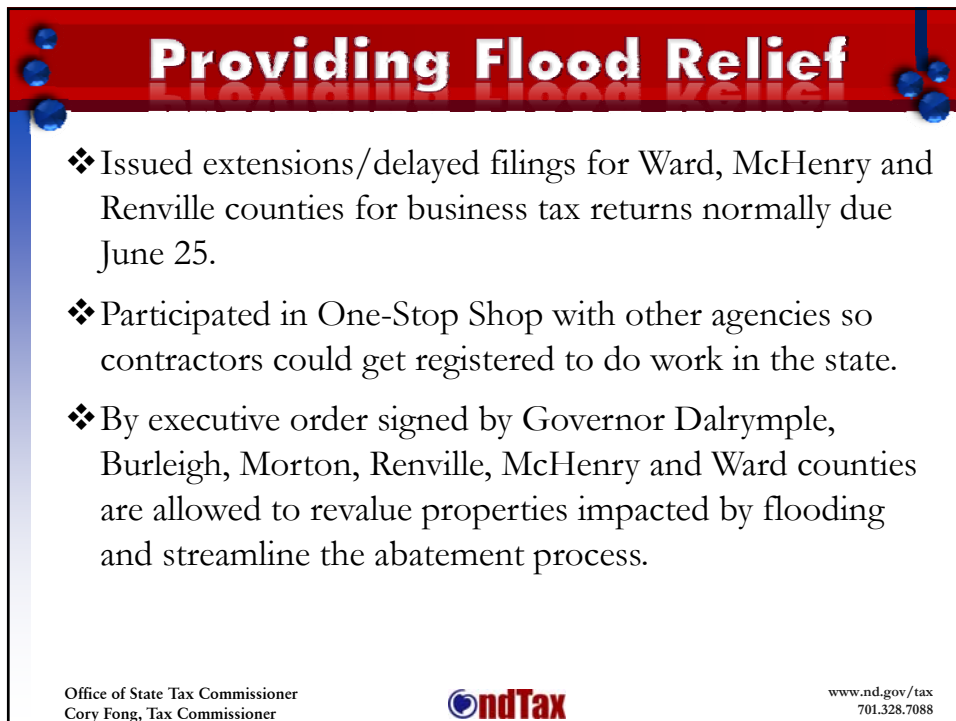


A graphic with a dark red background. On the left, there is a grid of nine small photographs showing various people in different settings, including a chef, a construction worker, a farmer, and a woman in a lab. A vertical line of blue circles runs down the left side of the grid. The text "North Dakota Tax Update" is written in large, white, bold letters in the center-right. At the bottom center, the "ndTax" logo is displayed in white and red.


North Dakota Tax Update

A graphic with a dark red header and a white body. The header contains the text "Providing Flood Relief" in white, bold letters. The body contains three bullet points with diamond-shaped markers. At the bottom left, there is contact information for the Office of State Tax Commissioner. At the bottom center, the "ndTax" logo is displayed. At the bottom right, there is a website URL and a phone number.

Providing Flood Relief

- ❖ Issued extensions/delayed filings for Ward, McHenry and Renville counties for business tax returns normally due June 25.
- ❖ Participated in One-Stop Shop with other agencies so contractors could get registered to do work in the state.
- ❖ By executive order signed by Governor Dalrymple, Burleigh, Morton, Renville, McHenry and Ward counties are allowed to revalue properties impacted by flooding and streamline the abatement process.

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Individual Income Tax Relief

HB 1047

- ❖ Rates reduced across the board 17.9% starting with tax year 2011.
- ❖ Rates will range from 1.51% - 3.99%, reduced from 1.84% - 4.86%.
- ❖ Will result in a reduction of **\$120 million** for the 2011-13 biennium.
- ❖ Will result in a “two-session” rate reduction of **30.2%** for individuals, farmers, small businesses.

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Corporate Income Tax Relief

HB 1047

- ❖ Rates reduced across the board 19.5% starting with tax year 2011.
- ❖ Rates will be 1.68%; 4.23%; 5.15%, reduced from 2.1%; 5.25%; 6.4%.
- ❖ Will result in a reduction of **\$25 million** for 2011-13 biennium.
- ❖ Will result in a “two-session” rate reduction **23.5%** for corporations.

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Sustaining Property Tax Relief

HB 1047

- ❖ Continues the property tax relief that was first enacted in 2009.
- ❖ Is funded through a general fund appropriation of **\$342 million** for the 2011-13 biennium.
- ❖ Home owners won't see an additional decrease as this is a continuation of relief that is already in place.

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Individual Income Tax Relief

HB 1072

- ❖ Ensures that married couples filing joint returns will not see an increase in their state income taxes in the future should the current standard federal deduction for married joint be reduced in the future.
 - Standard Deduction for Single and Married Separate Filers \$5,700
 - Standard Deduction for Married Joint Filers \$11,400
- ❖ Acts like a trigger - the calculation kicks in only when the standard deduction for married joint filers is reduced at the federal level to something less than the current deduction.
- ❖ Reduces the taxable income of married joint filers for state purposes by the amount of the marriage penalty, reducing their state tax liabilities accordingly.

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Angel Fund Investment Tax Credit

HB 1057 – Changes to the existing credit

- ❖ Credit now available to passthrough entities.
- ❖ \$150,000 cap on the amount of credits that may be claimed for investments made on or after January 1, 2011.
- ❖ Credits from investments made in a new Angel Fund certified after August 1, 2011 may be sold/transferred.
 - ▶ Some limitations apply...
 - ▶ This provision is only effective for 2 years.

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Automation Equipment Income Tax Credit

SB 2057, Section 14

- ❖ Effective starting with the 2013 tax year (3 years thereafter).
- ❖ Credit is 20% of the cost of qualifying equipment.
 - ▶ New or Used Automation and Robotic Equipment
- ❖ Unused credits may be carried forward 5 years.
- ❖ \$2 million statewide annual cap on credits that may be earned.
- ❖ Administered by the Department of Commerce.

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Housing Incentive Fund Income Tax Credit

SB 2210

- ❖ Creates a Housing Incentive Fund.
- ❖ Credit is equal to the contribution to the fund.
 - ▶ No more than 20% of the credit can be claimed in a year.
- ❖ Unused credits may be carried forward 10 years.
- ❖ No more than \$4 million in credits may be earned by investors in a biennium.
- ❖ Administered by the ND Housing Finance Agency.

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Qualified Endowment Income Tax Credit

SB 2160

- ❖ Expands an existing credit for Planned and Charitable Gifts.
- ❖ Credit is equal to 40% of the charitable gift.
 - ▶ \$10,000 maximum for individuals
 - ▶ \$20,000 maximum for married couples
- ❖ Charitable gift must be to a Qualified Endowment.
- ❖ Charitable gift to a Qualified Endowment must be greater than \$5,000 in the aggregate during a year.
- ❖ Unused credits may be carried forward 3 years.

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Nonresident Mobile Workforce Exemption

SB 2170

- ❖ Establishes exemptions from state income tax and withholding requirements.
 - ▶ Employee must not have any other ND income.
 - ▶ Employee does not spend more than 20 working days in North Dakota
- ❖ Exceptions to the Exemption do Exist
 - ▶ Professional Athlete; Professional Entertainer; Person of Prominence; Construction Workers; Key Employees; Non-Corporate Key Employees.

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Sales Tax Legislation Exemptions

- ❖ Theme for 2011 Session: Exemptions
 - ▶ **HB1153**: MVE related to reorganizations and trusts
 - ▶ **HB1217**: MVE disabled veterans
 - ▶ **HB 1157**: AET aircraft acquired by air museums
 - ▶ **HB1334**: Memberships and activity fees charged by nonprofit 501(c)(7) if no paid employees
 - ▶ **HB1424**: Farm chemicals
 - ▶ **SB2034**: Equipment used to sell green diesel
 - ▶ **SB2171**: Extended on telecommunications infrastructure
 - ▶ **SB2172**: Coin-operated amusement

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Sales Tax Legislation Exemptions

- ❖ Theme for 2011 Session: Exemptions (continued)
 - ▶ **SB2202**: Oil refineries; gas gathering/processing
 - ▶ **SB2292**: Nonprofit fundraising sales
 - ▶ **SB2236**: New coal mines

- ❖ **HB1246**
Study Sales Tax Exemptions
 - ▶ Comparative analysis of all sales tax exemptions

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Oil Production

- ❖ July production = approximately 410,000 barrels of oil per day (BOPD)
 - ▶ North Dakota is now the 4th largest oil producing state
 - (after TX, AK, CA)
 - ▶ Previous oil boom in 80's
 - topped out at 148,000 BOPD in August 1984
 - ▶ Currently 200 rigs drilling in North Dakota
 - ▶ Studies indicate there are at least 4 billion barrels in recoverable reserves in the Bakken Formation

- ❖ Forecast indicates we will collect \$2.04 billion in oil taxes in the 2011-13 biennium

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Oil Taxes

- ❖ North Dakota has two oil tax types
 - ▶ Oil & Gas Production Tax (GPT) 5%
 - ▶ Oil Extraction Tax (OET) 6 ½%
 - ▶ Majority of the state's oil production is subject to the **combined 11.5% tax rate**
 - ▶ Overall, the state's effective tax rate is currently 10.4%

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Oil Production Incentives

HB 1467

- ❖ Incentive triggers on the 1st day of the month following a month where the average price is less than \$57.50.
- ❖ Incentive triggers off on the 1st day of the month following a month where the average price is greater than \$72.50.
- ❖ HB 1467 extends the sunset of this incentive out to June 30, 2013.

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Oil Production Incentives

HB 1467

- ❖ The incentive lowers the Oil Extraction tax rate from 6.5% to 2% for qualifying production.
- ❖ Wells drilled and completed after April 30, 2009 are eligible.
- ❖ Applies to first 75,000 barrels or the first \$4.5 million of gross value at the well, whichever is less, during the first eighteen months of production.

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Potash Taxation

HB 1046

- ❖ Creates a 2% tax on potash produced in the state.
- ❖ Processing plant, mining facility or satellite facilities will be locally assessed.
- ❖ Byproducts are taxed at a rate of 4% of gross value

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Potash Taxation

HB 1046

❖ “Byproducts” include any mineral product, combination or compound thereof produced during the processing of a subsurface mineral that is sold and includes:

aluminum, antimony, arsenic, barium, beryllium, bismuth, boron, cadmium, calcium, cerium, cesium, chromium, cobalt, columbium, copper, gallium, germanium, gold, gypsum, gem stones, hafnium, indium, iridium, iron, lanthanum, lead, lithium, manganese, magnesium, mercury, molybdenum,	nickel, osmium, palladium, platinum, praseodymium, rare earth metals, rhenium, rhodium, rubidium, ruthenium, samarium, scandium, selenium, silicon, silver, sodium, strontium, tantalum, tellurium, thallium, thorium, tin, titanium, tungsten, vanadium, yttrium, zinc, and zirconium.
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❖ Byproducts do not include oil, natural gas, or liquid hydrocarbon, individually or in any combination, coal, carbon dioxide or severed sand or gravel subject to an extraction or severance tax under any other provisions of this title.

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Questions?

Office of State Tax Commissioner

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