employers beginning the following calendar year. Experience-rated employers are assigned rates based on their record of unemployment insurance taxes paid and benefits charged.

Employers who acquire an existing business may apply for the experience record of the previous owner. If the experience record is transferred, the new owner is also held accountable for any benefits paid to the previous owner's workers. In certain cases, such as those where common ownership, management, or control exist, the transfer of the experience record may be mandatory.

Some entities, such as government, tribal, or 501(c)(3) organizations, have the option of financing benefits by reimbursement rather than the payment of taxes. Under this method, the employer reimburses the trust fund each quarter for all benefits paid to the employer's former workers.

### *Wage Base*

For federal tax purposes, the taxable wage base is the first \$7,000 of each employee's wages. For state tax purposes, the taxable wage base is 70% of the statewide average annual wage. For 2020, the North Dakota taxable wage base is \$37,900.

### *Rates*

Newly liable non-construction employers are assigned a tax rate equal to 90% of the maximum positive rate. For 2020 the new non-construction rate is 1.02%. Newly liable construction employers are assigned a tax rate equal to the maximum negative rate. For 2020 the new construction rate is 9.69%.

For other than newly liable employers, tax rates are determined by an experience-rating system which establishes the rate on the basis of the employer's experience with the unemployment insurance program.

### *Rate Schedules*

To determine an employer's rate schedule placement, the employer's lifetime reserve and six year reserve balances are used.

There are two tax rate schedules:

1. Positive Balance Schedule
  - a. Employer has a positive lifetime reserve. Employer tax contributions exceed employer benefits charged.
  - b. For 2020, rates for these employers range from 0.08 to 1.13%.
2. Negative Balance Schedule
  - a. Employer has a negative lifetime reserve. Employer benefits charged exceed employer tax contributions.
  - b. For 2020, rates for these employers range from 6.09 to 9.69%.

After being placed within the positive or negative rate schedule, the rate an employer is assigned within the respective schedule is determined on the basis of the relationship between the employer's last six year reserve balance and the employer's three year average taxable payroll.

### *Payments*

Liable employers must file Employer's Contribution and Wage Reports quarterly. Reports must be completed and returned with the tax due by the end of the month following each calendar quarter. Reports and payments not submitted timely are subject to interest and penalty charges. State law requires all employers to file quarterly reports electronically via a method approved by Job Service, such as UI EASY at [www.jobsnd.com](http://www.jobsnd.com).

State law requires that all tax payments be made through electronic methods. Payment options include Automated Clearing House (ACH) debit and credit card payments.

### *Benefits*

To be eligible for unemployment benefits a claimant must meet the following requirements:

- Have been separated from employment through no fault of their own or have had their hours reduced.
- Be able to work.
- Be available for work.
- Be actively seeking employment.

An unemployed worker may file a claim for benefits by either internet at [www.jobsnd.com](http://www.jobsnd.com) or by telephone at 701-328-4995.

If the claimant has sufficient work history and wage credits in their base period, a claim will be filed and the claimant's most recent employer and all base period employers are notified that a claim for benefits has been filed.

In addition to the notification, employers will be asked for information relating to the separation from employment in order to assist in determining the eligibility of the claimant.

Unemployed workers filing claims may be disqualified for a variety of reasons such as: if they voluntarily quit their last employment without good cause attributable to the employer; were discharged for misconduct connected with their last work; failed to apply for or accept suitable work; lost employment due to participation in a labor dispute; or failed to disclose work and earnings during a period of claim filing.

### *Weekly Benefit Amount (WBA)*

The WBA table is recalculated each year and is based upon the average statewide annual wage and a comparison of the North Dakota average tax rate to the national average

tax rate. The maximum WBA cannot exceed 65% of the average statewide weekly wage of all covered workers. The yearly calculated WBA table takes effect on all claims filed with an effective date on or after July 1 of each year.

- The minimum WBA for the period July 5, 2020 through July 3, 2021 is \$43.
- The maximum WBA for the period July 5, 2020 through July 3, 2021 is \$640.

### *Administration*

Job Service administers the state's unemployment insurance programs. For further information write to Job Service North Dakota, PO Box 5507, Bismarck, ND 58506-5507. You may also contact the Unemployment Insurance Tax Unit of Job Service North Dakota by email at [jsuits@nd.gov](mailto:jsuits@nd.gov) or telephone at 701-328-2814. Or visit the website [www.jobsnd.com](http://www.jobsnd.com).

## UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

FOR A CALENDAR YEAR \$ MILLIONS

Calendar Year	Benefit Payments
2010	\$78.2
2011	\$66.4
2012	\$70.1
2013	\$99.8
2014	\$95.0
2015	\$171.4
2016	\$193.1
2017	\$118.6
2018	\$99.2
2019	\$77.6
2020 est.	\$356.4

## AVERAGE NORTH DAKOTA EMPLOYER TAX RATE AND UNEMPLOYMENT INSURANCE TAX REVENUE

Calendar Year	Average Employer Tax Rates		Tax Revenue
	Percent of Total Wages	Percent of Taxable Wages	
2010	0.78%	1.42%	\$77,761,246
2011	0.76%	1.40%	\$90,040,301
2012	0.69%	1.29%	\$101,612,013
2013	0.67%	1.17%	\$106,499,527
2014	0.70%	1.21%	\$124,612,513
2015	0.60%	1.00%	\$102,270,508
2016	0.93%	1.49%	\$142,468,501
2017	1.22%	2.06%	\$189,229,261
2018	0.76%	1.29%	\$124,392,670
2019	0.53%	0.97%	\$101,604,381
2020 est.	*	*	\$33,606,444

\*NA at this time due to COVID-19 impacts and CARES Act changes.

Source: Job Service North Dakota.



# WORKFORCE SAFETY AND INSURANCE

Workforce Safety and Insurance history may be found at [www.nd.gov/tax/workforcehistory](http://www.nd.gov/tax/workforcehistory).

## CURRENT LAW

### *Imposition*

The intent of the workers' compensation program is to take care of injured workers' medical bills; provide wage-loss, impairment, and rehabilitation payments; and in the case of death, provide monthly payments to spouses and dependents. A properly insured employer is immune from lawsuits for an on-the-job injury of an employee. Employers must include all employees, except those specifically exempted by law, in the workers' compensation insurance program. Exclusions include farm and ranch workers, domestic workers, clergy, federal employees, railroad employees, newspaper delivery people, and real estate brokers and salespeople who operate under a signed contract as an independent contractor. Coverage is optional for employers, resident family members under the age of 22, the spouse of an employer, and self-employed individuals.

### *Premiums*

In North Dakota, workers' compensation insurance is financed through premiums paid by employers. These premiums are among the lowest in the nation. Premiums for each employer are calculated using payrolls, industry-based premium rates, and loss history. Employers report their payroll to Workforce Safety & Insurance (WSI) on an annual basis, according to the effective date on the employer's account. The amount of payroll used to calculate the premium for each worker is limited to 70% of the state's average annual wage. This "wage cap" was \$37,900 as of July 1, 2020. Premium rates are set for 141 industry classifications based on industry loss experience. Premium costs up to the cap per employee range from 22 cents per \$100 of payroll for banks, savings and loans and credit unions to \$23.89 per \$100 of payroll for caisson workers, which is the highest classification.

There are several safety initiatives that North Dakota employers can utilize. Programs help reduce the number of claims and can result in lower premiums. These programs can reduce a qualifying employer's premiums by up to 25%. Employers who successfully take part in WSI's "Safety Management Program" can receive a discount

of 10% off their premiums. In addition, employers can also receive an additional 15% premium reduction by choosing to participate in a variety of safety "menu items" that can each provide 5% discounts up to a maximum of 15%. Those menu items include: 1) Certified Safety Management, 2) Drug Free Workplace, 3) Learning Management System (LMS), 4) Return to Work / DP, 5) Safe Lift, 6) Safety Committee, 7) Safety Orientation, and 8) Slips, Trips, and Falls Prevention. In addition, through the Safety Training and Education Program (STEP), qualifying North Dakota associations and employee organizations can receive financial assistance to promote safety training and education. STEP grants are available to qualifying associations and organizations in amounts ranging from \$5,000 to \$175,000. Information about the safety discount programs and STEP grant programs are available on the WSI website: [www.workforcesafety.com](http://www.workforcesafety.com). Certain conditions and qualifications pertain to all the safety discounts and grants. Employers can also call WSI at 1-800-777-5033 for more information.

### *Benefits*

An injured worker is responsible for filing a claim. They must do so within one year of the date of the injury to be eligible to receive disability benefits for the time they are unable to work because of the injury and medical benefits for the life of the injury. Any injury/disability must be substantiated by medical evidence. An injured worker's medical treatment is monitored through a managed care program and is subject to a medical fee schedule. WSI reimburses the injured worker for "reasonable and necessary" medical treatment. Wage-loss benefits for a worker disabled for at least five days are based on 66.67% of the worker's gross weekly wage, not to exceed 125% of the state's average weekly wage. On July 1, 2020 the state's maximum weekly benefit was \$1,292. Additional weekly allowances of \$15 are paid on each child under age 18 or incapable of self-support, or age 18 to 22 if a full-time student. Workers with medical restrictions are evaluated through a workability assessment to determine ability to return to work and eligibility for rehabilitation benefits, which may include formalized training. Workers who suffer permanent loss of use of a body part may qualify for a lump sum "permanent partial impairment" payment. WSI pays death benefits to the survivors of workers killed in work-related accidents. Benefits are paid

to the eligible spouse of the dependents of the deceased worker at a rate of two-thirds of a deceased worker's gross weekly wage, up to 125% of the state's average weekly wage. They will also be paid \$15 per week for each dependent child. Additionally, the surviving spouse receives a one-time death benefit of \$2,500, plus \$800 for each dependent child. There are also scholarships available for dependents and spouses. WSI pays all medical bills related to the compensable injury and death of a worker, including up to \$10,000 for funeral expenses. Total benefits may not exceed \$300,000 over the lifetime of a claim.

### *Dispute Resolution*

The Decision Review Office (DRO) helps workers and employers on claims issues and serves as a litigation alternative. Injured workers may appeal WSI decisions of benefit claims by requesting an administrative hearing. Subsequent appeals may be made to District Court and then on to the Supreme Court. WSI pays the injured worker's attorney fees only if the worker wins the appeal and only if the worker sought assistance from the Decision Review Office before appealing. Additionally, injured workers may elect to have an attorney of their choice review their claim upon completion of their Decision Review Office process. Reimbursement is available for attorney fees and costs related to this review. Attorney fees are capped at \$500 and costs are capped at \$150.

### *Fraud*

A Special Investigations Unit within WSI investigates workers, employers, and medical providers suspected of committing fraud. Anonymous tips about suspected fraud can be made through a toll-free telephone number, 1-800-243-3331 or by completing a form through the WSI website at [www.workforcesafety.com](http://www.workforcesafety.com).

### *Administration*

WSI administers the state's workers' compensation program. For more information on Workforce Safety & Insurance, write to Workforce Safety & Insurance, 1600 East Century Avenue, Suite 1, Bismarck, ND 58503-0649 or call 701-328-3800 or 1-800-777-5033. Or visit the website at [www.workforcesafety.com](http://www.workforcesafety.com).

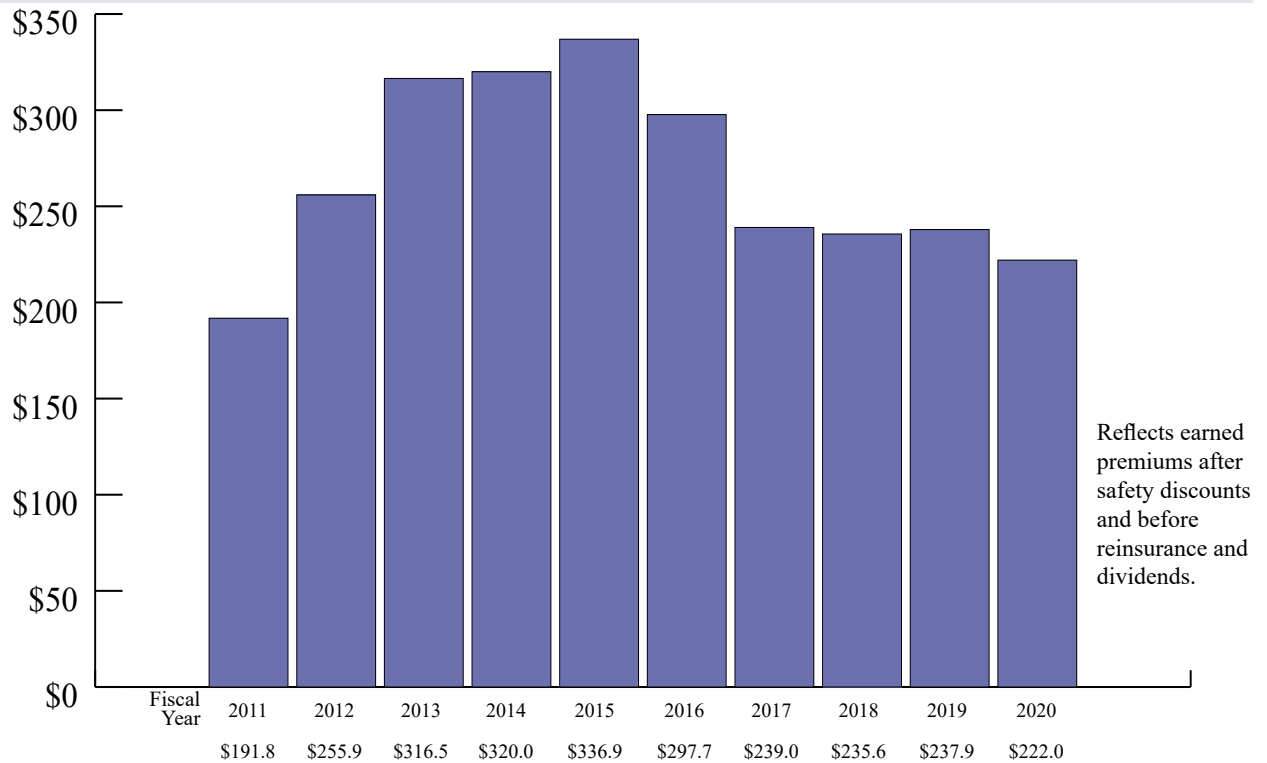
## NORTH DAKOTA WORKERS' COMPENSATION PREMIUMS EXAMPLE OF LOW (CLERICAL) & HIGH (IRON OR STEEL CONSTRUCTION)

### Maximum Per Employee Charge

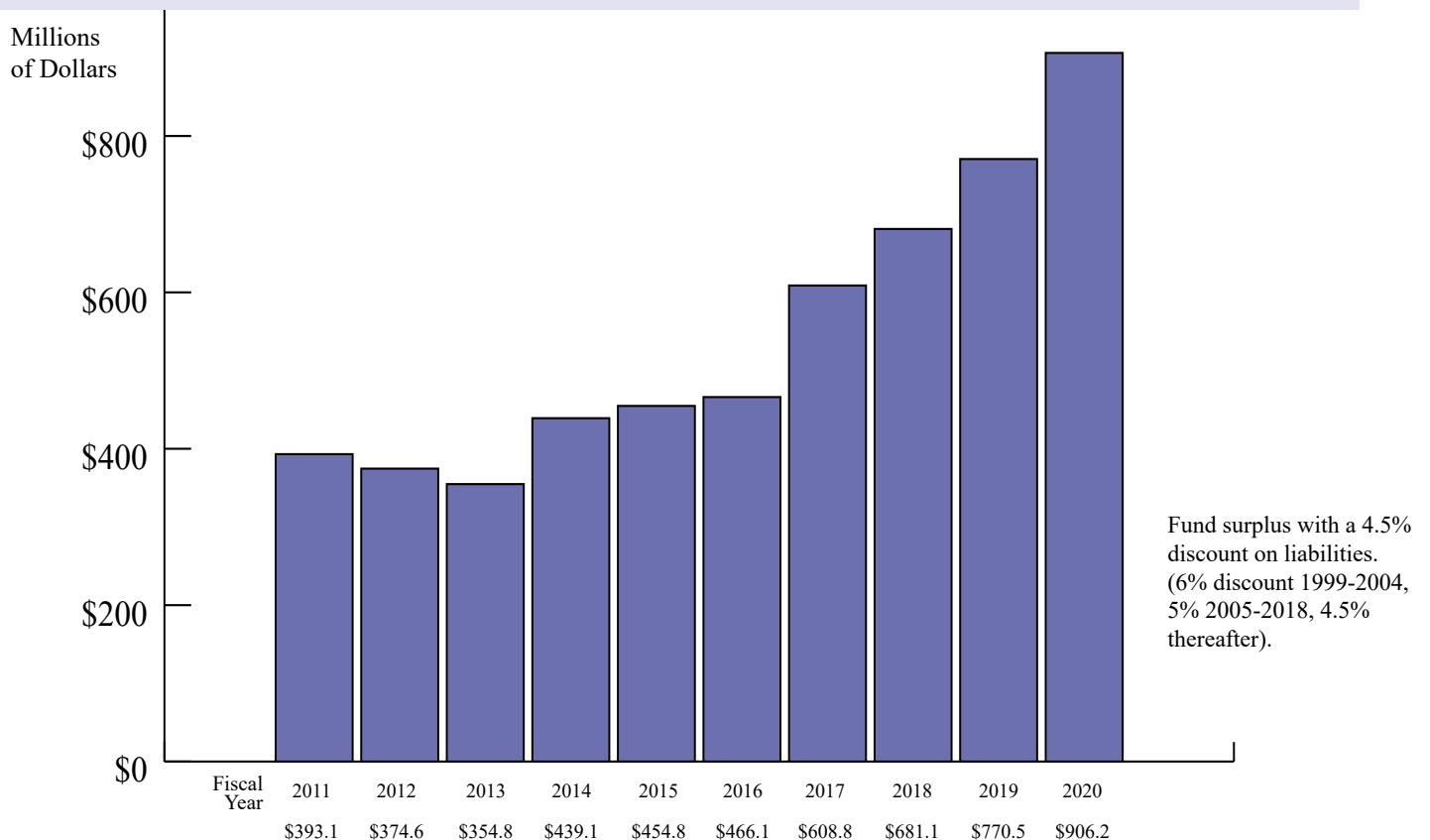
<b>Year</b>	<b>Clerical</b>	<b>Iron or Steel Construction</b>
2008	\$112.71	\$3,940.43
2009	\$111.39	\$3,455.46
2010	\$116.09	\$3,131.96
2011	\$117.30	\$2,700.45
2012	\$128.34	\$2,603.07
2013	\$130.38	\$2,404.80
2014	\$124.32	\$2,543.52
2015	\$113.92	\$2,324.68
2016	\$100.44	\$2,287.80
2017	\$91.26	\$1,846.26
2018	\$88.75	\$1,476.80
2019	\$87.36	\$1,212.12
2020	\$90.96	\$1,076.36

Source: Workforce Safety & Insurance.

## EARNED PREMIUM WORKFORCE SAFETY & INSURANCE



## WORKFORCE SAFETY & INSURANCE FUND SURPLUS



Source: Workforce Safety & Insurance.

# WORKERS' COMPENSATION PREMIUM RATE PER \$100 OF PAYROLL AS OF 2018

Rank	State	Index Rate
1	New York	3.08
2	California	2.87
3	New Jersey	2.84
4	Alaska	2.51
5	Delaware	2.50
6	Georgia	2.27
7	Connecticut	2.20
8	Rhode Island	2.19
9	Vermont	2.09
10	Louisiana	2.05
11	Wisconsin	2.02
13	Hawaii	2.01
13	Montana	2.01
14	South Carolina	1.95
16	Washington	1.87
16	Wyoming	1.87
17	Pennsylvania	1.85
19	North Carolina	1.84
19	Maine	1.84
21	Idaho	1.81
21	Florida	1.81
22	Illinois	1.80
23	South Dakota	1.73
24	Oklahoma	1.71
26	New Hampshire	1.70
26	Nebraska	1.70
27	Missouri	1.68
28	Minnesota	1.67
29	Alabama	1.65
30	Iowa	1.64
31	Mississippi	1.54
32	Tennessee	1.52
33	Kentucky	1.51
34	New Mexico	1.50
35	Colorado	1.43
36	Ohio	1.40
37	Michigan	1.38
38	Massachusetts	1.37
39	Maryland	1.33
40	Arizona	1.30
41	Virginia	1.28
42	District of Columbia	1.25
43	Texas	1.21
44	Nevada	1.18
46	Kansas	1.15
46	Oregon	1.15
47	Utah	1.06
48	West Virginia	1.01
49	Arkansas	0.90
50	Indiana	0.87
<b>51</b>	<b>North Dakota</b>	<b>0.82</b>

Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same ranking. The index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. Previous reports and summaries. Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work quickly.

Source: Oregon Department of Consumer & Business Services: [www.oregon.gov/dcbcs](http://www.oregon.gov/dcbcs). When this publication went to print, the 2018 version of this data was available. Updated information will soon be available on the Oregon Department of Consumer and Business Services website.

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NORTH DAKOTA

FAIR, EFFICIENT TAX ADMINISTRATION FOR NORTH DAKOTA.

OFFICE OF STATE TAX COMMISSIONER

600 East Boulevard Avenue, Dept. 127

Bismarck, ND 58505

701-328-7088

[taxinfo@nd.gov](mailto:taxinfo@nd.gov)

[www.nd.gov/tax](http://www.nd.gov/tax)

