



# Notice

## To Filers of North Dakota Forms 58 and 60

**From:** North Dakota Office of State Tax Commissioner

**Date:** January 2, 2009

**Re:** 2007 Legislation Affecting Partnerships and S corporations and their owners<sup>1</sup>

As a result of legislation passed by the 2007 North Dakota Legislature, your partners or shareholders (owners) may contact you for information about the amount of property taxes that the partnership or S corporation paid on its commercially-assessed property located in North Dakota. This notice explains why they are contacting you and describes what information to provide to them. If you hire a tax professional to prepare your North Dakota income tax return, we suggest that you print this notice and give it to your preparer.

### Why your owners may contact you

The 2007 North Dakota Legislature, in Senate Bill 2032, set up a 2-year property tax relief program. Part of the program provides an income tax credit for property taxes paid on North Dakota property that is classified as commercial for property tax purposes. For the first year of the program, the credit is based on the 2006 real estate taxes and 2007 mobile home taxes that became due in 2007 on the North Dakota commercial property, and is to be claimed on the 2007 North Dakota income tax return.<sup>2</sup>

The tax credit will not be calculated nor claimed on the North Dakota income tax return of the partnership (Form 58) or S corporation (Form 60). Instead, the credit will be claimed by your owners on their own 2007 North Dakota income tax returns. The owners will calculate the tax credit based on their share of the partnership's or S corporation's eligible property taxes. If they haven't already done so, your owners may contact you in the next few months to obtain the applicable property tax information they will need to calculate the credit on their 2007 North Dakota income tax returns.

### What property tax information to provide to your owners

If contacted by your owners, they will need the following information to calculate the credit on their 2007 North Dakota income tax returns:

1. Total 2006 real estate taxes and 2007 mobile home taxes that the partnership or S corporation paid on commercially-assessed property located in North Dakota. This is the sum of the following two amounts:
  - a. Consolidated tax shown on the 2006 real estate tax statements and 2007 mobile home tax statements for North Dakota commercially-assessed property that is directly owned by the partnership or S corporation; and
  - b. Your share of the consolidated tax shown on the 2006 real estate tax statements and 2007 mobile home tax statements for North Dakota commercially-assessed property held by other partnerships or S corporations in which your partnership or S corporation held an interest. You will have to contact the other partnerships or S corporations to obtain this information.

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<sup>1</sup> This also applies to a limited liability company that files a North Dakota partnership return (Form 58) or a North Dakota S corporation return (Form 60), and the term "owners" used in this notice includes the members of a limited liability company.

<sup>2</sup> For the second year of the program, the credit is based on the 2007 real estate taxes and 2008 mobile home taxes that become due in 2008, and the credit is claimed by the owners on their 2008 North Dakota income tax returns.

2. Owner’s distributive share percentage. This is the percentage that, when applied to the partnership’s or S corporation’s total applicable property taxes, yields the owner’s share of the total applicable property taxes. In the case of a partnership, if the partnership agreement does not provide for this, the owner’s distributive share percentage is 100 percent divided by the number of partners. In the case of an S corporation, the owner’s distributive share percentage is based on stock ownership.

Please note the following with respect to the property tax information to be provided:

- Only include the property tax information for property located in North Dakota.
- Only include commercially-assessed property. Do not include property taxes paid on property that is not classified as commercial for property tax purposes, e.g. residential or agricultural.
- The “consolidated tax” is the amount of property taxes determined by multiplying the taxable value by the mill levy shown on the statement. Do not include special assessments and do not subtract any discount separately shown on the statement.
- To be eligible, the owner must have held an interest in the partnership or S corporation on the due date of the 2006 real estate taxes and 2007 mobile home taxes, which is January 1, 2007, and January 10, 2007, respectively.
- If an owner is an estate, trust, or an entity subject to North Dakota’s financial institution tax (which includes banks and similar financial institutions that file North Dakota Form 35), the owner is not eligible for the credit.
- The tax year of the partnership or S corporation—whether it is a calendar year or a fiscal year—is not relevant for purposes of this notice.

**Alternative reporting option**

At your discretion, you may want to be proactive in this regard and provide the applicable property tax information to your owners in a letter of your own. We would certainly encourage this. For a suggested format of a notice to provide the information to your eligible owners, please refer to the attached document.

**Assistance**

If you have any questions about this notice, please contact our office as follows:

Phone: Bismarck-Mandan (local)..... 701.328.1247  
Toll free ..... 877.328.7088

E-mail: [individualtax@nd.gov](mailto:individualtax@nd.gov)

Web site: [www.nd.gov/tax/property/taxrelief](http://www.nd.gov/tax/property/taxrelief)

Address: Office of State Tax Commissioner  
600 East Boulevard Avenue, Dept. 127  
Bismarck, ND 58505-0599

## Notice to Owner of a Passthrough Entity

### Purpose

This notice contains information that may be important to the preparation of your 2007 North Dakota income tax return. The information in this notice only applies if you file one of the following North Dakota income tax forms: ND-1, ND-2, 40, 58, or 60. **Disregard this notice if you file North Dakota Form 38 or North Dakota Form 35.**

The 2007 North Dakota Legislature, in Senate Bill 2032, set up a 2-year property tax relief program. Part of the program provides an income tax credit for property taxes paid on North Dakota property that is classified as commercial for property tax purposes. In the case where the North Dakota commercial property is held by a partnership, S corporation, or limited liability company that files North Dakota Form 58 (partnership return) or North Dakota Form 60 (S corporation return), the credit is allowed to the owners based on their share of the partnership's or S corporation's eligible property taxes on commercially-assessed property located in North Dakota.

To find out if you are eligible for the North Dakota commercial property tax income tax credit—

<b>Obtain:</b>	<b>If you are a(n):</b>
2007 Schedule PT	Individual who files Form ND-1 or Form ND-2
2007 Form PT (Form 40)	Regular (“C”) corporation that files Form 40

If you are a partnership, S corporation, or limited liability company—

<b>See:</b>	<b>If you are a(n):</b>
2007 Form 58, Schedule K	Partnership (or limited liability company) that files Form 58
2007 Form 60, Schedule K	S corporation (or limited liability company) that files Form 60

### Commercial property tax information

If you are an eligible individual or regular (“C”) corporation, enter the following information on the applicable lines of the 2007 Schedule PT, Section 2, line 3a, or the 2007 Form PT (Form 40):

Name of passthrough entity ..... \_\_\_\_\_

Passthrough entity's FEIN ..... \_\_\_\_\_

Total 2006 real estate taxes and  
2007 mobile home taxes paid  
by passthrough entity ..... \_\_\_\_\_

Distributive share percentage..... \_\_\_\_\_ %

If you are an eligible partnership, S corporation, or limited liability company (that files either Form 58 or Form 60), you will not need all of the above information. Enter the total 2006 real estate taxes and 2007 mobile home taxes shown above on the 2007 Form 58, Schedule K, line 24b, or on the 2007 Form 60, Schedule K, line 23b.

### Assistance

If you have any questions about this notice, please contact the North Dakota Office of State Tax Commissioner as follows:

Phone: Bismarck-Mandan (local)..... 701.328.1247  
Toll free ..... 877.328.7088

E-mail: [individualtax@nd.gov](mailto:individualtax@nd.gov)

Web site: [www.nd.gov/tax/property/taxrelief](http://www.nd.gov/tax/property/taxrelief)

Address: Office of State Tax Commissioner  
600 East Boulevard Avenue, Dept. 127  
Bismarck, ND 58505-0599