



Guideline

Property Tax Property Not Assessed by Local Assessors Centrally assessed property & property that is subject to "in lieu" taxes

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Centrally Assessed Property

1. Electric and Gas Companies - North Dakota Century Code ch. 57-06

- a. The state board of equalization assesses all real and personal property used in the operation and conduct of business as of January 1.
- b. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as personal property.
- c. 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, are exempt for the first year. Property taxes are reduced by 75 percent for the second year, 50 percent for the third year, and 25 percent for the fourth year. After the fourth year, the transmission line and associated substations are exempt from property tax and are subject to a tax of \$300 per mile allocated to the counties' general funds.
- *d. A centrally assessed wind turbine electric generation unit with a nameplate capacity of 100 kilowatts or more, on which construction is completed before January 1, 2011, must be valued at 3 percent of assessed value to determine taxable valuation of the property. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is completed after April 30, 2005, and before July 1, 2006, must be valued at 1½ percent of assessed value to determine taxable valuation. This reduced valuation applies for the duration of the initial purchased power agreement for that generation unit. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, on which construction is completed after June 30, 2006, and before January 1, 2011, must be valued at 1½ percent of assessed value to determine taxable valuation of the property.

2. Pipeline Companies N.D.C.C. ch. 57-06

- a. The state board of equalization assesses all real and personal property used in the operation and conduct of business as of January 1.
- b. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as personal property.

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3. Carbon Dioxide Pipelines

N.D.C.C. §§ 57-06-17.1 and 57-06-17.2

- a. Carbon dioxide pipeline property, not including land, is exempt from taxation during construction and for the first ten taxable years following initial operation, if it is constructed after 1996 for use in enhanced recovery of oil or natural gas.
- b. The property must be valued annually by the state board of equalization in the manner that other pipeline valuations are certified.
- c. Each county auditor shall submit a statement of the amount of taxes that would have been assessed against carbon dioxide pipeline property to the state treasurer for payment.

4. North Dakota Pipeline Authority

N.D.C.C. ch. 54-17.7

- a. Pipeline property, not including land, is exempt from taxation during construction and for the first ten taxable years following initial operation, if it consists of a pipeline owned by the authority and constructed after 2006 under chapter 54-17.7.
- b. The property must be valued annually by the state board of equalization and certified in the manner that other pipeline valuations are certified.
- c. Each county auditor shall submit a statement of the amount of taxes that would have been assessed against exempted pipeline property to the state treasurer for payment.

5. Air Transportation Companies

N.D.C.C. chs. 57-06 and 57-32

- a. The state board of equalization assesses all real property used in the operation and conduct of business.
- b. The tax commissioner collects and deposits the taxes with the state treasurer, who allocates the taxes to the cities or municipal airport authorities served by air transportation companies.
- c. Personal property used in the operation and conduct of business is not assessable.

6. Railroads

N.D.C.C. ch. 57-05

- a. The state board of equalization assesses all real property used in the operation of a railroad.
- b. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as other real property.
- c. Personal property used in the operation of a railroad is not assessable.
- d. All railroad real property leased to others for a term of years is subject to local assessment and valuation as if the lessee were the owner. (N.D.C.C. § 57-02-26)

- e. Documents and information concerning Class II and Class III railroads must be kept confidential by the Office of State Tax Commissioner.

In Lieu Taxes

7. Rural Electric Cooperatives

N.D.C.C. ch. 57-33

- a. Rural electric cooperatives include nonprofit cooperative corporations engaged in the distribution or transmission of electric energy primarily for consumption in rural areas, and nonprofit cooperative corporations engaged in the generation of electric energy primarily for consumption in rural areas.
- b. The tax commissioner imposes a tax of 1 percent of a cooperative's gross receipts for the first five years of operation and 2 percent for subsequent years.
- c. The cost of electric energy purchased for resale by a cooperative that does not own and operate an electric generation plant must be deducted from the cooperative's gross receipts before the tax liability is determined.
- d. The cost of wind energy purchased for resale from a centrally assessed North Dakota wind energy facility must be deducted from the cooperative's gross receipts before the tax liability is determined.
- e. The tax commissioner certifies the taxes to the county auditors. The county treasurers collect and distribute the taxes to the state, county, and local taxing districts in which the rural electric cooperative's lines are located on the basis on which the general property tax is distributed.
- f. The tax is in lieu of all other taxes on a rural electric cooperative's personal property.
- g. A rural electric cooperative's personal property includes, by statute, all poles, wires, lines, transformers, generating equipment, meters, machinery, buildings, and substations used for housing such equipment and office fixtures used in connection with the cooperative business (N.D.C.C. § 57-33-02).
- h. Land or lots owned and leased sites used by a rural electric cooperative are subject to local assessment.
- i. Any part of rural electric cooperative property which is not used in connection with the cooperative business and which, under N.D.C.C. § 57-02-04, is considered real property, e.g., part of a building leased to others, is subject to local assessment.
- j. Any incorporated city in which electric power is furnished to consumers in the city by a rural electric distribution cooperative may, by ordinance, impose an annual tax upon the rural electric distribution cooperative for the privilege of distributing and furnishing power to consumers within the city. The amount of that tax is reduced by the amount of tax levied on the cooperative, pursuant to the provisions of N.D.C.C. § 57-33-04(1), that is allocable and distributable to the city [N.D.C.C. § 57-33-04(2)].

8. Cooperative Electrical Generating Plants

N.D.C.C. § 57-33.1-02(1)

- a. Coal-fired plants once taxed under this subsection are now subject to the coal conversion facility privilege tax (N.D.C.C. ch. 57-60). Other cooperative-owned electric generating plants having a single electrical energy generation unit of at least 100,000 kilowatts qualify for taxation under this subsection. At this time there are no qualifying plants in North Dakota.

9. Cooperative-owned Transmission Lines - 230 Kilovolts or Larger

N.D.C.C. § 57-33.1-02(2)

- a. The tax commissioner imposes and collects a tax of \$225 per mile on cooperative-owned transmission lines of 230 kilovolts or larger. The state treasurer allocates the taxes to the counties in which the lines are located.
- b. Lines initially placed in service or substantially expanded on or after October 1, 2002, are taxed at \$300 per mile. Those lines are exempt for the first year. The tax is reduced by 75 percent for the second year, 50 percent for the third year and 25 percent for the fourth year.
- c. The tax is in lieu of any property tax on the lines and on any substations used in delivering electrical energy, the gross receipts or production of which is subject to taxation under N.D.C.C. ch. 57-33.1 or 57-60.

10. North Dakota Transmission Authority

- a. Transmission facilities built under the provisions of N.D.C.C. ch. 49-24, North Dakota transmission authority, are exempt from property taxes for a period to be determined by the authority not to exceed five years.
- b. After this initial period, transmission lines of 230 kilovolts or larger and associated transmission substations remain exempt from property tax but are subject to a per mile tax at the full per mile rate and subject to the same manner of imposition and allocation as the tax imposed on cooperative-owned transmission lines of 230 kilovolts or larger, without application of discounts.

11. Coal Conversion Facilities

N.D.C.C. ch. 57-60

- a. Coal conversion facilities include coal-fired electrical generating plants with at least one single electrical generation unit with a capacity of 10,000 kilowatts or more, coal gasification plants which use or are designed to use over 500,000 tons of coal per year, other plants which use or are designed to use over 500,000 tons of coal per year, coal beneficiation plants, and gas-fired electrical generating facilities which generate electrical power through consumption of gas produced by the conversion of coal from its natural form into gas and have a capacity of 10,000 kilowatts or more.
- b. The coal conversion facility privilege tax is in lieu of all ad valorem taxes except for taxes on the land on which the facility is located. It is also in lieu of gross receipts taxes imposed by N.D.C.C. chs. 57-33 and 57-33.1.
- c. The land on which a coal conversion facility is located is subject to assessment by the state board of equalization if it is owned by a public utility. The land is subject to local assessment if it is not owned by a public utility.

- d. The tax is allocated to the counties in which the plants are located and the state general fund. The county portion is allocated to the cities, school districts, and the county general fund.
- e. A new coal conversion facility or repowered electrical generating plant is exempt from the state's portion of the coal conversion tax for five years. A county may exempt a new coal conversion facility or repowered electrical generating plant from all or part of the county's portion of the tax for up to five years. "Repowering" means an investment of more than \$200 million or \$1 million per megawatt of installed nameplate capacity, whichever is less, in an existing power plant that modifies or replaces the process used for converting coal from its natural form into electrical power.

12. Telecommunications Carriers

N.D.C.C. ch. 57-34

- a. A telecommunications carrier is a person engaged in the business of transmitting for consideration two-way communication by wire, cable, fiber optics, radio, lightwave, microwave, satellite, or other means. The term includes a reseller of telecommunications service.
- b. The state board of equalization imposes a tax of 2 1/2 percent of adjusted gross receipts on each telecommunications carrier. The tax is paid to the state tax commissioner.
- c. There is a standing and continuing appropriation of \$8.4 million per calendar year to be allocated to each county in the same proportion that telecommunications company property taxes and rural telephone company gross receipts taxes received by taxing districts in the county in 1997 bear to telecommunications company property taxes and rural telephone company gross receipts taxes received by all taxing districts in the state in 1997.
- d. Telecommunications gross receipts taxes are in lieu of all taxes on real and personal property directly used by a telecommunications carrier in its telecommunications operations.
- e. CATV, or cable television, one-way paging, and any other one-way service are not considered telecommunications service for purposes of the gross receipts tax. Real property used in those operations is subject to local assessment.

* Indicates significant change since last revised.