

LEGISLATIVE RECAP

JUNE 2025

SALES & SPECIAL TAXES

ND Tax
NORTH DAKOTA

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SALES & SPECIAL TAXES

The following are are highlights of sales and special tax legislation approved by the 2025 Legislative Assembly and signed into law by Governor Kelly Armstrong.

ALCOHOL WHOLESALE TAX LEGISLATION

HB 1466 - DOMESTIC AND MANUFACTURING DISTILLERIES

House Bill 1466 updates the production limits for domestic distilleries and manufacturing distilleries to a limit of 25,000 gallons and 40,000 gallons per year, respectively. The bill introduces new definitions to N.D.C.C. § 5-01-01:

- Domestic Distillery - a distillery that produces 25,000 gallons or fewer of distilled spirits in a year.
- Manufacturing Distillery - a distillery that produces 40,000 gallons or fewer of distilled spirits in a year.
- Satellite Location - an offsite location owned or leased by a manufacturing distillery to conduct retail operations.

Additionally, the bill revises the proof gallon to liter ratio for self-distribution, effectively increasing the production limits related to distillery self-distribution privileges, from 42,000 liters to 45,425 liters per year. Lastly, it expands the locations a manufacturing distillery can use a special event permit to include off-premises events, on-premises events, and events at the manufacturing distillery's satellite location.

STATUTE AFFECTED

N.D.C.C. §§ 5-01-01, 5-01-19.1, and 5-01-19.2 9(2)

EFFECTIVE DATE

August 1, 2025

SB 2136 - BEER MANUFACTURER AND BEER WHOLESALE RELATIONSHIPS

Senate Bill 2136 updates the regulations regarding the relationship between beer manufacturers and wholesalers. It specifies that a brewer may not require a wholesaler to use a specific e-commerce platform. Additionally, the bill clarifies that the brewer-wholesaler contracts must continue when a brewer is sold to a new owner.

STATUTE AFFECTED

N.D.C.C. §§ 5-04-02 and 5-04-14

EFFECTIVE DATE

August 1, 2025

CIGAR LOUNGE CERTIFICATION LEGISLATION

HB 1440 - CIGAR LOUNGES

House Bill 1440 modifies the cigar lounge certification process, clarifying that the initial cigar lounge application does not need to include sales information. The bill also expands the type of products that can be smoked at a cigar lounge to include pipe tobacco.

STATUTE AFFECTED

N.D.C.C. § 23-12-10(3d)

EFFECTIVE DATE

August 1, 2025



SALES & SPECIAL TAXES

MOTOR FUELS TAX & SPECIAL FUELS TAX LEGISLATION

HB 1281 - FIRE DEPARTMENT MOTOR FUEL TAX REFUNDS

House Bill 1281 establishes a new motor fuel and special tax refund available for fuel purchases made by a fire department certified under N.D.C.C. § 18-04-02.

For purchases made after June 30, 2025, fire departments may file a claim for a refund of motor vehicle fuel (gasoline/gasohol), special fuel (undyed diesel) and aviation fuel (jet fuel or aviation gasoline) taxes. Claims for refund must be filed between January 1 and June 30 of the year following the fuel purchases.

STATUTE AFFECTED

N.D.C.C. §§ 57-43.1-03.3, 57-43.2-04.5, and 57-43.3-03.1

EFFECTIVE DATE

July 1, 2025



MOTOR VEHICLE EXCISE LEGISLATION

HB 1578 - COMMERCIAL TOWING SERVICE VEHICLE TRANSFERS

House Bill 1578 establishes a new motor vehicle excise tax exemption for vehicles that are registered and titled by a commercial towing service.

The exemption applies when the towing service transfers a vehicle into their name after obtaining a release from the North Dakota Department of Transportation (NDDOT) for the abandoned motor vehicle.

STATUTE AFFECTED

N.D.C.C. § 57-40.3-04 and 23.1-15-07(2)

EFFECTIVE DATE

JULY 1, 2025

SB 2207 - TRIBAL GOVERNMENT VEHICLE PURCHASES

Senate Bill 2207 amends the motor vehicle excise tax exemption for governmental entities to include tribal governments of a federally recognized Indian tribe.

For purpose of this exemption, an Indian tribe is defined as a tribal government agency, instrumentality, or political subdivision that performs essential government functions. Tribal business enterprises will not qualify for the exemption.

STATUTE AFFECTED

N.D.C.C. § 57-40.3-04(2)

EFFECTIVE DATE

JULY 1, 2025

OIL EXTRACTION TAX LEGISLATION

HB 1483 - OIL EXTRACTION TAX RATE REDUCTION FOR WELLS OUTSIDE BAKKEN OR THREE FORKS FORMATIONS

House Bill 1483 expands the existing rate reduction for oil extraction tax for a well certified by the Industrial Commission outside of the Bakken and Three Forks formations.

The 2% rate will now be applicable on the first 300,000 barrels produced during the first 36 months after the well is completed. The bill removes the requirement for new qualifying wells to be ten miles or more outside an established Bakken or Three Forks field. It also clarifies that this tax exemption will not apply to wells within the exterior boundaries of a reservation unless the tribe chooses to opt in to the exemption.

The bill directs Legislative Management to consider a study during the 2025-26 interim to analyze the oil extraction tax exemption for stripper wells, considering the number of stripper wells and the level of production for qualification, the estimated fiscal impact of exemption, and any alternative policies that could be implemented for stripper wells.

STATUTE AFFECTED

N.D.C.C. §57-51.1-03(4)

EFFECTIVE DATE

July 1, 2025



SB 2397 - DEVELOPMENT INCENTIVE WELL OIL EXTRACTION TAX EXEMPTION AND GAS TAX EXEMPTION

Senate Bill 2397 has two components. First, it expands the existing gas tax exemptions to include an exemption for gas used as fuel in the operation of the lease site for drilling or production of oil or gas.

The expansion also applies to gas produced from an enhanced oil recovery project that utilizes gas for injection, up to the point where the volume of the initially injected gas has been recovered. Additionally, the previous requirement that generators at the well site must consume at least 75% of the gas produced has been removed.

Secondly, the bill establishes a new oil extraction tax exemption for development incentive wells. A development incentive well is defined as one that:

- Is spud after June 30, 2025.
- Utilizes a new or innovative drilling or completion technique that is a technical advancement.
- Demonstrates the ability to access a formation that otherwise would remain undeveloped.
- Is designed and anticipated to increase the number of wells, increase production, or boost the ultimate recovery of oil or gas from a well.

To qualify for the oil extraction tax exemption, development incentive wells must receive certification from the North Dakota Industrial Commission.

The first 250,000 barrels of oil from a certified development incentive well drilled and completed before July 1, 2028, may be exempt from the oil extraction tax.

The exemption will not apply to wells located within the exterior boundaries of a reservation unless the tribe chooses to opt in by providing written notice. The development incentive well oil extraction tax exemption will expire on June 30, 2031.

STATUTE AFFECTED

N.D.C.C. §§ 57-51-02.6, 57-51-05, 57-51.1-01, and 57-51.1-03

EFFECTIVE DATE

JULY 1, 2025

SALES & SPECIAL TAXES

SALES, USE AND GROSS RECEIPTS TAXES LEGISLATION

HB 1139 - FIRE DEPARTMENTS

House Bill 1139 creates a new sales and use tax exemption for purchases made by a fire department certified under N.D.C.C. § 18-04-02 to provide fire protection services.

Fire departments that are not currently qualified to make exempt purchases may apply for a North Dakota Certificate of Exemption beginning July 1, 2025. This certificate must be presented to the vendor when the fire department makes an exempt purchase.

STATUTE AFFECTED

N.D.C.C. § 57-39.2-04

EFFECTIVE DATE

July 1, 2025

SB 2369 - EDUCATIONAL, RELIGIOUS, OR CHARITABLE EVENTS HELD AT A PUBLICLY OWNED FACILITY

Senate Bill 2369 revises the sales tax exemption for educational, religious, or charitable activities where the net receipts are expended for educational, religious, or charitable purposes when the event is held at a public facility.

Previously, when an event was held at a publicly owned facility, gross receipts exceeding \$10,000 were subject to sales tax. The amendment will allow all gross receipts generated from the event to be sales and use tax exempt as long as fair market rent is paid for use of the public facility.

STATUTE AFFECTED

N.D.C.C. § 57-39.2-04(4)

EFFECTIVE DATE

July 1, 2025

TAX ADMINISTRATION LEGISLATION

SB 2038 - DISCLOSURE OF TAX INCENTIVE INFORMATION

Senate Bill 2038 amends existing law to require that the Office of State Tax Commissioner disclose the amount of any tax exemption granted to a taxpayer to the legislative management chairman or a chairman of legislative standing committee upon request.

The bill expands the existing law which provides for similar disclosures related to tax credits and deductions claimed. The law does not allow the Tax Commissioner to disclose the taxpayer's name or any other information that is restricted under N.D.C.C. Title 57.

STATUTE AFFECTED

N.D.C.C. § 57-01-02(17)

EFFECTIVE DATE

Tax incentives claimed or granted after
December 31, 2024

SB 2177- ANIMAL AGRICULTURE FACILITY INFRASTRUCTURE FUND

Senate Bill 2177 establishes the Animal Agriculture Facility Infrastructure Fund to support counties with qualifying animal agriculture facilities. Each year, the Tax Commissioner will certify an amount for each county based on the state portion of sales, use, or gross receipts tax paid on tangible personal property used to construct, expand, upgrade, or replace an eligible facility in the previous calendar year.

To qualify, facility owners, operators, or contractors must submit documentation by March 31 showing a minimum taxable purchase value of \$300,000. Funds certified by the Tax Commissioner will be disbursed annually by the State Treasurer and must be used for infrastructure near the facility or other county needs. Total annual disbursements are capped at \$500,000. If certified amounts exceed this cap, funds will be prorated among the eligible counties.

STATUTE AFFECTED

N.D.C.C. Ch. 57-39.2

EFFECTIVE DATE

August 1, 2025