

State Board of Equalization
May 4th, 2023

The State Board of Equalization met in the Peace Garden Room of the North Dakota State Capitol and virtually through Microsoft TEAMS, Thursday, May 4th, 2023.

The following members were present:

Lieutenant Governor Tammy Miller, Chairperson
Thomas Beadle, State Treasurer
Doug Goehring, Commissioner of Agriculture
Brian Kroshus, Commissioner of Tax

The following member was absent:

Josh Gallion, State Auditor

Lieutenant Governor Miller called the meeting to order at 10:32 a.m.

The Pledge of Allegiance was recited.

It was moved by Treasure Beadle and seconded by Commissioner Goehring to approve the agenda. Upon roll call vote, all participating members voted “aye.” Motion carried.

Lieutenant Governor Miller introduced the first item of business, approval of the March 2nd, 2023, meeting minutes. It was moved by Treasure Beadle and seconded by Commissioner Goehring to approve the minutes of the March 2, 2023, meeting. Upon roll call vote, all participating members voted “aye.” Motion carried.

Lieutenant Governor Miller introduced the second item of business, the new and expanding business exemption for Spring Mud LLC, file number 727, and turned the meeting over to Commissioner Kroshus. Commissioner Kroshus introduced Shelli Myers as the new State Supervisor of Assessments before providing a summary of information about the business plan of Spring Mud LLC. Commissioner Kroshus then turned the meeting over to Spring Mud LLC to further explain their business plan.

Matt Grajczyk, speaking on behalf of Spring Mud LLC, provided an overview of the company including setting up servers, data mining, and selling block chains to its parent company located overseas. Matt further indicated the benefit to North Dakota of utilizing electricity and generating wealth within the state by providing payment to the hosting facility.

Commissioner Kroshus asked if Spring Mud LLC has a power purchase agreement set up with the co-op in the area, what the anticipated load would be, and where the power is coming

from. Matt did not have the information at his disposal and asked to find that information and get back to the State Board.

Commissioner Goehring asked if Spring Mud LLC has been deemed a primary sector business and how many people Spring Mud LLC planned to employ. Matt stated that Spring Mud LLC has been deemed a primary sector business and there would not be employees for Spring Mud LLC located in the United States.

Lieutenant Governor Miller asked for an explanation of the relationship with the operations in North Carolina. Matt clarified that the operations are not in North Carolina, but there is another server location in Texas which began being set up in 2023.

Lieutenant Governor Miller asked where the service is sold. Matt stated that the only customer is the parent company located in Singapore. There are no external customers.

Treasurer Beadle asked what Matt's relationship is with Spring Mud LLC. Matt stated that he is with a third-party accounting firm, KPMG. The accounting firm was approved to represent them for this meeting.

Commissioner Kroshus asked if Otter Tail is the company that Spring Mud LLC intends to receive power from. Commissioner Kroshus further stated that there is already a similar company north of Jamestown that utilizes power from Otter Tail, an electric company which generates power outside of North Dakota. Matt stated that he cannot speak to that right now, but he will go back to confirm who the utility provider is and where the electricity is being generated.

Commissioner Kroshus further asked for clarification regarding the sales being located in North Dakota. Commissioner Kroshus stated that the application shows that 100 percent of the sales will be in North Dakota, but Matt stated the sales will only be made to the parent company in Singapore.

Commissioner Goehring asked Commissioner Kroshus if any of income would be taxable in North Dakota. Commissioner Kroshus stated "No". Commissioner Goehring then asked why Spring Mud LLC would need a tax exemption. Commissioner Kroshus asked the applicant to answer that question.

Matt stated that if we can confirm with Spring Mud LLC that the income is not taxable in North Dakota, then he will give them that conclusion as well.

Anna Molsar, representative with KPMG representing Spring Mud LLC regarding sales and use tax and income tax in the United States, stated that Spring Mud LLC will not be generating electrical power, rather, Spring Mudd LLC will be generating hash power which then runs algorithms to generate crypto currency and allows for transactions between cryptocurrencies. Spring Mud LLC will be using power for that process.

Lieutenant Governor Miller clarified that the question was not regarding the generation of electrical power, but the source of power Spring Mud LLC intends to utilize. Anna stated that they will confirm that with Spring Mud LLC.

Commissioner Goehring asked if there was any taxable income that will be required to be paid to the State of North Dakota. Anna stated that all the sales will be located outside of North Dakota.

Commissioner Goehring stated that we may need to delay any motion on the application until more facts are clarified.

Lieutenant Governor Miller asked what benefit North Dakota would receive from this company. Matt stated the benefit is the payment to the hosting facility which is generating income to that facility.

Treasurer Beadle asked how large the facility will be. Matt stated that he does not have that information but can go back to the parent company to get that information.

It was moved by Commissioner Goehring and seconded by Treasurer Beadle to table the application until more information is received by Spring Mud LLC. Upon roll call vote, all participating members voted "aye." Motion carried.

Lieutenant Governor Miller adjourned the meeting at 10:56 a.m.