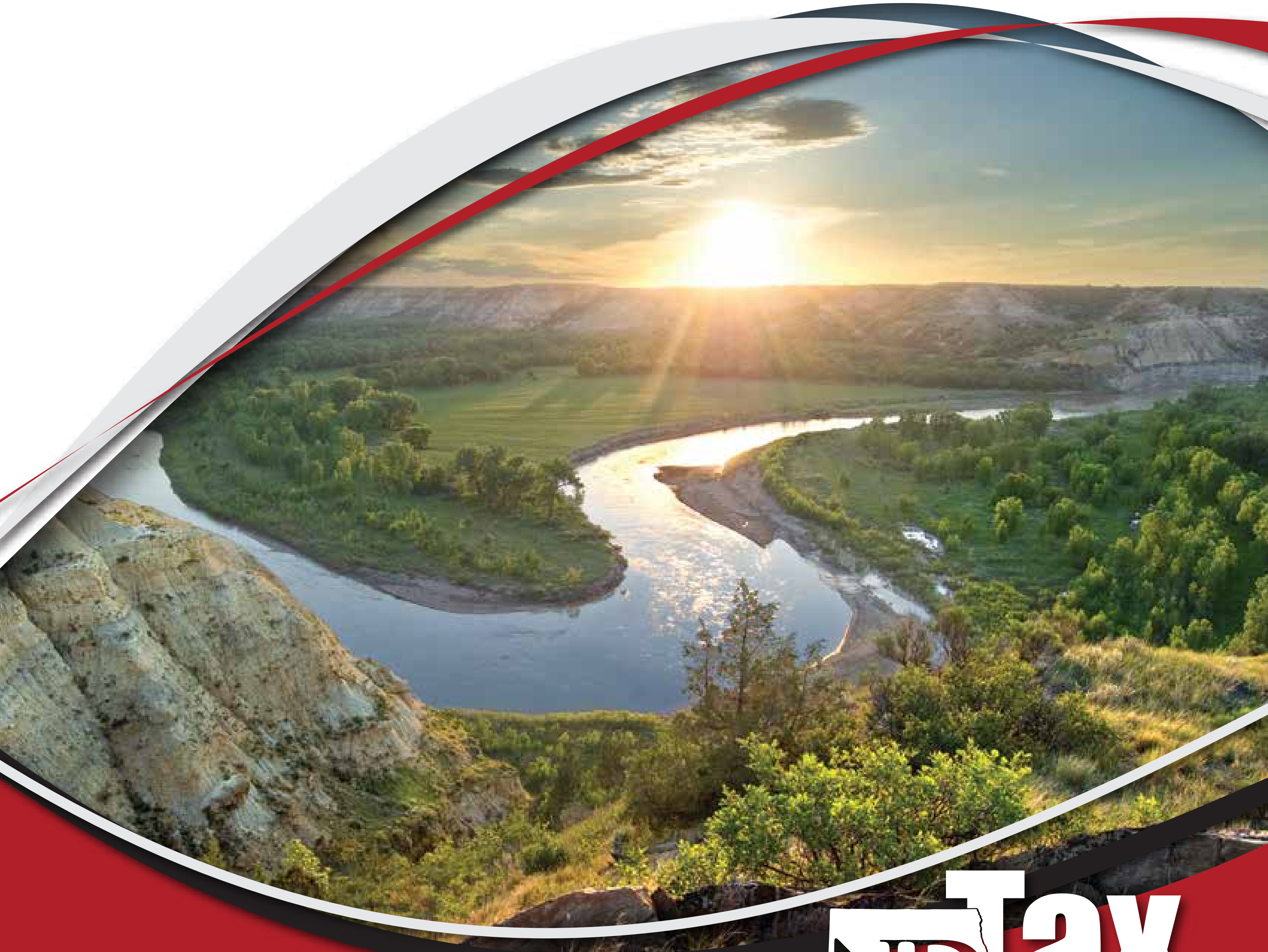
2014
State and Local Taxes
An Overview and Comparative Guide



NORTH DAKOTA

Ryan Rauschenberger
Tax Commissioner

Greetings from North Dakota Tax Commissioner Ryan Rauschenberger

Welcome to the 2014 Edition of North Dakota State and Local Taxes: An Overview and Comparative Guide (a.k.a. The Red Book).

Individuals, businesses and government across North Dakota are working together, building for our tomorrow. This has brought about a period of extraordinary growth. Our population is growing, surpassing the all-time high set decades ago. North Dakota is number one in personal income growth and number two in per capita personal income growth, and continues to have the lowest unemployment rate in the nation – just under three percent for every month in 2014.

Additionally, in 2013 Forbes ranked North Dakota as the second best state for business and careers. The Bureau of Economic Analysis ranked North Dakota number one in Economic Growth in 2013. All major industry sectors grew in 2013, consumer confidence is healthy and cities from west to east are reporting strong gains. Wherever you go across the state, you will notice construction projects in progress. All of this leads to a happy state. According to the annual Gallup ranking, in 2013 North Dakota was ranked the happiest state in the nation.

These extraordinary times have led to record revenue collections, too, which is remarkable when you consider what has been happening nationally. For example, during the first 15 months of the 2013-15 biennium, North Dakota's Sales and Use tax collections increased 15 percent compared to the previous biennium. For Individual Income Tax, that increase is 20 percent; and for Corporate Income Tax the increase is 36 percent. An important note to make about the increase in income tax collections is that the growth occurred even though significant income tax rate reductions were enacted for 2013.

The Red Book is designed for anyone who wants to learn more about North Dakota's taxes. It brings together the tax laws, a historical perspective of those taxes, and combines the latest data with comparisons and rankings with other states. This version contains the most recent statistical data available as of December 2014.

I am always interested in hearing from you. Please feel free to share with me your suggestions and input concerning North Dakota taxes and our department.

Sincerely,

Ryan Rauschenberger

Ryan Rauschenberger
Tax Commissioner

Cover Photo Credit:
Gerald Blank, North Dakota Tourism

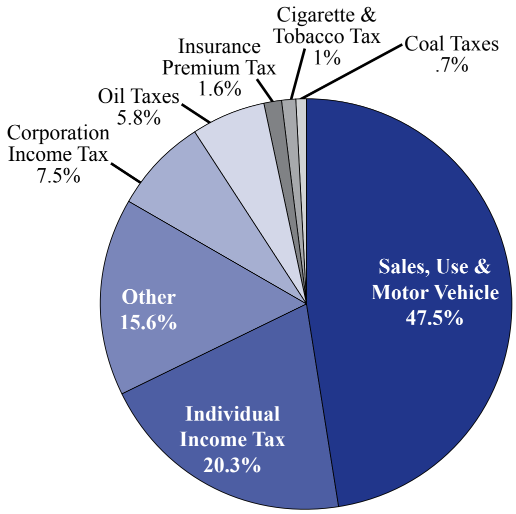
Table of Contents

REVENUE OVERVIEW

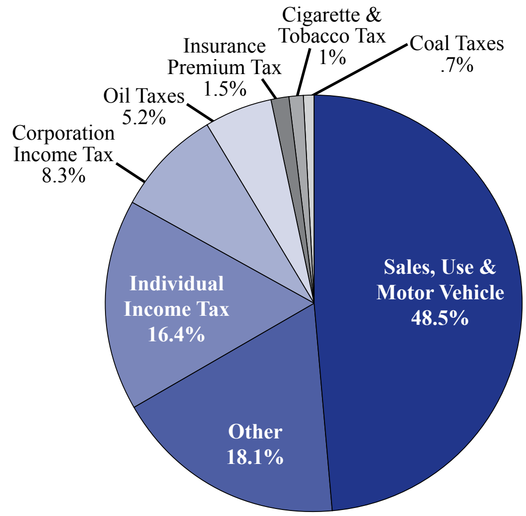
This chapter contains historical comparisons of North Dakota revenue. General Fund information is given, as well as trends in collections.

Comparison of Revenue Sources
Percent of Total - State General Fund

2011-2013 Biennium
$5.155 Billion

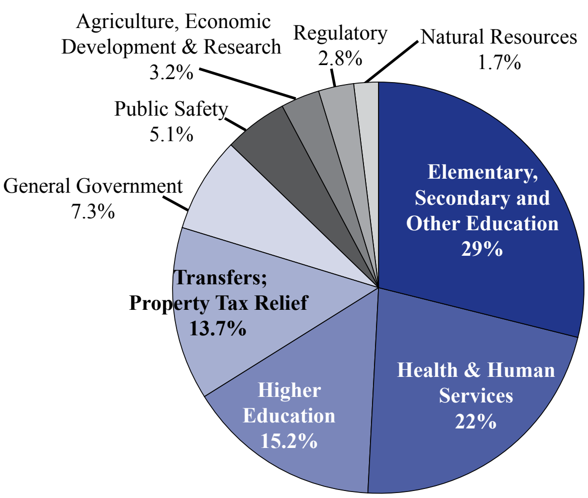


(PROJECTED)
2013-2015 Biennium
$5.785 Billion

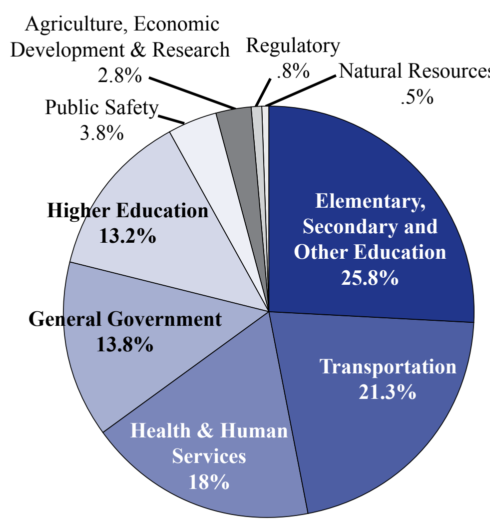


Comparison of Expenditures
Percent of Total - State General Fund

2011-13 General Fund Expenditures By Program
Total = $4.428 Billion



2013-15 General Fund Appropriations [1]
Total = $6.863 Billion



[1] This is the amount appropriated by the 2013 Legislative Assembly. Actual expenditures will vary from appropriated levels.

SOURCE: Office of Management and Budget.

State General Fund Budget by Revenue Sources
2003-05 through 2013-15 Biennia (in Millions)

Revenue Sources	Biennium Revenues					Projected 2013-15 Biennium*
	2003-2005	2005-2007	2007-2009	2009-2011	2011-2013	
INTEREST, MINERAL LEASES, TRANSFERS						
- Interest Income	6.935	36.507	49.506	43.685	13.671	19.930
- Mineral Leasing Fees	11.025	13.960	25.307	17.522	43.052	36.792
- Bank of ND Profits Transfer	60.000	60.000	60.000	0.000	0.000	0.000
- State Mill Profits Transfer	5.000	5.000	0.000	13.902	9.449	6.817
- Gas Tax Administration Transfer	1.396	1.400	1.274	1.288	1.485	1.777
- Other Transfers	91.412	88.310	133.277	1,164.493	600.253	861.970
SALES, USE AND MOTOR VEHICLE (1)	845.768	967.653	1,176.637	1,391.636	2,449.703	2,824.678
INDIVIDUAL INCOME TAX	452.547	587.659	681.704	729.256	1,046.161	951.143
CORPORATION INCOME TAX	102.927	232.294	239.696	234.364	385.815	481.516
OIL TAXES	71.000	71.000	71.000	71.000	300.000	300.000
COAL TAXES	47.197	49.218	49.439	39.064	38.399	38.875
CIGARETTE AND TOBACCO TAXES	39.477	44.683	45.231	46.253	53.724	59.567
INSURANCE PREMIUM TAX	56.285	52.873	64.389	63.151	82.858	84.927
WHOLESALE LIQUOR TAX	11.889	12.788	14.077	15.164	17.618	18.335
BUSINESS PRIVILEGE TAX/FINANCIAL INSTITUTIONS TAX	4.959	9.702	10.486	6.749	11.237	(4.871)
GAMING TAXES	20.851	17.986	20.042	16.190	11.136	7.098
LOTTERY	7.269	12.600	11.055	10.400	14.300	15.200
DEPARTMENTAL FEES & COLLECTIONS	61.005	53.781	62.143	68.578	76.994	81.912
OTHER (2)	56.457					
TOTAL GENERAL FUND REVENUES	**1,953.399**	**2,317.414**	**2,715.263**	**3,932.695**	**5,155.855**	**5,785.667**
BEGINNING BALANCE	14.790	68.015	295.541	361.894	996.833	1,396.059
REVENUES AND BEGINNING BALANCE	1,968.189	2,385.429	3,010.805	4,294.589	6,152.688	7,181.726
FUNDS RELATED TO PRIOR BIENNIUM CARRY-OVER AND ADJUSTMENTS	7.139	8.728	17.151	77.145	106.955	255.377
REVENUE AVAILABLE DURING BIENNIUM	1,975.328	2,394.157	3,027.955	4,371.734	6,259.643	7,437.103
GENERAL FUND EXPENDITURES	1,798.211	1,978.386	2,458.012	3,199.549	4,427.640	6,756.088
TRANSFER TO BUDGET STABILIZATION FUND	99.473	100.527	124.937	61.415	181.061	
NET CARRYOVER OBLIGATIONS ANDADJUSTMENTS	9.629	19.703	83.112	113.937	254.883	
UNOBLIGATED ENDING BALANCE	**68.015**	**295.541**	**361.894**	**996.833**	**1,396,059**	**681.015 (3)**

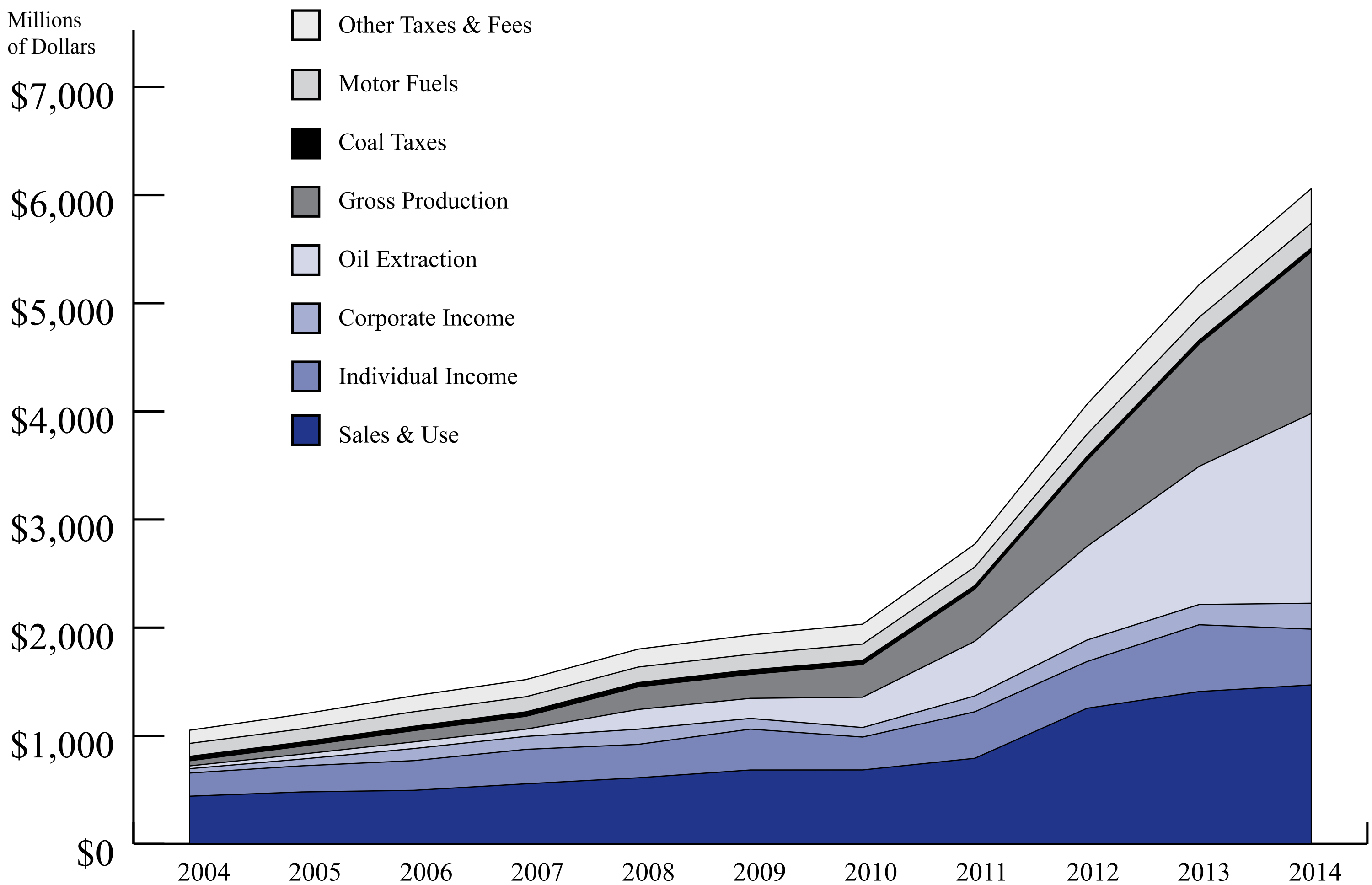
* Based on the November 2014 revised forecast.

(1) A portion of sales, use and motor vehicle excise taxes is deposited in the State Aid Distribution Fund (S.A.D.F.) and that revenue is not included in this table. As of July 1, 2014, the portion is 43.5% x 1% ÷ general sales tax rate, or 8.7% of all sales, use, and motor vehicle excise taxes.

(2) Federal Fiscal Relief payments deposited in the State General Fund.

(3) N.D.C.C. § 54-27.2-02 provides that any end of biennium balance in excess of $65.0 million must be transferred to the Budget Stabilization Fund, up to a cap of 9.5% of appropriations. The current balance is $583.5 million. The actual transfer will be dependent upon the level of appropriations authorized by the 2015 Legislature.

Office of State Tax Commissioner Net Collections
Fiscal Years 2004-2014

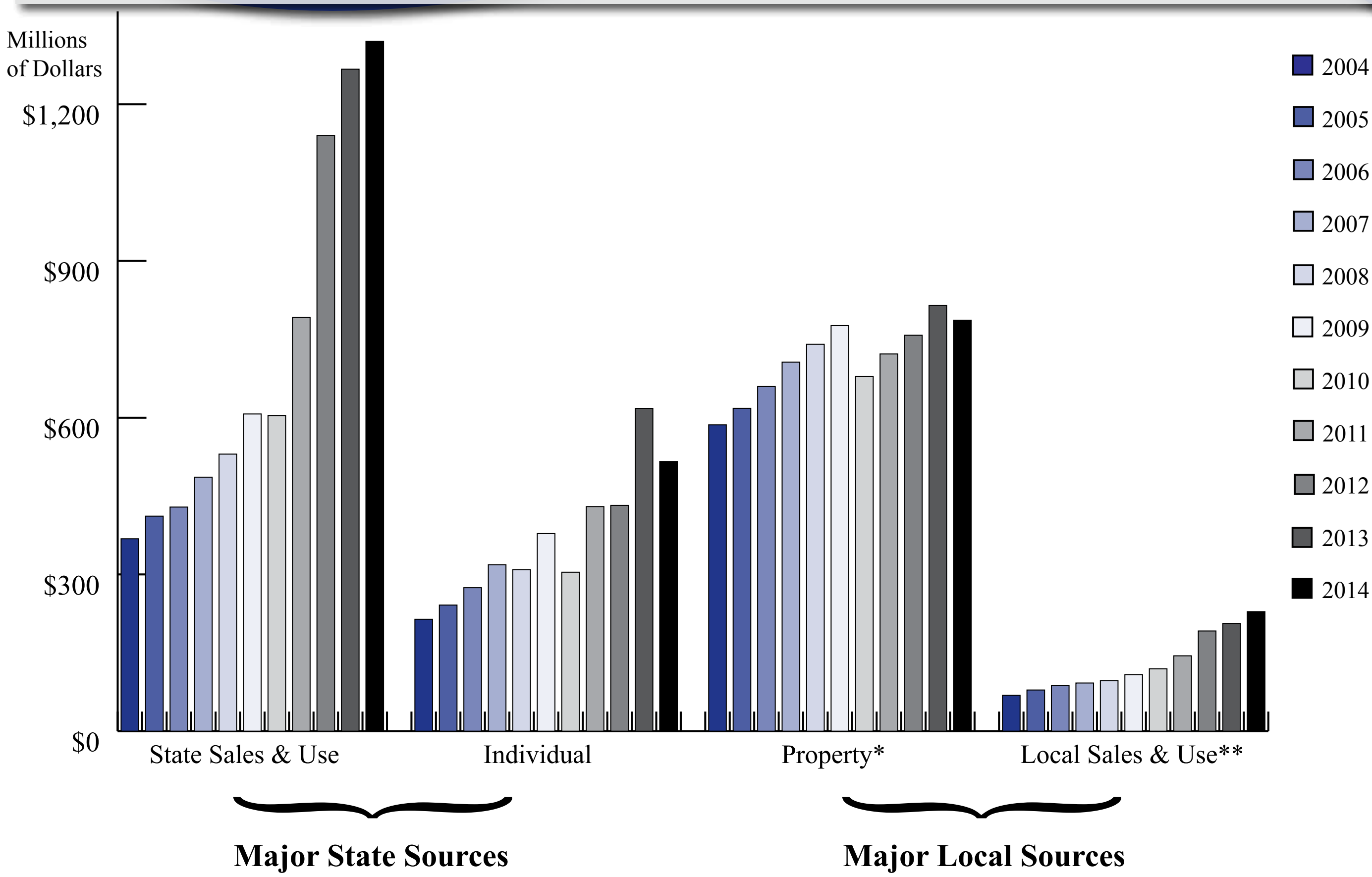


Tax Type	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales & Use	441.4	480.6	495.6	556.0	611.6	683.6	684.1	791.7	1,254.1	1,408.9	1,470.1
Individual Income	214.1	241.3	274.6	318.4	308.9	378.1	304.3	429.9	432.2	617.9	516.1
Corporate Income	40.3	62.7	111.8	120.0	140.7	99.0	87.9	146.5	198.7	187.1	239.4
Oil Extraction	25.6	45.6	61.8	67.2	182.4	185.8	280.6	505.6	865.1	1,277.4	1,754.8
Gross Production	47.5	74.0	104.4	118.8	209.4	221.5	302.1	481.1	795.7	1,130.4	1,493.0
Coal Taxes	40.6	37.7	39.8	40.9	39.0	41.6	37.7	34.4	36.4	35.9	36.2
Motor Fuels	119.9	122.2	134.1	140.0	144.0	144.5	151.7	171.6	205.2	212.3	228.7
Other Taxes & Fees	121.9	135.5	148.0	158.5	165.3	177.7	183.6	221.3	277.4	300.6	320.7
Total Net Collections*	1,051.3	1,199.7	1,370.0	1,519.8	1,801.3	1,931.8	2,032.0	2,782.1	4,064.1	5,170.5	6,059.0

*Totals may not sum due to rounding.

SOURCE: Office of State Tax Commissioner.

Source of Major State and Local Taxes
2004-2014



Fiscal Year	State Sales & Use Tax	Individual Income Tax	Property Tax*	Local Sales & Use Tax**
2004	368,323,637	214,145,899	586,412,017	68,644,864
2005	411,553,514	241,319,731	618,065,693	78,761,154
2006	428,906,406	274,621,741	659,789,376	87,563,544
2007	485,986,114	318,433,494	706,427,621	92,143,032
2008	530,283,623	308,889,352	740,540,738	96,566,720
2009	607,170,311	378,135,463	776,398,475	108,264,455
2010	603,732,481	304,252,924	678,749,378	119,411,810
2011	791,691,834	429,899,506	721,988,244	144,237,942
2012	1,139,782,929	432,191,803	757,769,004	191,754,625
2013	1,267,030,354	617,933,162	814,941,905	206,247,609
2014	1,320,167,042	516,139,885	786,233,820	228,776,287

*Ad valorem tax only; does not include special taxes or special assessments. Does not reflect the 12% state-paid credit for 2014.

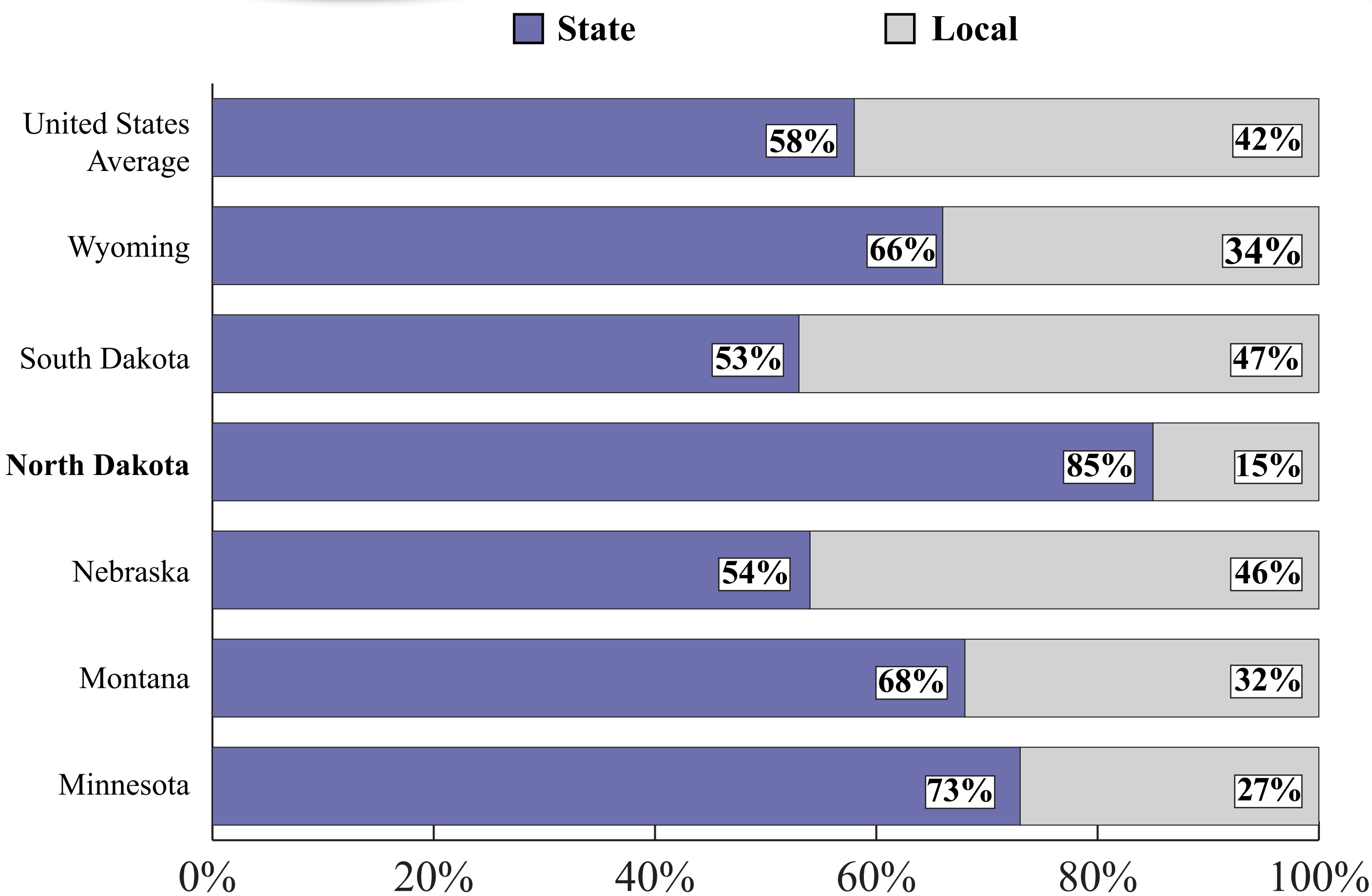
**The local sales tax figures do not include city occupancy or city restaurant and lodging taxes.

SOURCE: Office of State Tax Commissioner.

State Comparisons

This chapter provides a comparison of overall tax levels between the states.* There are a variety of ways to rank and compare state taxes. We have used a number of different sources to give you a broad range of research. Each measurement provides insights, but also has limitations. Please contact the Office of State Tax Commissioner for more information about the various measurements.

State vs. Local Tax Collections
Regional Comparison - 2011-2012



SOURCE: State & Local Government Finances by Level of Government by State: 2011-12 www.census.gov/govs/statetax

* *The rankings of specific types of taxes are found throughout this publication. Those comparisons are located within the chapter relating to that particular type of tax.*

Comparing the 50 States' Combined State/Local Tax Burdens in 2013
(Measuring Taxes as a Percentage of Income)

Each state's total tax burden (taxes as a percentage of income) is a combination of federal, state, and local tax burdens. It can be instructive to strip out federal taxes and compare just the state and local tax burdens. Generally, high-income states rise because, with their high costs of living and commensurately higher salaries, they are hit harder by the progressive federal income tax. Low-income states that have high state-local tax burdens fall in the ranking when federal taxes are added in.

	State and Local			Total		Rank Change After Adding Federal Taxes
	Tax Burden	Rank		Tax Burden	Rank	
Alaska	13.9%	1	Alaska	28.3%	13	12
North Dakota	**13.8%**	**2**	**North Dakota**	**33.4%**	**4**	**2**
Vermont	10.1%	3	Vermont	24.3%	26	23
Hawaii	9.6%	4	Hawaii	20.8%	40	36
Minnesota	8.2%	5	Minnesota	43.4%	2	-3
West Virginia	8.2%	6	West Virginia	18.5%	46	40
Delaware	8.1%	7	Delaware	56.5%	1	-6
Arkansas	7.9%	8	Arkansas	34.4%	3	-5
Connecticut	7.4%	9	Connecticut	32.0%	7	-2
Mississippi	7.3%	10	Mississippi	17.6%	49	39
California	7.2%	11	California	25.2%	21	10
Maine	7.1%	12	Maine	19.6%	43	31
Wyoming	7.1%	13	Wyoming	24.3%	24	11
New Mexico	6.9%	14	New Mexico	18.3%	47	33
New York	6.9%	15	New York	28.5%	12	-3
Kentucky	6.8%	16	Kentucky	24.2%	27	11
Indiana	6.7%	17	Indiana	26.8%	14	-3
Wisconsin	6.7%	18	Wisconsin	25.3%	20	2
Montana	6.6%	19	Montana	19.1%	44	25
Michigan	6.5%	20	Michigan	24.3%	25	5
Nevada	6.4%	21	Nevada	20.9%	39	18
Illinois	6.4%	22	Illinois	29.0%	11	-11
North Carolina	6.2%	23	North Carolina	23.6%	30	7
Massachusetts	6.2%	24	Massachusetts	29.8%	10	-14
Idaho	6.1%	25	Idaho	21.0%	38	13
Iowa	6.1%	26	Iowa	21.4%	37	11
Utah	6.0%	27	Utah	22.6%	33	6
Rhode Island	6.0%	28	Rhode Island	32.3%	6	-22
Kansas	5.9%	29	Kansas	25.2%	22	-7
New Jersey	5.9%	30	New Jersey	31.9%	9	-21
Oregon	5.8%	31	Oregon	22.3%	35	4
Pennsylvania	5.8%	32	Pennsylvania	26.2%	16	-16
Ohio	5.8%	33	Ohio	32.0%	8	-25
Maryland	5.7%	34	Maryland	23.3%	32	-2
Washington	5.6%	35	Washington	23.6%	29	-6
Oklahoma	5.5%	36	Oklahoma	24.2%	28	-8
Arizona	5.5%	37	Arizona	20.5%	41	4
Nebraska	5.4%	38	Nebraska	32.4%	5	-33
Alabama	5.3%	39	Alabama	18.7%	45	6
South Carolina	5.1%	40	South Carolina	17.0%	50	10
Louisiana	4.8%	41	Louisiana	25.9%	18	-23
Tennessee	4.8%	42	Tennessee	25.8%	19	-23
Virginia	4.8%	43	Virginia	22.4%	34	-9
Georgia	4.7%	44	Georgia	24.4%	23	-21
Colorado	4.6%	45	Colorado	23.4%	31	-14
Missouri	4.5%	46	Missouri	26.7%	15	-31
Texas	4.5%	47	Texas	26.0%	17	-30
Florida	4.3%	48	Florida	21.7%	36	-12
South Dakota	3.9%	49	South Dakota	20.2%	42	-7
New Hampshire	3.5%	50	New Hampshire	18.3%	48	-2
U.S. Average	5.4%		U.S. Average	22.4%		

SOURCE: State Government Tax Collections: 2013, www.census.gov/govs/statetax, US Dept. of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, www.bea.gov/regional

Taxes Per Capita and as a Percent of Income, Calendar Year 2013, by State

	Per Capita Total Taxes	Per Capita Federal Taxes	Per Capita State/Local Taxes	Per Capita Income	Total Taxes as % of Income	Federal Taxes as % of Income	State/Local Taxes as % of Income	Total Taxes as % of Income Rank	State & Local Taxes as % of Income Rank
United States	10,035	7,639	2,395	44,765	22.4%	17.1%	5.4%	-	-
Alabama	6,833	4,916	1,917	36,481	18.7%	13.5%	5.3%	47	38
Alaska	14,184	7,201	6,983	50,150	28.3%	14.4%	13.9%	4	1
Arizona	7,581	5,548	2,033	36,983	20.5%	15.0%	5.5%	39	41
Arkansas	12,625	9,724	2,902	36,698	34.4%	26.5%	7.9%	3	9
California	12,199	8,724	3,474	48,434	25.2%	18.0%	7.2%	18	11
Colorado	10,969	8,834	2,135	46,897	23.4%	18.8%	4.6%	29	47
Connecticut	19,422	14,934	4,487	60,658	32.0%	24.6%	7.4%	8	18
Delaware	25,306	21,688	3,618	44,815	56.5%	48.4%	8.1%	1	7
Florida	8,989	7,220	1,769	41,497	21.7%	17.4%	4.3%	37	46
Georgia	9,217	7,436	1,781	37,845	24.4%	19.6%	4.7%	32	44
Hawaii	9,425	5,085	4,340	45,204	20.8%	11.2%	9.6%	41	6
Idaho	7,598	5,378	2,220	36,146	21.0%	14.9%	6.1%	43	24
Illinois	13,646	10,640	3,005	46,980	29.0%	22.6%	6.4%	12	37
Indiana	10,337	7,761	2,577	38,622	26.8%	20.1%	6.7%	15	20
Iowa	9,568	6,857	2,710	44,763	21.4%	15.3%	6.1%	36	32
Kansas	11,178	8,545	2,633	44,417	25.2%	19.2%	5.9%	26	28
Kentucky	8,774	6,313	2,461	36,214	24.2%	17.4%	6.8%	23	14
Louisiana	10,683	8,689	1,994	41,204	25.9%	21.1%	4.8%	13	39
Maine	8,004	5,079	2,925	40,924	19.6%	12.4%	7.1%	38	10
Maryland	12,557	9,501	3,056	53,826	23.3%	17.7%	5.7%	30	35
Massachusetts	17,087	13,516	3,571	57,248	29.8%	23.6%	6.2%	9	23
Michigan	9,499	6,964	2,535	39,055	24.3%	17.8%	6.5%	28	17
Minnesota	20,615	16,735	3,880	47,500	43.4%	35.2%	8.2%	2	8
Mississippi	5,962	3,487	2,475	33,913	17.6%	10.3%	7.3%	48	12
Missouri	10,846	9,003	1,843	40,663	26.7%	22.1%	4.5%	17	45
Montana	7,528	4,923	2,606	39,366	19.1%	12.5%	6.6%	46	21
Nebraska	15,260	12,735	2,525	47,157	32.4%	27.0%	5.4%	14	36
Nevada	8,202	5,684	2,519	39,235	20.9%	14.5%	6.4%	40	22
New Hampshire	9,352	7,560	1,791	51,013	18.3%	14.8%	3.5%	45	49
New Jersey	17,657	14,389	3,267	55,386	31.9%	26.0%	5.9%	6	27
New Mexico	6,594	4,099	2,495	35,965	18.3%	11.4%	6.9%	44	13
New York	15,549	11,800	3,749	54,462	28.5%	21.7%	6.9%	10	15
North Carolina	9,126	6,712	2,414	38,683	23.6%	17.4%	6.2%	25	19
North Dakota	**17,787**	**10,459**	**7,329**	**53,182**	**33.4%**	**19.7%**	**13.8%**	**11**	**2**
Ohio	13,142	10,780	2,362	41,049	32.0%	26.3%	5.8%	5	31
Oklahoma	10,114	7,805	2,309	41,861	24.2%	18.6%	5.5%	27	34
Oregon	8,874	6,543	2,331	39,848	22.3%	16.4%	5.8%	34	33
Pennsylvania	12,084	9,425	2,659	46,202	26.2%	20.4%	5.8%	16	25
Rhode Island	15,163	12,368	2,795	46,989	32.3%	26.3%	6.0%	7	26
South Carolina	6,108	4,282	1,826	35,831	17.0%	12.0%	5.1%	50	40
South Dakota	9,291	7,476	1,815	46,039	20.2%	16.2%	3.9%	49	50
Tennessee	10,203	8,299	1,904	39,558	25.8%	21.0%	4.8%	20	43
Texas	11,405	9,449	1,955	43,862	26.0%	21.5%	4.5%	21	48
Utah	8,268	6,087	2,182	36,640	22.6%	16.6%	6.0%	33	30
Vermont	11,044	6,453	4,592	45,483	24.3%	14.2%	10.1%	24	3
Virginia	10,963	8,640	2,323	48,838	22.4%	17.7%	4.8%	35	42
Washington	11,268	8,590	2,678	47,717	23.6%	18.0%	5.6%	22	29
West Virginia	6,568	3,667	2,901	35,533	18.5%	10.3%	8.2%	42	5
Wisconsin	10,953	8,076	2,877	43,244	25.3%	18.7%	6.7%	19	16
Wyoming	12,850	9,100	3,750	52,826	24.3%	17.2%	7.1%	31	4

SOURCE: State Government Tax Collections: 2013, www.census.gov/govs/statetax, US Dept. of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, www.bea.gov/regional

Estimated Burden of Major State & Local Taxes for a Family of Three - 2013

$25,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE
Income	$5	$275	-$895	$0	$0	-$302
Property[1]	$1,030	$1,219	$1,507	$1,166	$1,138	$1,258
Sales	$534	$0	$757	$751	$360	$572
Auto	$237	$386	$293	$210	$241	$344
Total	$1,805	$1,880	$1,662	$2,125	$1,738	$1,872
% of Income	7.2%	7.5%	6.6%	8.5%	7.0%	7.5%
National rank*	46	44	48	38	47	45

$50,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE
Income	$294	$1,192	$1,201	$0	$0	$794
Property	$2,234	$939	$2,237	$2,094	$1,082	$2,793
Sales	$698	$0	$962	$904	$476	$751
Auto	$250	$401	$341	$223	$287	$503
Total	$3,475	$2,532	$4,741	$3,258	$1,845	$4,841
% of Income	7.0%	5.1%	9.5%	6.5%	3.7%	9.7%
National rank*	41	50	19	43	51	18

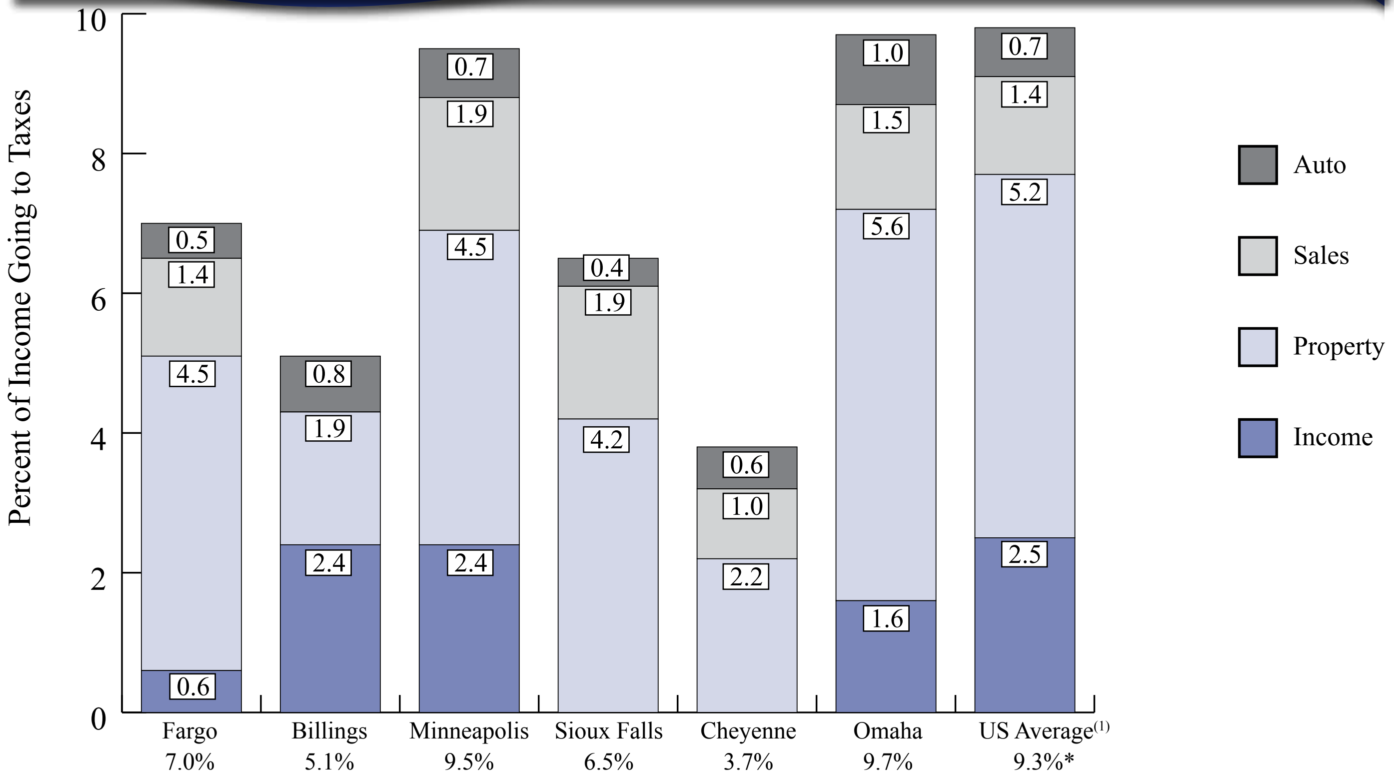
$100,000 Gross Family Income

Tax Type	Fargo, ND	Billings, MT	Minneapolis, MN	Sioux Falls, SD	Cheyenne, WY	Omaha, NE
Income	$943	$4,455	$3,795	$0	$0	$3,433
Property	$4,467	$1,878	$4,770	$4,189	$2,164	$5,586
Sales	$1,161	$0	$1,507	$1,474	$814	$1,241
Auto	$654	$854	$907	$669	$666	$1,241
Total	$7,225	$7,187	$10,978	$6,332	$6,644	$11,476
% of Income	7.2%	7.2%	11.0%	6.3%	3.6%	11.5%
National rank*	43	44	19	46	51	14

[1] Based on 20 percent of estimated annual rent.
* Based on all 50 states and the District of Columbia.

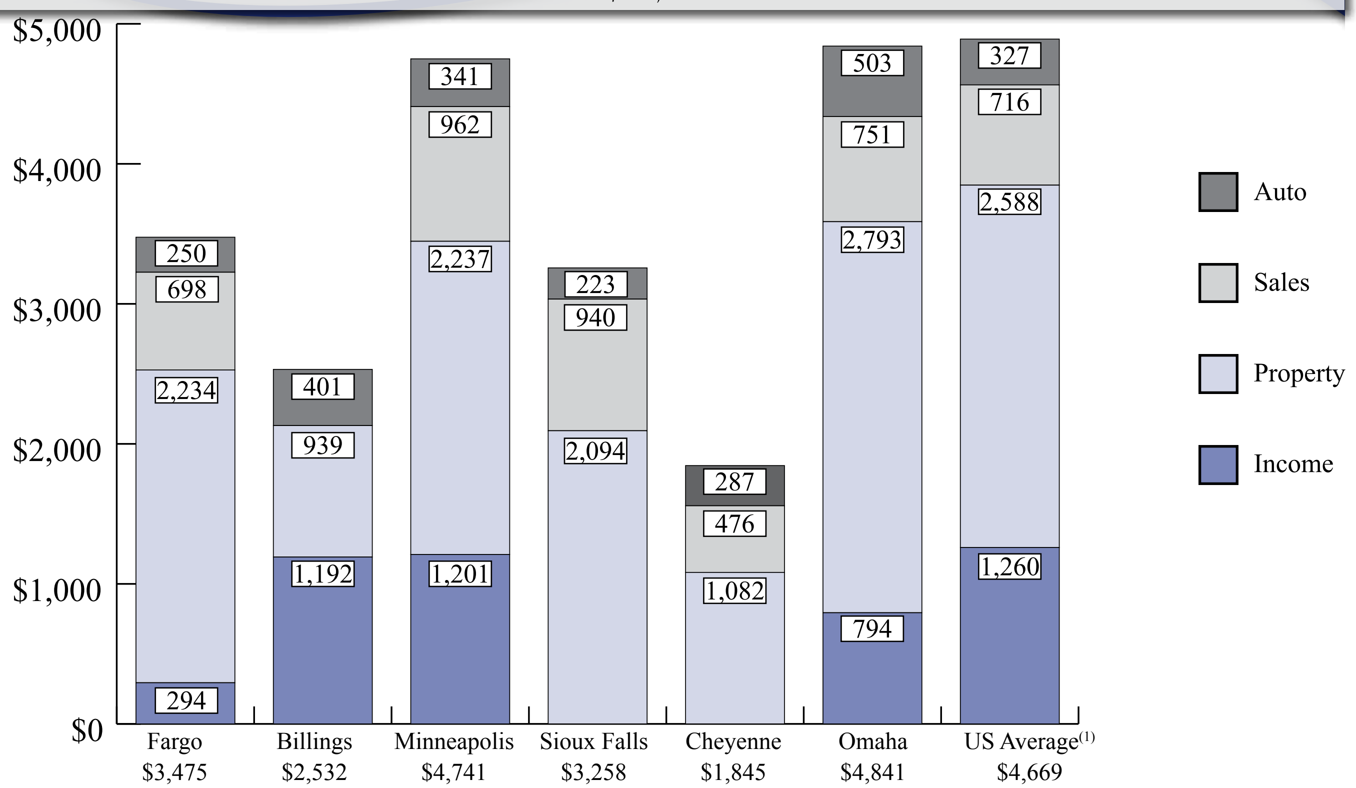
SOURCE: Tax Rates and Tax Burdens In the District of Columbia - A Nationwide Comparison 2013, Government of the District of Columbia.

Major Taxes as a Percent of Income
Family of 3 - $50,000 per year



SOURCE: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2013, Government of the District of Columbia.

Major Tax Burden for Family of Three
Earning $50,000 per year



* Amounts may not add due to rounding. (1) Based on cities actually levying tax.
SOURCE: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2013, Government of the District of Columbia.

State Taxes by Source - Fiscal Year 2013

	General Sales & Use	Individual Income	Corporate Income	Motor Fuels	Licenses	All Other
Alabama	25.16%	34.56%	4.12%	5.72%	5.29%	25.14%
Alaska	0.00%	0.00%	12.29%	0.81%	2.64%	84.25%
Arizona	48.05%	25.22%	4.91%	5.80%	3.06%	12.95%
Arkansas	33.05%	30.86%	4.69%	5.31%	4.16%	21.93%
California	25.47%	50.16%	5.60%	4.12%	6.57%	8.08%
Colorado	21.49%	49.16%	5.80%	5.57%	5.67%	12.31%
Connecticut	23.90%	48.41%	3.55%	3.00%	2.81%	18.34%
Delaware	0.00%	33.78%	9.25%	3.37%	37.63%	15.97%
Florida	60.09%	0.00%	5.99%	6.74%	5.76%	21.41%
Georgia	29.66%	49.30%	4.48%	5.62%	4.18%	6.76%
Hawaii	48.33%	28.49%	2.03%	1.52%	3.78%	15.86%
Idaho	37.00%	36.11%	5.60%	6.84%	8.57%	5.89%
Illinois	21.07%	42.72%	11.53%	3.25%	6.67%	14.75%
Indiana	40.13%	29.39%	4.62%	4.75%	4.13%	16.99%
Iowa	30.09%	41.04%	5.12%	5.26%	9.53%	8.96%
Kansas	38.02%	38.80%	5.05%	5.45%	5.03%	7.66%
Kentucky	27.94%	34.42%	5.98%	7.75%	4.28%	19.63%
Louisiana	30.64%	29.71%	2.74%	6.32%	4.01%	26.59%
Maine	27.59%	39.43%	4.43%	6.12%	6.72%	15.72%
Maryland	22.71%	42.46%	5.25%	4.09%	4.44%	21.04%
Massachusetts	21.69%	53.87%	7.90%	2.73%	3.96%	9.85%
Michigan	33.58%	32.85%	3.59%	3.99%	5.80%	20.19%
Minnesota	23.82%	42.56%	6.48%	4.09%	5.63%	17.42%
Mississippi	43.11%	23.71%	5.62%	5.58%	7.16%	14.81%
Missouri	28.32%	48.30%	3.39%	6.29%	4.94%	8.76%
Montana	0.00%	39.53%	6.47%	8.17%	12.13%	33.69%
Nebraska	35.38%	44.54%	5.84%	6.30%	2.77%	5.17%
Nevada	51.77%	0.00%	0.00%	4.23%	8.35%	35.65%
New Hampshire	0.00%	4.18%	23.34%	6.04%	11.51%	54.93%
New Jersey	29.08%	41.64%	7.85%	1.80%	5.22%	14.41%
New Mexico	37.85%	23.86%	5.14%	4.53%	4.92%	23.71%
New York	16.45%	54.61%	6.68%	2.22%	2.65%	17.39%
North Carolina	23.53%	46.57%	5.41%	7.97%	6.49%	10.03%
North Dakota	**23.94%**	**12.11%**	**4.26%**	**4.00%**	**3.92%**	**51.77%**
Ohio	31.56%	36.11%	0.96%	6.24%	12.61%	12.52%
Oklahoma	28.32%	32.80%	6.58%	4.89%	11.36%	16.05%
Oregon	0.00%	68.34%	5.02%	5.44%	10.08%	11.12%
Pennsylvania	27.21%	31.73%	6.50%	6.03%	7.61%	20.92%
Rhode Island	29.98%	37.04%	4.91%	3.20%	4.71%	20.17%
South Carolina	36.69%	38.50%	4.43%	5.97%	5.04%	9.37%
South Dakota	55.66%	0.00%	2.42%	9.28%	16.77%	15.87%
Tennessee	53.61%	2.13%	10.16%	6.75%	11.49%	15.86%
Texas	50.52%	0.00%	0.00%	6.24%	15.06%	28.17%
Utah	29.77%	45.06%	5.22%	5.90%	4.65%	9.39%
Vermont	12.06%	23.03%	3.67%	3.71%	3.70%	53.83%
Virginia	19.33%	56.81%	4.02%	4.74%	4.20%	10.89%
Washington	59.59%	0.00%	0.00%	6.40%	7.28%	26.73%
West Virginia	23.34%	33.39%	4.51%	7.60%	2.56%	28.60%
Wisconsin	26.69%	43.74%	5.78%	5.86%	6.27%	11.65%
Wyoming	32.14%	0.00%	0.00%	3.25%	7.10%	57.51%
US Total	33.64%	40.89%	5.95%	5.30%	7.33%	6.90%

SOURCE: State Government Tax Collections: 2013, www.census.gov/govs/statetax,
US Dept. of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, www.bea.gov/regional.

Total State Tax collections Per Capita - Fiscal Year 2013

Rank	State	Per Capita Total State Tax Collections
1	**North Dakota**	**$7,329**
2	Alaska	$6,983
3	Vermont	$4,592
4	Connecticut	$4,487
5	Hawaii	$4,340
6	Minnesota	$3,880
7	Wyoming	$3,750
8	New York	$3,749
9	Delaware	$3,614
10	Massachusetts	$3,571
11	California	$3,474
12	New Jersey	$3,267
13	Maryland	$3,056
14	Illinois	$3,005
15	Maine	$2,925
16	Arkansas	$2,902
17	West Virginia	$2,901
18	Wisconsin	$2,877
19	Rhode Island	$2,795
20	Iowa	$2,710
21	Washington	$2,678
22	Pennsylvania	$2,659
23	Kansas	$2,633
24	Montana	$2,606
25	Indiana	$2,577
26	Michigan	$2,535
27	Nebraska	$2,525
28	Nevada	$2,519
29	New Mexico	$2,495
30	Mississippi	$2,475
31	Kentucky	$2,461
32	North Carolina	$2,414
33	Ohio	$2,362
34	Oregon	$2,331
35	Virginia	$2,323
36	Oklahoma	$2,309
37	Idaho	$2,220
38	Utah	$2,182
39	Colorado	$2,135
40	Arizona	$2,033
41	Louisiana	$1,994
42	Texas	$1,955
43	Alabama	$1,917
44	Tennessee	$1,904
45	Missouri	$1,843
46	South Carolina	$1,826
47	South Dakota	$1,815
48	New Hampshire	$1,791
49	Georgia	$1,781
50	Florida	$1,769
	US	$2,395

SOURCE: US Department of Commerce, Census Bureau.

Total State Taxes Except Severance Taxes Per Capita Fiscal Year 2013

Rank	State	Total Tax Less Severance Tax
1	Vermont	$4,592
2	Connecticut	$4,487
3	Hawaii	$4,340
4	**North Dakota**	**$3,930**
5	Minnesota	$3,870
6	New York	$3,749
7	Delaware	$3,614
8	Massachusetts	$3,571
9	California	$3,473
10	New Jersey	$3,267
11	Maryland	$3,056
12	Illinois	$3,005
13	Maine	$2,925
14	Wisconsin	$2,876
15	Arkansas	$2,874
16	Rhode Island	$2,795
17	Iowa	$2,710
18	Washington	$2,672
19	Pennsylvania	$2,659
20	Kansas	$2,608
21	Indiana	$2,576
22	West Virginia	$2,573
23	Michigan	$2,528
24	Nebraska	$2,523
25	Mississippi	$2,440
26	Nevada	$2,414
27	North Carolina	$2,413
28	Kentucky	$2,400
29	Ohio	$2,361
30	Montana	$2,327
31	Oregon	$2,325
32	Virginia	$2,323
33	Wyoming	$2,261
34	Idaho	$2,216
35	Oklahoma	$2,175
36	New Mexico	$2,152
37	Utah	$2,143
38	Colorado	$2,107
39	Arizona	$2,028
40	Tennessee	$1,903
41	Alabama	$1,892
42	Missouri	$1,843
43	South Carolina	$1,826
44	Louisiana	$1,814
45	South Dakota	$1,802
46	New Hampshire	$1,791
47	Georgia	$1,781
48	Texas	$1,780
49	Florida	$1,767
50	Alaska	$1,518
	US	$2,343

SOURCE: US Department of Commerce, Census Bureau.

Tax Freedom Day by State - 2014

Each state's Tax Freedom Day is the day when residents of that state have worked long enough to pay all tax obligations at the federal, state, and local level.

The total tax burden borne by residents of different states varies considerably because of differing state tax policies and the progressivity of the federal tax system. A combination of higher income and higher tax rate will result in a later Tax Freedom Day for a state.

For more information, go to the Tax Foundation's web site at www.taxfoundation.org/taxfreedomday.

State	Tax Freedom Day	State	Tax Freedom Day
Louisiana	March 30	Indiana	April 16
Mississippi	April 2	Michigan	April 17
South Dakota	April 4	Utah	April 17
Tennessee	April 5	Wyoming	April 17
Alabama	April 7	District of Columbia	April 18
Kentucky	April 8	Delaware	April 18
New Mexico	April 8	Kansas	April 18
South Carolina	April 9	New Hampshire	April 19
West Virginia	April 10	Vermont	April 19
Alaska	April 11	Oregon	April 20
Arizona	April 11	Pennsylvania	April 21
Idaho	April 11	Colorado	April 22
Maine	April 11	Wisconsin	April 22
Missouri	April 11	Rhode Island	April 23
Oklahoma	April 11	Virginia	April 24
Arkansas	April 12	**North Dakota**	**April 25**
Georgia	April 12	Washington	April 25
Iowa	April 13	Illinois	April 28
Texas	April 13	Maryland	April 28
Montana	April 14	Massachusetts	April 29
North Carolina	April 14	Minnesota	April 29
Nebraska	April 14	California	April 30
Ohio	April 14	New York	May 4
Florida	April 15	Connecticut	May 9
Hawaii	April 15	New Jersey	May 9
Nevada	April 15		

Source: Tax Foundation, www.taxfoundation.org.

CURRENT LAW

Cigarette Tax

Imposition and Rates

The cigarette tax is levied at two different tax rates. Cigarettes weighing less than three pounds per thousand are taxed at 22 mills per cigarette or 44¢ for a common package of 20, and 55¢ for a package of 25. Cigarettes weighing more than three pounds per thousand are taxed at 22½ mills per cigarette. Gray market or repatriated cigarettes may not be sold or possessed in North Dakota. "Gray market" or "repatriated" cigarettes are those cigarettes manufactured and packaged in the U.S. for the specific purpose of being exported with intent to be sold outside the U.S., and are brought back illegally into the country and sold. All cigarettes sold must be in packages of 20 or more cigarettes.

Roll-your-own cigarette tobacco is taxed at the cigarette rate. One cigarette equals .09 ounces of roll-your-own tobacco. Sales of bulk roll-your-own cigarette tobacco are converted to taxable cigarettes. Only tobacco advertised as roll-your-own is taxed at the cigarette rate.

Both wholesalers and dealers must be licensed by the Attorney General. Wholesalers pay the tax with monthly reports filed with the Tax Commissioner. For administrative compensation, wholesalers who file and pay on time may deduct 1.5% of the tax due, up to a maximum of $100 per month.

Distribution of Revenue

Three cents of the 44¢ per package are distributed to the cities based on population and the remainder goes to the State General Fund. Of the 55¢ on the larger packages, 3¾¢ goes to the cities with the remainder to the State General Fund.

Tobacco Products Tax

Imposition and Rates

All tobacco products other than cigarettes and specific roll-your-own tobacco, such as pipe tobacco, chewing tobacco, snuff and cigars are subject to a tobacco products tax. Pipe tobacco and cigars are taxed at 28% of the wholesale purchase price. Snuff is taxed at 60 cents per ounce and chewing tobacco taxed at 16 cents per ounce. The tobacco products tax is administered in a manner similar to the cigarette tax.

Distribution of Revenue

Revenue from the tobacco products tax is placed in the State General Fund.

Tribal Cigarette And Tobacco Tax

The Standing Rock Sioux Tribe levies a cigarette and tobacco tax on all Native American retailers operating on the Standing Rock Sioux Reservation. The tax rates are identical to the state tax rates. The Tax Commissioner acts as the agent of the tribe to collect the tax. Seventy-five percent of collections, less a 3% administrative fee, is returned to the tribe. Twenty-five percent plus the administrative fee is deposited in the State General Fund.

HISTORICAL OVERVIEW

Significant Changes in Law

1983 Session
- The cigarette tax was increased from 6 mills to 9 mills per cigarette. This increased the cigarette tax from 12¢ to 18¢ per package of 20.

1987 Session
- The cigarette tax was increased from 9 to 13½ mills per cigarette, or from 18¢ to 27¢ per package of 20.
- The tobacco products tax was increased from 11% to 20% of the wholesale purchase price.

1989 Session
- The cigarette tax was increased from 13½ to 15 mills per cigarette, or from 27¢ to 30¢ per package of 20.
- The tobacco products tax was increased from 20% to 25% of the wholesale purchase price.

1991 Session
- The cigarette tax was decreased from 15 mills to 14½ mills per cigarette, or from 30¢ to 29¢ per pack of 20.

- The tobacco products tax was decreased from 25% to 22% of the wholesale purchase price.
- Cigarette stamp requirements were repealed and replaced with monthly reports and payments.

1993 Session
- The cigarette tax was increased from 14½ to 22 mills per cigarette, or from 29¢ to 44¢ per package of 20.
- The tobacco products tax was increased from 22% to 28% of the wholesale purchase price.

1993 Agreement
- The Tax Commissioner and the Standing Rock Sioux Tribe signed an agreement to allow the commissioner to act as an agent of the tribe for the collection of a tribal cigarette and tobacco tax.

1999 Session
- The sale of gray market cigarettes was prohibited, taxation of roll-your-own tobacco was moved from Other Tobacco Products to taxation as a cigarette and a minimum package size was established at 20 cigarettes per package.
- N.D.C.C. § 51-25 was enacted and requires the Tax Commissioner to accumulate information on purchases of cigarettes from non-participating manufacturers in the cigarette Master Settlement Agreement.

2001 Session
- The method of taxing snuff and chewing tobacco was changed from a percentage of the wholesale price to a weight based value. Snuff is taxed at 60 cents per ounce and chewing tobacco is taxed at 16 cents per ounce.
- A change in the definition of Other Tobacco Products removed cigarette papers from the tobacco products tax.
- Cigars and pipe tobacco remain taxable at 28% of the whole purchase price.

2003 Session
- The sale of "beedie" cigarettes was banned. Beedies are a product containing tobacco wrapped in a temburni leaf.
- Legislation prohibiting any dealer or distributor from knowingly selling or distributing any product not in compliance with N.D.C.C. § 51-25-02 was enacted.

2005 Session
- New legislation requires vendors selling cigarettes over the Internet to register with the Tax Commissioner and provide sales and customer information.
- Internet vendors are also required to verify the age of cigarette customers.

2009 Session
- To legally sell cigarettes in North Dakota, a manufacturer must provide written certification to the State Fire Marshal that its cigarettes meet fire safe performance standards.

2013 Session
- Provisions were added to define a cigarette-making machine and to establish conditions on its ownership, operation, and use.

Comparison of State Tobacco Products Taxes
January 1, 2014

State	Tax Rate/Base [1]
Alabama [2]	
Cigars	3.0¢-40.5¢/10 cigars
Tobacco/Snuff	1¢-8¢/ounce
Alaska	75% Wholesale Price
Arizona	
Cigars	33.7¢-$1.10/10 cigars
Tobacco/Snuff	23.8¢/ounce
Arkansas	68% Manufacturer's Price
California [3]	29.82% Wholesale Price
Colorado	40% Manufacturer's Price
Connecticut [4]	50% Wholesale Price
Delaware [4]	15% Wholesale Price
Florida [5]	
Tobacco/Snuff	85% Wholesale Price
Georgia	
Little Cigars	2.5¢/10 cigars
Other Cigars	23% Wholesale Price
Tobacco	10% Wholesale Price
Hawaii [6]	
Large Cigars	50% Wholesale Price
Tobacco/Snuff	70% Wholesale Price
Idaho	40% Wholesale Price
Illinois [4]	36% Wholesale Price
Indiana	24% Wholesale Price
Iowa [6]	50% Wholesale Price
Kansas	10% Wholesale Price
Kentucky [4]	15% Wholesale Price
Louisiana	
Cigars	8%-20% Manufacturer's Price
Snuff/Smoking Tobacco	20%-33% Manufacturer's Price
Maine	
Chewing Tobacco/Snuff	$2.02/ounce
Smoking Tobacco/Cigars	20% Wholesale Price
Maryland	30% Wholesale Price
Massachusettes	
Smoking Tobacco/Cigars	40% Wholesale Price
Michigan	32% Wholesale Price
Minnesota	95% Wholesale Price
Mississippi	15% Manufacturer's Price
Missouri	10% Manufacturer's Price
Montana [4]	50% Wholesale Price
Nebraska [4]	20% Wholesale Price
Nevada	30% Wholesale Price
New Hampshire	65.03% Wholesale Price
New Jersey [4]	30% Wholesale Price
New Mexico	25% Product Value
New York [4]	75% Wholesale Price
North Carolina	12.8% Wholesale Price
North Dakota	
Cigars/Tobacco	28% Wholesale Price
Chewing Tobacco/Snuff	16¢-60¢/ounce
Ohio	17% Wholesale Price
Oklahoma	
Little & Large Cigars	36¢-$1.20/10 cigars
Snuff/Tobacco	60%-80% factory list price
Oregon	65% Wholesale Price
Rhode Island	80% Wholesale Price
South Carolina	5% Manufacturer's Price
South Dakota	35% Wholesale Price
Tennessee	6.6% Wholesale Price
Texas	
Cigars	1.0¢-15.0¢/10 cigars
Tobacco/Snuff	$1.22/ounce
Utah [4] [6]	86% Manufacturer's Price
Virginia [4]	10% Manufacturer's Price
Vermont [4]	92% Wholesale Price
Washington	95% Wholesale Price
West Virginia	7% Wholesale Price
Wisconsin	71% Manufacturer's Price
Wyoming [4] [7]	20% Wholesale Price
Dist. of Columbia	75¢/ounce

SOURCE: Compiled by Federation of Tax Administrators from various sources.

(1) The volume-based tax rates were converted to cents per 10 cigars or per ounce for consistency.
(2) Alabama's cigar tax rate rises with the retail price; the rate on smoking tobacco and snuff depends on package weight.
(3) California adjusts the tax rate annually, effective July 1st each year.
(4) Tax rate on snuff per ounce is $1.00 in Connecticut, 54¢ in Delaware, 30¢ in Illinois, 19¢ in Kentucky, 85¢ in Montana, 44¢ in Nebraska, 75¢ in New Jersey, $2.00 in New York, $1.83 in Utah, 18¢ in Virginia, $1.87 in Vermont, and 60¢ in Wyoming.
(5) Florida's rate includes a 60% surtax.
(6) Little cigars are taxed as cigarettes.
(7) Or 10% of retail price.

Cigarette Tax and Tobacco Tax Collections

Fiscal Year	Total Collections	Tobacco Tax (General Fund)	Cigarette Tax (General Fund)	Cigarette Tax (Cities)	Cigarette and Tobacco Tax (Tribal)
2004	21,134,603	2,297,901	17,477,510	1,284,013	75,179
2005	21,036,995	2,452,912	17,248,389	1,260,003	75,691
2006	23,457,650	2,707,489	19,278,592	1,407,166	64,403
2007	24,210,059	2,864,731	19,832,558	1,449,424	63,346
2008	24,098,407	3,165,007	19,448,680	1,421,337	63,383
2009	24,087,542	3,388,878	19,228,206	1,405,152	65,306
2010	23,848,888	3,976,398	18,454,355	1,353,442	64,693
2011	25,372,066	4,746,866	19,161,819	1,400,357	63,024
2012	28,306,348	5,670,933	21,023,989	1,536,055	75,371
2013	28,716,623	6,244,020	20,871,615	1,525,112	75,876
2014	31,234,804	7,032,346	22,489,945	1,643,720	68,792
2015 est.	31,768,000	7,406,000	22,640,000	1,657,000	65,000

SOURCE: North Dakota Office of State Tax Commissioner.

State Excise Tax Rates on Cigarettes
January 1, 2014

State	Cents Per Pack	State	Cents Per Pack	State	Cents Per Pack
New York [a]	435	New Hampshire	178	Nevada	80
Massachusetts	351	Montana	170	Kansas	79
Rhode Island	350	Utah	170	Mississippi	68
Connecticut	340	New Mexico	166	Nebraska	64
Hawaii	320	Delaware	160	Tennessee [a] [c]	62
Washington	302.5	Pennsylvania	160	Kentucky [c]	60
Minnesota [d]	283	South Dakota	153	Wyoming	60
New Jersey	270	Texas	141	Idaho	57
Vermont	262	Iowa	136	South Carolina	57
Wisconsin	252	Florida [b]	133.9	West Virginia	55
Dist. of Columbia [e]	250	Oregon	131	North Carolina	45
Alaska	200	Ohio	125	**North Dakota**	**44**
Arizona	200	Arkansas	115	Alabama [a]	42.5
Maine	200	Oklahoma	103	Georgia	37
Maryland	200	Indiana	99.5	Louisiana	36
Michigan	200	California	87	Virginia [a]	30
Illinois [a]	198	Colorado	84	Missouri [a]	17
				U.S. (median)	136

SOURCE: Compiled by Federation of Tax Administrators from various sources.

[a] Counties and cities may impose an additional tax on a pack of cigarettes: Alabama, 1¢ to 6¢; Illinois, 10¢ to 15¢; Missouri, 4¢ to 7¢; New York City, $1.50; Tennesse, 1¢; and Virginia, 2¢ to 15¢.

[b] Florida's rate includes a surcharge of $1.00 per pack.

[c] Dealers pay an additional enforcement and administrative fee of 0.1¢ per pack in Kentucky and 0.05¢ in Tennessee.

[d] In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department. The rate was 36.2¢ through December 31, 2013.

[e] In addition, the District of Columbia imposes an in lieu cigarette sales tax calculated every March 31. The current rate is 36¢.

Coal Severance Tax

CURRENT LAW

Imposition, Rate and Administration

The coal severance tax is imposed on the act of removing coal from the earth. The tax is in lieu of both the sales and use taxes on coal and the property tax on minerals in the earth. The coal severance tax applies to all coal severed for sale or industrial purposes, except: coal used for heating buildings in the state, coal used by the state or any political subdivision of the state, and coal used in agricultural commodity processing facilities or to produce steam used in agricultural processing facilities in North Dakota or adjacent states.

No severance tax may be imposed on coal purchased for improvement by coal beneficiation, which is subsequently used in, or used to produce steam that is used in agricultural commodity processing facilities in North Dakota or adjacent states or any facility owned by the state or a political subdivision of the state.

The tax is applied at a flat rate of 37½ cents per ton. An additional 2-cent per ton tax is levied for the Lignite Research Fund.

A 50% reduction in the 37½-cent tax is allowed for coal burned in a cogeneration facility designed to use renewable resources to generate 10% or more of its energy output.

Counties may grant a partial or complete exemption from the counties' 70% portion of the 37½-cent tax for coal that is shipped out of state.

Payments of the tax are made monthly by the owner or operator of the mine.

Distribution of Revenue

Revenue from the 37½-cent per ton severance tax is deposited in the Coal Development Fund and is distributed as follows:

- 30% to a permanent, Constitutional Trust Fund administered by the Board of University and School Lands. The Trust Fund is used to supply loans to school districts for school construction and loans to cities, counties and school districts impacted by coal development. Investment income from the Trust Fund is first used to replace uncollectible loans made from the fund, and the balance is deposited in the State General Fund. Seventy percent of the tax collected and deposited in the permanent Trust Fund must be deposited in the Lignite Research Fund.

- 70% among the coal producing counties according to the amount of coal each county produces. Revenue allotted to each county is further apportioned as follows: 40% to the county general fund; 30% to the cities within the county; and 30% to the school districts. Also, a nonproducing county within 15 miles of a currently active coal mine, and a city or school district in that county and within 15 miles of the mine, are entitled to a share of the coal producing county's severance tax revenue from that particular mine. The amount of coal production on which a county has to share its severance tax revenue with another county during a calendar year is limited to 3,400,000 tons.

Revenue from the additional 2-cent per ton tax is deposited into the Lignite Research Fund.

HISTORICAL OVERVIEW

Significant Changes in Law

__1975 Session__
- The Legislature first enacted the coal severance tax.
- Set the base rate at 50 cents per ton, increasing 1 cent per ton for each three-point increase in the Wholesale Price Index.
- Revenue distribution formula for the 1975-1977 biennium: 30% to State General Fund; 30% to a special trust fund administered by the State Land Board; 35% to a special fund for grants to impacted political subdivisions; 5% to coal-producing counties.

__1977 Session__
- Amended the rate to 65 cents per ton, increasing 1 cent per ton for every one-point increase in the Wholesale Price Index (Producer Price Index).
- Resulted in an increase from 56 cents per ton to 65 cents per ton, effective July 1, 1977.
- Changed the revenue distribution to: 30% to State General Fund; 15% to the Trust Fund; 35% for grants

to impacted political subdivisions; and 20% to coal-producing counties.

1979 Session
- The base rate became 85 cents per ton, increasing 1 cent for every four-point increase in the Wholesale Price Index (Producer Price Index).
- Resulted in a decrease from 97 cents per ton to 85 cents per ton.
- Provided that if the tipple of an active coal mining operation in a county is within 15 miles of another county in which no coal is mined, the coal-producing county must share its coal severance tax revenue with the non-coal-producing county.

1981 Session
- Created an exemption for coal used by the state or any of its political subdivisions.
- Created an exemption for coal used for heating buildings within the state.
- Coal used for heating purposes became subject to sales tax.

1983 Session
- Changed filing requirements for coal mine owners or operators from quarterly to monthly.

1985 Session
- Created an exemption for coal used in agricultural processing or sugar beet refining plants within North Dakota or adjacent states.
- Enacted a 50% reduction in tax rate for coal burned in a cogeneration facility designed to use renewable resources to generate 10% or more of its energy output.

1987 Session
- Reduced the base rate to 75 cents per ton and eliminated the escalator clause.
- Prior to the change, the escalator had resulted in a rate of $1.04 per ton.
- Enacted an additional tax of 2 cents per ton for the period July 1, 1987, through June 30, 1989, with the revenue dedicated to lignite research.
- Changed the distribution of the 75-cent tax to: State General Fund 50%; counties 35%; Trust Fund 15%; and eliminated the share previously allocated for grants to impacted political subdivisions.

1989 Session
- Made the 2-cent per ton tax for lignite research permanent.

1990 Constitutional Amendment
- Voters in the Primary Election approved a constitutional amendment placed on the ballot by the legislature to allow up to 50% of the taxes collected and deposited in the Trust Fund during a biennium to be appropriated by the legislature for lignite research, development, and marketing.

1991 Session
- Provided for 50% of taxes collected and deposited in the Trust Fund to be appropriated by the legislature for lignite research, development, and marketing, in accordance with the 1990 constitutional amendment.

1993 Session
- Limited the amount of coal production on which a coal-producing county has to share its severance tax with a nearby non-producing county.
- Added loans for school construction to uses of the Trust Fund.
- Exempted coal shipped out of state after June 30, 1995, and before July 1, 2000, from the state's 50% portion of the tax.
- Provided that counties may grant a partial or complete exemption from the county's 35% portion of the tax.

1994 Constitutional Amendment
- Voters in the Primary Election approved a constitutional amendment placed on the ballot by the legislature to allow appropriations from the Trust Fund for clean coal demonstration projects approved by the North Dakota Industrial Commission and the United States Department of Energy. [The Department of Energy did not approve a clean coal demonstration project in North Dakota.]

1995 Session
- Increased to 70% the portion of taxes collected and deposited in the Trust Fund during a biennium to be appropriated by the legislature for lignite research, development, and marketing.

1997 Session
- Effective July 1, 1999, the legislature exempted coal burned in coal-fired boilers in generation stations having a total capacity of not more than 210 megawatts, within North Dakota or adjacent states, from 50% of the 75-cent coal severance tax.
- A city, school district, or the county commissioners of the county in which the coal is mined may grant a partial or complete exemption from their share of severance tax revenues.
- A political subdivision that has granted an exemption from all or part of its share of severance tax revenues

must be omitted from the allocation or have its allocation adjusted to reflect the reduction it has granted.

1999 Session
- Repealed the exemption for coal burned in small boilers, effective July 1, 2003.

2001 Session
- Reduced the 75-cent tax to 37½ cents per ton.
- Repealed the exemption for coal burned in small boilers, effective July 1, 2001.
- Changed the distribution of the 37½-cent tax to allocate 30% to the coal development trust fund and 70% to the counties.
- Allowed a county to grant a full or partial exemption from its 70% share for coal shipped out of state.

2009 Session
Prohibited imposition of coal severance tax on coal used to produce steam that is used in agricultural commodity processing facilities in North Dakota or adjacent states or any facility owned by the state or a political subdivision of the state, or on coal purchased for improvement through coal beneficiation and subsequently used in, or used to produce steam that is used in, agricultural commodity processing facilities located in North Dakota or adjacent states or any facility owned by the state or a political subdivision of the state.

Provided that after June 30, 2011, the state treasurer shall allocate funds provided by legislative appropriation to cities, the county general fund, and school districts within a coal-producing county to offset 50% of the loss to the county's share of coal severance tax revenue allocated to a non-coal-producing county in the previous calendar year.

TAXATION OF COAL IN NEIGHBORING STATES

Montana

Montana levies the following taxes on surface mined coal:

- Coal Gross Proceeds Tax

  A statewide 5% yearly flat tax is imposed on coal gross proceeds. The gross proceeds of coal is determined by multiplying the number of tons produced by the contract sales price. One-half of the contract sales price of coal sold by a coal producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation. This tax is collected by the county where the mine is located.

- Coal Severance Tax

  Imposed on all coal mined in the state. Producers of over 50,000 tons of coal per year pay a quarterly severance tax on all production in excess of 20,000 tons. Producers of under 50,000 tons per year are exempt from the tax.

  Tax rates depend on the heat content (BTU's per pound) of the coal and the method of extraction. The value of coal to which the severance tax is applied is the contract sales price. Current tax rates:

  Surface Mined Coal

Under 7,000 BTU's	10% of value
7,000 BTU's and over	15% of value

- Resource Indemnity Trust Tax

  Annual tax of 0.4% of gross value of product. The gross value of product is determined by multiplying the tons of coal produced and sold by the contract sales price. There are no incentives.

Incentives Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing more than 50,000 tons of coal in a year are exempt from severance tax on the first 20,000 tons produced. One-half of the contract sales price of coal sold by a coal producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation under the gross proceeds tax.

Wyoming

Wyoming levies the following taxes on surface mined coal:
- A severance tax of 7% of the mine mouth value to a maximum of $.60 per ton. This is a lower base than is used in Montana because Wyoming allows deductions for costs, such as crushing and transportation to market, that occur after the coal has been brought to the mouth of the mine.
- A "gross products tax." It is based on the same taxable value as that used for severance tax purposes but is collected by the counties and based on applicable local mill rates. Average county mill rates for tax year 2013 range from 59.625 mills to 74.280 mills.

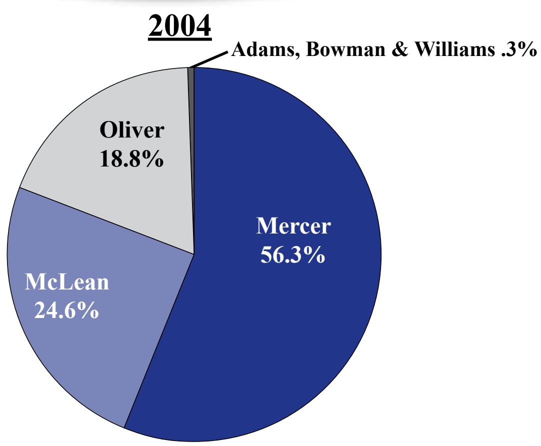
Incentives A maximum severance tax rate of 60 cents per ton applies on qualifying coal sales agreements.

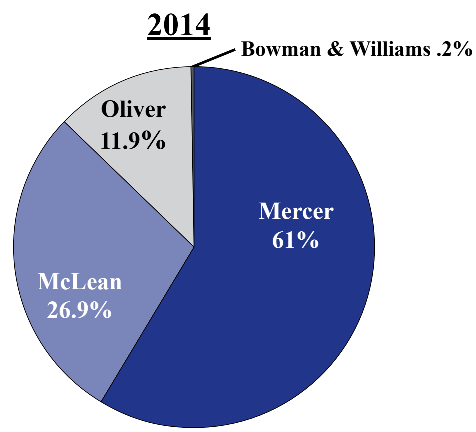
Coal Severance Tax Collections and Distribution

Fiscal Year	Total Collections	Land Board Trust Fund	Counties	Lignite Research
2004	12,450,642	3,546,069	8,274,161	630,412
2005	11,458,156	3,263,399	7,614,597	580,160
2006	12,014,618	3,421,885	7,984,398	608,335
2007	11,969,504	3,409,036	7,954,417	606,051
2008	11,585,819	3,299,759	7,699,437	586,624
2009	12,096,832	3,446,299	8,041,364	609,169
2010	11,506,451	3,275,586	7,643,033	587,832
2011	11,254,271	3,207,838	7,484,955	561,478
2012	11,001,918	3,132,244	7,312,615	557,059
2013	10,986,898	3,129,180	7,301,420	556,298
2014	11,233,707	3,199,474	7,465,438	568,795
2015 est.	11,200,000	3,192,000	7,448,000	560,000

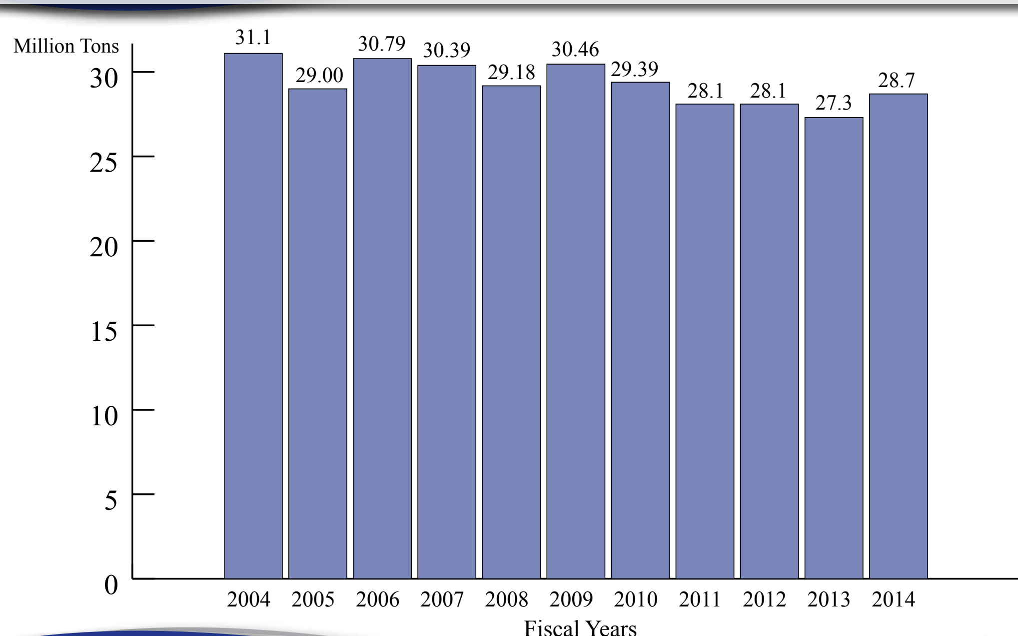
SOURCE: North Dakota Office of State Tax Commissioner.

County Breakdown - Coal Severance Tax revenue
Fiscal Years 2004 and 2014





North Dakota Taxable Coal Production



CURRENT LAW

Imposition, Rate and Administration

The coal conversion facilities privilege tax is imposed on the operator of a coal conversion facility for the privilege of producing electricity or other products from coal conversion plants. A coal conversion facility is defined as (1) an electrical generating plant which has at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, (2) a plant other than an electrical generating plant which processes or converts coal and uses or is designed to use over 500,000 tons of coal per year, or (3) a coal beneficiation plant.

The coal conversion tax is in lieu of property taxes on the plant itself, while the land on which the plant is located remains subject to property tax. The tax is paid monthly.

Electrical Generating Plants Electrical generating plants, as defined above, are subject to two separate levies. One levy is .65 mill times 60% of installed capacity times the number of hours in the taxable period and the other levy is .25 mill per kwh of electricity produced for sale. Installed capacity means the rating shown on the nameplate assigned to the turbine of the power unit.

Other Coal Conversion Plants A ***coal gasification plant*** is subject to a monthly tax measured by 13½ cents per thousand cubic feet of gas produced for sale or 4.1% of gross receipts, whichever is greater. ***Plants converting coal to products other than gas*** are taxed at 4.1% of gross receipts. The tax rate for a ***coal beneficiation plant*** is 20 cents per ton of beneficiated coal produced for sale or 1.25% of gross receipts, whichever is greater.

Exemptions

Exemptions to the coal conversion tax are as follows:

- Synthetic natural gas produced in excess of 110 million cubic feet per day.
- Income from byproducts of a coal gasification plant to a maximum of 20% of gross receipts.
- Revenue derived from the sale and transportation of carbon dioxide for use in the enhanced recovery of oil or natural gas.
- Beneficiated coal produced in excess of 80% of plant design capacity.
- A coal conversion facility that achieves a 20% capture of carbon dioxide emissions during a taxable period receives a 20% reduction in the State General Fund share of the coal conversion tax, and an additional reduction of one percent for every additional two percentage points of its capture of carbon dioxide emissions, up to 50% reduction for 80% or more capture. The reduction is available for ten years from the date of first capture or from the date the facility is eligible to receive the credit.
- A new or re-powered coal-burning electrical generating unit is exempt from the State General Fund portion of both levies for five years. The county may grant an exemption for up to five years from the county's 15% share of the levy on installed capacity.
- All new coal conversion plants other than electrical generating plants are exempt from the State General Fund portion (85%) of the tax for five years. The county may grant a partial or complete exemption from the county's 15% share for up to five years.

Distribution of Revenue

Electrical Generating Plants The revenue from the .25 mill levy on production is deposited in the State General Fund. The revenue from the .65 mill levy on installed capacity is distributed as follows:

- 85% to the State General Fund. Five percent of all funds allocated to the State General Fund must be allocated to the Lignite Research Fund through July 31, 2018.
- 15% to the county in which the plant is located. The amount distributed to each county is apportioned as follows: 40% is deposited in the county general fund; 30% is divided among all incorporated cities in the county according to population; and 30% is divided among all school districts in the county on the basis of average daily membership.

Other Coal Conversion Plants Revenue is distributed as follows:

- 85% to the State General Fund. Five percent of all funds allocated to the State General Fund must be allocated to the Lignite Research Fund through July 31, 2018.
- 15% to the county in which the plant is located. The amount distributed to each county is apportioned as follows: 40% is deposited in the county general fund; 30% is divided among all incorporated cities in the county according to population; and 30% is divided among all school districts in the county on the basis of average daily membership.

HISTORICAL OVERVIEW

Significant Changes in Law

1975 Session

- Enacted the privilege tax on coal conversion facilities.
- Set the tax rate on electrical generating plants at ¼ mill per kilowatt hour (kwh) produced for sale.
- Set the tax on all other coal conversion facilities at 2.5% of gross receipts or 10 cents per thousand cubic feet (mcf) of synthetic natural gas, whichever is greater.
- Made the formula for allocation of coal conversion tax revenue dependent on the amount of revenue generated from each county.
- As revenue from a county increased, the percentage distributed to the State General Fund increased and the percentage distributed to the county decreased.
- Apportioned the county share 40% to the county, 15% to cities, and 45% to school districts.

1977 Session

- Changed the revenue distribution formula to 65% to the State General Fund and 35% to the county.
- Changed allocation of the county share to 40% to the county, 30% to cities, and 30% to school districts.

1983 Session

- Enacted an additional ¼ mill per kwh tax for electrical generating plants, which brought the tax rate on electrical generating plants to ½ mill per kwh.
- Dedicated revenue from the ¼ mill increase entirely to the State General Fund.
- Changed filing requirements from a quarterly basis to monthly.

1985 Session

- Changed the tax rate on coal gasification plants constructed before July 1, 1985, from 10 cents to 15 cents per mcf of gas produced for sale, or 2.5% of gross receipts, whichever is greater.
- Changed the definition of gross receipts to exclude any financial assistance from the federal government.
- Provided a five-year exemption from part or all of the tax for coal conversion facilities, other than electrical generating plants, that were constructed after July 1, 1985.

1987 Session

- Changed the rate on electrical generating plants to 1¼ mill levy on 60% of installed capacity times the number of hours in the taxable period and 1¼ mill levy on production.
- Reduced the tax rate on coal gasification plants to 7 cents per mcf of gas produced for sale or 2.5% of gross receipts, whichever is greater.
- Exempted synthetic natural gas produced in excess of 110 million mcf per day.
- Exempted byproducts of a coal gasification plant to a maximum of 20% of gross receipts.
- Made the five-year exemption for coal conversion facilities other than electrical generating plants effective from the date of first taxable production.
- Eliminated the reference to date of construction.

1989 Session

- Defined a coal beneficiation plant as a coal conversion plant.
- Enacted a tax of 20 cents per ton of beneficiated coal or 1.25 % of gross receipts, whichever is greater, on coal beneficiation plants.
- Exempted beneficiated coal produced in excess of 80% of plant design capacity.

1991 Session

- Created a five-year exemption from part of all of the tax for new coal-burning electrical generation plants.

1997 Session

- Increased the exemption for income from byproducts of a coal gasification plant from 20% to 35% from January 1, 1997, through December 31, 2000.
- Provided the exemption reverts to 20% after December 31, 2000.
- Exempted revenue derived from the sale and transportation of carbon dioxide for use in enhanced recovery of oil or natural gas, retroactive to January 1, 1997.

2001 Session

- Amended the definition of a coal conversion facility to include an electrical generating plant that has at least one single unit with a capacity of 10,000 kwh or more.
- Increased the tax rate on installed capacity to .65 mill times 60% of installed capacity times the number of hours in the taxable period.
- Changed the distribution of the tax on installed capacity to 85% to the State General Fund and 15% to the county in which the plant is located.
- Increased the tax rate on synthetic natural gas to $.135 per mcf.
- Changed the tax rate on gross receipts to 4.1%.
- For calculation of gross receipts, established ceiling prices per mcf of synthetic natural gas, of $4.25 for 2001 and 2002; $4.35 for 2003; $4.45 for 2004; $4.55 for 2005; $4.65 for 2006; $4.75 for 2007; $4.86 for 2008; and $4.97 for 2009.

- Excluded from the definition of gross receipts any revenue received by the operator of a coal gasification plant in excess of the amount per mcf of synthetic natural gas established as the ceiling price for each calendar year from 2001 through 2009.
- Required the first $41,666.67 received each month from a coal conversion facility other than an electrical generating plant to be deposited in the State General Fund through December 31, 2009.
- Allocated the remaining 85% to the State General Fund and 15% to the county in which the plant is located.
- Provided that allocation of the coal conversion tax to each county may not be less in each calendar year than it was in the immediately preceding calendar year.
- Provided that any county that has a coal conversion facility that was not a coal conversion facility before January 1, 2002, had to receive for 2002 at least as much as that facility paid in property taxes for taxable year 2001.
- Provided that for subsequent years the county must receive no less than it received in the preceding year.
- Required that all amounts received from that facility must be allocated in the same manner property taxes were allocated for taxable year 2001.

2005 Session

- Enacted the Coal Conversion Facility Tax Reduction Act that provides a five-year exemption for electrical generating plants that complete repowering.
- Defined "repowering" as 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 lignite coal from its natural form into electric power.
- In February 2006, the South Central Judicial District Court found the Coal Conversion Facility Tax Reduction Act unconstitutional.

2007 Session

- Provided that from July 1, 2007, through June 30, 2009, 3.5% of funds allocated to the State General Fund from the coal conversion tax must be allocated to the Lignite Research Fund. After June 30, 2009, 5% of all funds allocated to the State General Fund from the coal conversion tax must be allocated to the Lignite Research Fund, through July 31, 2018.
- Expressed legislative intent that $500,000 is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the $500,000 must be returned to the State General Fund.
- Changed statutory references from "lignite" to "coal" in legislation enacted in 2005, relating to repowered plants, which was found unconstitutional by the South Central Judicial District Court.

2009 Session

- Clarified that the exemption for new or repowered electrical generating plants is limited to a new or repowered unit of a plant.
- Provided that a coal conversion facility that achieves a 20% capture of carbon dioxide emissions during a taxable period receives a 20% reduction in the State General Fund share of the coal conversion tax, and an additional reduction of one percent for every additional two percentage points of its capture of carbon dioxide emissions, up to 50% reduction for 80% or more capture. The reduction is available for ten years from the date of first capture or from the date the facility is eligible to receive the credit.

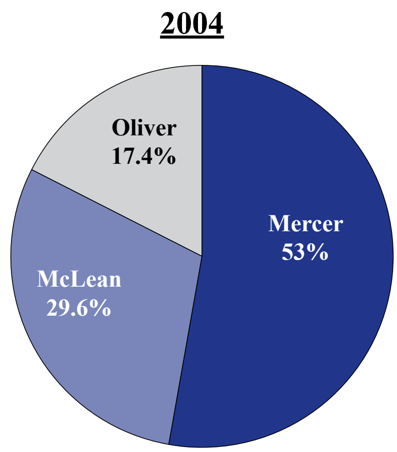
Coal Conversion Tax Collections and Distribution

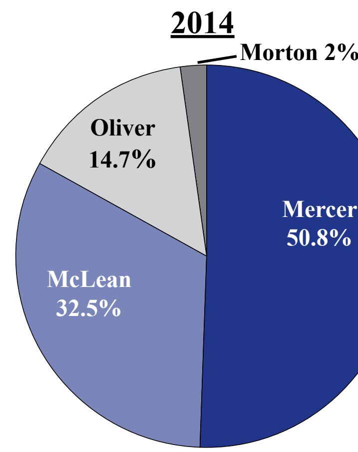
Fiscal Year	Total Collections	Distributed to State General Fund	Distributed to Counties
2004	28,106,144	24,432,816	3,673,328
2005	26,264,860	22,764,015	3,500,845
2006	27,784,633	24,042,047	3,742,586
2007	28,930,510	25,175,816	3,754,693
2008	27,461,267	23,843,410	3,617,857
2009	29,543,292	25,595,542	3,947,751
2010	26,154,150	21,113,869	5,040,281
2011	23,118,634	17,950,430	5,168,205
2012	25,430,529	19,498,126	5,932,403
2013	24,905,909	18,901,288	6,004,621
2014	24,937,582	19,222,236	5,715,346
2015 est.	25,647,000	19,653,000	6,014,000

SOURCE: North Dakota Office of State Tax Commissioner.

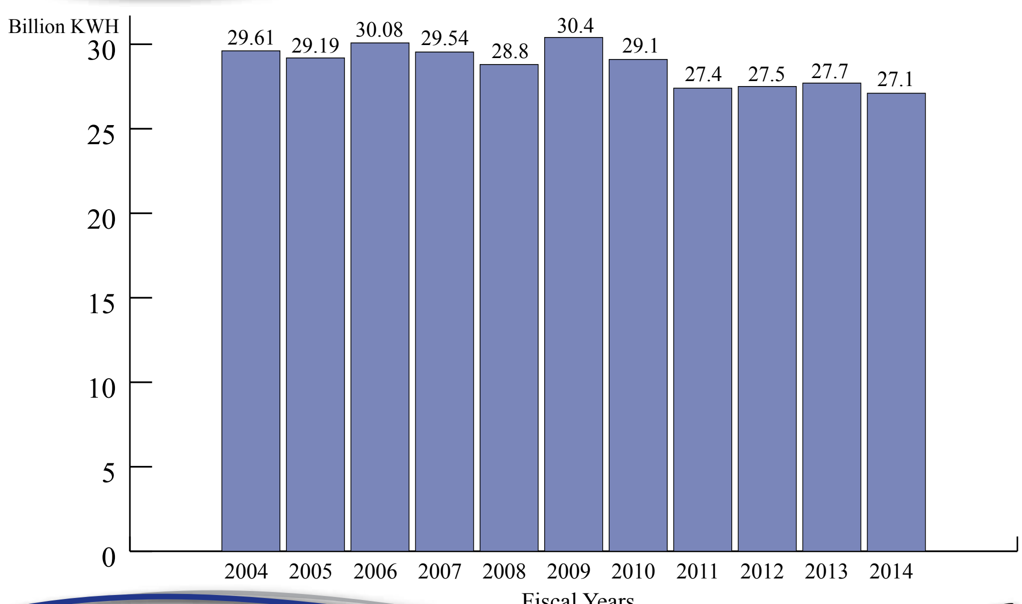
County Breakdown - Kilowatt Hours Produced Subject to Coal Conversion Tax

Fiscal Years





Kilowatt Hours (KWH) Produced Subject to Coal Conversion Tax



CURRENT LAW

Filing Requirements

Every corporation engaged in business in North Dakota or having sources of income in North Dakota must file a North Dakota corporation income tax return. Most returns are due on the 15th day of the fourth month following the close of the tax year. Returns filed by cooperatives are due on the 15th day of the ninth month following the close of the tax year. Returns of tax-exempt organizations reporting unrelated business taxable income are due on the 15th day of the fifth month after the close of the tax year. Payment is made with the return.

A corporation is required to pay estimated tax on a quarterly basis if:
- the estimated tax due exceeds $5,000, and
- the previous year's total tax liability exceeded $5,000.

Starting Point for Calculating Tax

The starting point for calculation of corporation income tax is federal taxable income. North Dakota income tax law is perpetually federalized for this starting point.

Apportionable Income

A corporation's apportionable income is determined by adjusting the corporation's federal taxable income.

Additions to federal taxable income include:
- All income, franchise or privilege taxes measured by income which were deducted on the federal return.
- Interest on state and local obligations (excluding North Dakota).
- Special deductions and net operating loss deductions taken on the federal return.
- The amount of the U.S. production activities income deducted in calculating federal taxable income.
- Amounts related to contributions to an Endowment Fund and the Housing Incentive Fund, to the extent a North Dakota credit has been claimed.

Subtractions from federal taxable income include:
- State income tax refunds.
- Interest from U.S. obligations.
- Nonbusiness income (net of related expenses) from sources outside North Dakota.

North Dakota Taxable Income

North Dakota taxable income is that portion of a corporation's apportionable income which is derived from, or attributable to, sources within North Dakota.

A corporation whose business activity is conducted solely within North Dakota is a nonapportioning corporation. North Dakota taxable income is the entire apportionable income reduced by any net operating loss carryforward attributable to North Dakota sources.

Parent and subsidiary corporations, which operate totally within North Dakota and file a federal consolidated tax return, must file a state consolidated corporation income tax return using the combined report method.

A corporation whose activity is conducted both within and without North Dakota is an apportioning corporation. North Dakota taxable income is computed by multiplying the apportionable income by an apportionment factor. This amount is reduced by any net operating loss carryforward attributable to North Dakota sources, and any applicable income exemptions. The apportionment formula includes property, payroll and sales factors, and is calculated as follows:

$$\left(\frac{\text{ND Property}}{\text{Total Property}} + \frac{\text{ND Payroll}}{\text{Total Payroll}} + \frac{\text{ND Sales}}{\text{Total Sales}} \right) \div 3$$

Unitary Report and Water's Edge Election

A unitary combined report is required when two or more corporations are conducting a unitary business. A unitary business is one in which the activities of two or more affiliated corporations depend upon, contribute to, or are integrated with each other. The combined report includes the total apportionable income of all members of the unitary group. To be included in a combined report, an affiliated corporation must have more than 50% of its voting stock owned directly or indirectly by a common parent, which is also a member of the group.

North Dakota applies the unitary concept on a worldwide basis. In other words, total apportionable income includes income of all affiliated companies of the unitary group, whether those companies are incorporated within or outside the United States. A corporation may elect to apportion its income using the water's edge approach. Under such an election, the corporation must comply with the following:

1. The election must be made on the return as originally filed.
2. The water's edge election is binding for five consecutive years.
3. The water's edge report must include the income and apportionment factors of the water's edge group, 30% of foreign dividends, and 30% of net book income from 80/20 corporations. An 80/20 corporation refers to an affiliated corporation incorporated in the U.S., but having less than 20% of its property and payroll assigned to U.S. locations.

Rate Table

Effective for tax years beginning after December 31, 2012, North Dakota corporation income tax is determined by applying the following rates to North Dakota income:

TAXABLE INCOME:
Up to $25,000............................... 1.48%
$25,000 to $50,000....................... 3.73%
Over $50,000................................ 4.53%

Corporations electing the water's edge filing method are subject to an additional 3.5% surtax on North Dakota taxable income.

Distribution of Revenue

All revenue from the corporation income tax is deposited in the State General Fund.

New or Expanding Business Exemptions

Qualifications A new or expansion project in a primary sector or tourism business may qualify for an income tax exemption for up to five years. "Primary sector" refers to a business that adds value to a product, process or service that produces wealth in North Dakota. "Tourism" refers to a tourism-related business that is a destination attraction. The exemption is limited to income earned from the qualifying project. The project operator is required to file a state income tax return even though an exemption is granted.

Limitations A business is not eligible for an exemption if:
- The business received a property tax exemption under tax increment financing;
- There is an outstanding recorded lien for delinquent property, income, sales or use taxes against the project operator or principle officers; or
- The exemption fosters unfair competition or endangers existing business.

Application Procedures The business must apply to the State Board of Equalization, c/o the Office of State Tax Commissioner.
- The application must be filed within the first year of project operations.
- The application is reviewed by the Department of Commerce, Division of Economic Development and Finance.
- The business must provide notice to competitors as prescribed by the State Board.
- The State Board considers the application and any testimony at a public meeting and then grants or denies the exemption and certifies the results to the State Tax Commissioner.

Business Incentive Agreement Corporations that receive an income tax exemption must enter into a Business Incentive Agreement with the State Board of Equalization.

Renaissance Zone Exemptions

North Dakota allows these exemptions under the Renaissance Zone Act:
- A five-year business income exemption for purchasing, leasing, or making improvement to real property used in an existing business.
- A five-year investment income exemption for purchasing residential or commercial real property solely for investment purposes.

Tax Credits

North Dakota allows corporation income tax credits based on:
- A portion of North Dakota wages and salaries, if the corporation is a new industry. A corporation which receives a new or expanding business income tax exemption does not qualify for this credit.
- Investment in a certified nonprofit development corporation.
- Investment in a qualified North Dakota seed capital business.
- Investment in a qualified North Dakota agricultural commodity processing facility.
- Research and experimental expenses incurred in North Dakota.

- Contributions to nonprofit private high schools and colleges in North Dakota.
- Installation of geothermal, solar, wind or biomass energy devices.
- Portion of wages paid to a developmentally disabled or chronically mentally ill employee.
- Investment in a Renaissance Fund Organization.
- Investment in historic property preservation or renovation in a renaissance zone.
- Direct costs incurred to retrofit an existing facility or adapt a new facility to produce or blend biodiesel or green diesel fuel, or to crush soybeans or canola.
- Direct costs incurred by licensed fuel sellers to adapt or add equipment to enable retail sales of at least 2% biodiesel or green diesel fuel blends.
- Blending at least 5% blend of biodiesel or green diesel fuel by a licensed fuel supplier.
- Investment in a certified angel fund.
- Compensation paid to college interns working in North Dakota.
- Compensation paid to employees hired to fill hard-to-fill positions in North Dakota.
- New investment and employment in a certified microbusiness.
- Contributions to a qualified endowment fund held by a North Dakota nonprofit organization.
- Compensation paid to an employee in the National Guard or U.S. Armed Forces reserve who is mobilized for federal active duty.
- Contributions to the Housing Incentive Fund (effective through tax year 2014).
- Purchases of machinery and equipment to automate a manufacturing process (effective for tax years 2013 through 2015 only).
- Contributions to Rural Leadership North Dakota Scholarship Tuition Program conducted by the NDSU Extension Service.

HISTORICAL OVERVIEW

Significant Changes in Law

Prior to 1979
- The state's first income tax law enacted in 1919.
- In 1923, the income tax law was revised and patterned after federal income tax law.
- For 1919 through 1936, a flat tax rate of 3% applied.
- In 1937, a graduated set of tax rates was adopted, with rates ranging from 3% to 6%.
- In 1978, an initiated measure increased the tax rates, ranging from 3% to 8.5%.

1979 Session
- A tax credit for contributions to nonprofit private high schools was created.
- The 1% business privilege tax on business income was repealed.

1981 Session
- A tax credit for the installation of a geothermal energy device was created.
- A deduction was created for interest on bonds issued by a regional railway authority in North Dakota.
- The tax rates were reduced, ranging from 2% to 7%.

1983 Session
- Estimated tax payments were required for corporations with an estimated tax over $5,000.
- Tax rates were increased, ranging from 3% to 10.5%.

1985 Session
- A tax credit was provided for investments made in a North Dakota venture capital corporation. (Repealed effective August 1, 2007, in the 2005 Session.)

1987 Session
- Corporations were allowed to choose the water's edge method of apportioning income for tax years beginning after December 31, 1988.
- An alternative minimum tax (AMT) was enacted. (Repealed in the 1991 Session.)
- A deduction was added for dividends from the Myron G. Nelson Fund, Inc., a state established venture capital corporation. (This was renamed the North Dakota Small Business Investment Company in the 1995 session and, in the 2005 Session, was repealed effective August 1, 2007.)
- Credits were created for research expenditures, for investments in the Myron G. Nelson Fund, Inc., and for North Dakota wages paid to developmentally disabled or chronically mentally ill employees.
- Income tax returns included a provision for optional contributions to the Nongame Wildlife Fund. (Repealed in the 1991 Session.)
- Limitations were removed on the type of business qualifying for the new business exemption. The exemption was expanded to include service and retail industries, as well as assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any agricultural, mineral or manufactured product.

1989 Session

- A credit was added for investment in a nonprofit development corporation.
- The alternative minimum tax (AMT) rate was changed from 5% to 6%. A credit was created for the amount the alternative minimum tax exceeds regular liability in past years.
- The water's edge election was made binding for five years instead of ten. The water's edge spreadsheet requirement was reduced from yearly to the first year and every third year thereafter.
- The Centennial Tree Trust Fund was added as an optional contribution. (Repealed in the 1991 Session.)

1991 Session

- The AMT was repealed, but the remaining AMT credit was allowed to be carried over for up to four years. A deduction was added for certain federal AMT disallowed on previous state returns.
- The legislature approved the Taxpayer Bill of Rights.
- The income tax exemption for new or expanding businesses was decoupled from the property tax exemption and was limited to value-added primary sector and tourism businesses.

1993 Session

- Limited liability companies (LLC), a new form of business entity, were legalized.
- The requirement to file informational returns was removed for tax exempt organizations and insurance companies subject to the insurance premium tax.
- A credit was created for alternative fuel equipment installed on motor vehicles. (This credit expired December 31, 1997.)

1994 Special Session

- Project size limitations were removed as qualifications for the new or expanding business tax exemption, allowing large projects to qualify.

1995 Session

- Corporations with parent and subsidiaries operating totally in the state were required to file a state consolidated corporation income tax return using the combined reporting method.

1997 Session

- The law was changed for a single member LLC. A single member LLC will be treated as a corporation for North Dakota purposes if treated as a corporation for federal income tax purposes; otherwise it must be disregarded as an entity separate from its owner. If any LLC meets the definition of a financial institution, as defined in N.D.C.C. ch. 57-35, it must file as a financial institution.
- A corporation may elect to apply an overpayment of estimated tax to a specific estimated installment other than the first quarter's installment.
- A number of changes were made affecting the interest calculation provisions.

1999 Session

- The interest rate on refunds was increased from 10% per year to 1% per month (or a fraction of a month), which is the same rate charged on late payments or additional tax due.
- The Renaissance Zone Program was created, which allows cities to designate an area within the city in which various investments qualify for income and financial institution tax deductions and credits.

2001 Session

- For tax-exempt organizations, the due date to file returns reporting unrelated business taxable income was changed to the 15th day of the fifth month following the tax year end.
- A change was made to extend the time period to assess tax. When a 25% understatement of taxable income or income tax exists, an extension may be entered into before the six-year assessment statute expires.
- The tax credit for geothermal, solar or wind energy devices was changed. Property leased in North Dakota became eligible. For devices installed after December 31, 2001, the credit is 3% of acquisition and installation cost, in each of the first 5 tax years. Passthrough entities' owners claim the entities' credit in proportion to the ownership interest. The credit is available for devices installed before January 1, 2011.
- For tax assessments made after December 31, 2000, a regulated investment company is allowed a deduction for dividends paid to the shareholders or to a fund of a regulated investment company.
- Under the Renaissance Zone Program, the business or investment income deduction was expanded to include rehabilitations of residential or commercial property. Also, the tax credit for investing in the preservation or renovation of historic property was reduced to 25% of the investment, not to exceed $250,000.

2003 Session

- The federal income tax deduction was repealed for tax years beginning after December 31, 2003.
- The tax rates were reduced, ranging from 2.6 to 7.0%. Corporations electing the water's edge filing method are subject to an additional 3.5% surtax on North Dakota taxable income.
- North Dakota net operating losses in tax years beginning after December 31, 2002, cannot be carried back to a previous tax year.

- Due to a North Dakota Supreme Court ruling, the North Dakota domestic dividend exclusion was repealed, effective for tax years beginning after December 31, 1999.
- A credit was created for costs incurred to retrofit an existing facility or adapt a new facility to produce or blend biodiesel fuel.

2005 Session

- Two new addition adjustments to federal taxable income were authorized effective for taxable years beginning after December 31, 2004:
  - U.S. production activities income deducted to compute federal taxable income.
  - Extraterritorial income excluded from the computation of federal taxable income (for tax years 2005 and 2006 only).
- The highest tax rate was reduced from 7% to 6.5%, effective for taxable years beginning after December 31, 2006.
- If a corporation is a member of a group of corporations filing a consolidated North Dakota return using the combined reporting method, the credit for installing a geothermal, solar, or wind energy device may be offset against the consolidated tax liability (as opposed to just the tax liability of the corporation eligible for the credit). Also, an unused credit may be carried forward up to five tax years.
- Eligibility for the seed capital and agricultural commodity processing facility investment tax credits was expanded to include regular corporations, trusts and passthrough entities (such as S corporations and partnerships). In the case of a passthrough entity, the tax credit must be passed through to the entity's owners based on their respective ownership interests.
- The amount of investment eligible for the seed capital investment tax credit was limited to $500,000 per qualified business over the business' lifetime. For investments made after December 31, 2004, the amount of tax credits allowed for all investments in all qualified businesses was limited to $2.5 million per calendar year.
- The amount of credit for an investment in an agricultural commodity processing facility was limited to $50,000. The total credit a taxpayer is eligible for in all tax years was limited to $250,000. The number of tax years over which a taxpayer may carry forward an unused tax credit was reduced from fifteen to five years.
- For tax payments (other than property taxes), made after December 31, 2004, a claim for credit or refund based on a claim that the tax or the law is unconstitutional must be made within 180 days of the due date of the return or payment of the tax, whichever occurs first.
- Two new credits related to biodiesel fuel were authorized for (1) fuel sellers who adapt or add equipment to their facilities to enable the sales of at least 2% biodiesel blends and (2) licensed fuel suppliers who blend fuel containing at least 5% biodiesel fuel.

2007 Session

- For a short period that is less than 120 days, no estimated payment of tax is required.
- Revisions were made to the following tax credits:
  1) Seed capital investment tax credit - The calculation of the allowable tax credit was changed to be 45% of investments made in a tax year, with no limitation of the amount of investment or credit. The limitation on the amount of tax credit that can be used in any tax year was changed to $112,500. (Credits in excess of $112,500 may be carried over.) Angel Funds were added as eligible for the tax credit. The credit based on the Angel Fund's investment is passed through to the Angel Fund investors who claim the credit on their own respective returns.
  2) Agricultural commodity processing facility investment tax credit - The calculation of the allowable credit was changed to be 30% of investments made in a tax year, with no limitation of the amount of investment or credit. The limitation on the amount of tax credit that can be used in any tax year was changed to $112,500. The carryover period for unused credits was increased to 10 years. "Qualified investment" was redefined to include cash or transfer of interest in real property in North Dakota, subject to certain conditions.
  3) Credit for research and experimental expenditures - The calculation of the credit was changed from the prior computation of 8% of the first $1.5 million of eligible expenses and 4% of eligible expenses above $1.5 million. For tax years beginning after December 31, 2006, the calculation begins with 25% of the first $100,000 of eligible expenses. For eligible expenses over $100,000 in a tax year, the applicable percentage for tax years 2007 through 2016 varies based on when qualified research in North Dakota began.

     For tax years after 2016, for eligible expenses over $100,000, the applicable percentage for all taxpayers is 8%.

     For taxpayers who began qualified research in North Dakota before January 1, 2007, the maximum credit allowed in any year is $2 million; any credit over this amount is not allowed in any year.

     For tax years after December 31, 2006, credits earned by any corporation in a consolidated corporation income tax return may be used to reduce the aggregate tax liability of all corporations in the return.

4) Credit for installation of geothermal, solar or wind energy devices - The credit was expanded to include devices that use biomass as the renewable energy source. For all eligible devices installed on or after January 1, 2007, if ownership of an eligible device is sold at the time the installation is completed, and the device is fully operational, the tax credit allowed to the installer transfers with the device to the purchaser.

- Saleable Tax Credits - The 2007 Legislative Session authorized the first saleable tax credits in North Dakota's history as follows:
  1. Credit for research and experimental expenditures - Subject to certain conditions, a taxpayer may sell, transfer, or assign up to $100,000 of unused credit to another taxpayer if the selling taxpayer is certified by the Department of Commerce.
  2. Credit for installation of biomass, geothermal, solar or wind energy devices - Subject to certain conditions, for devices installed on or after January 1, 2007, a taxpayer may sell, transfer or assign an unused credit to another taxpayer. This provision was repealed in the 2009 Legislative Session.

The following new tax credits were authorized:

- Angel Fund investment tax credit - Corporations may receive a credit equal to 45% of the total investments made in Angel Funds in a tax year, up to a maximum credit of $45,000 per tax year. An unused credit in the year of the investment may be carried forward for up to 4 years. To qualify, the Angel Fund must be incorporated in North Dakota and be in compliance with North Dakota securities laws. (A taxpayer claiming this credit may not also claim an income tax credit passed through by an angel fund resulting from the Angel Fund's own investment under the tax credit programs for seed capital investment or investment in an agricultural commodity processing facility.)
- Internship employment tax credit - Corporations may receive a credit equal to 10% of the compensation paid to up to 5 interns at a time. The intern and internship must meet certain qualifications. An employer is allowed a maximum of $3,000 in credits for all taxable years combined.
- Workforce recruitment tax credit - Corporations may receive a credit for employing extraordinary recruitment methods that result in the hiring of employees for hard-to-fill positions in North Dakota. The credit is equal to 5% of the compensation paid during the first 12 consecutive months such an employee is hired and is allowed in the first tax year following the completion of those twelve months. Any unused credit may be carried forward for up to 4 years. To be eligible, the annual salary for the position must be at least 125% of North Dakota's average wage (as published by Job Service North Dakota). Also, an employer must have used certain prescribed recruitment methods for at least six months to fill the position.
- Microbusiness income tax credit - A corporation is allowed a credit for new investment and new employment in a microbusiness in North Dakota that creates new income or jobs. Certain criteria must be met to qualify as a microbusiness. A microbusiness must be certified by the Department of Commerce and no more than 200 microbusinesses may be certified. The credit is equal to 20% of the new investment (increase) in buildings and depreciable property and new employment (increased compensation for new employees). An unused credit may be carried forward for up to 5 years.
- Property tax relief credit - For tax years 2007 and 2008 only, corporations which own property in North Dakota which is classified as commercial property may claim a credit of 10% of the property tax or mobile home tax levied on the property, up to a maximum of $1,000. For this credit, this means property taxes before any discount and before any special assessments. Unused credit may be carried forward for up to 5 years.
- Credit for contributions to a qualified endowment - Corporations may claim a credit for making a charitable contribution to a qualified endowment of a qualified nonprofit organization in North Dakota. The tax credit is equal to 40% of the contributions made in a tax year, up to a maximum of $10,000. North Dakota taxable income must be increased by the amount of the contribution, to the extent that the contribution reduced federal taxable income. An unused credit may be carried forward for up to 3 years. If a contribution is recovered by a corporation, the tax credit allowed for that contribution must be added to tax due in the year in which the contribution is recovered.

<u>2009 Session</u>

- Both the number of taxable income brackets and associated tax rates were reduced. The taxable income brackets were reduced from five to three, and tax rates were reduced from a range of 2.60% - 6.50%, to 2.10% to 6.40%.
- A requirement was enacted for tax credits earned after December 31, 2008. A claim for refund based on a credit carryback must be filed within three years of the due date, or extended due date, of the return for the tax year in which the credit was claimed.

- Changes were made to how North Dakota taxable income is computed in certain instances:
  - A new deduction from federal taxable income was enacted for certain corporations that elect to be an IC-DISC (interest-charge domestic international sales corporation). The deduction is available for actual distributions if the IC-DISC elects to use certain IRS intercompany pricing rules and is owned by one or more individuals or passthrough entities.
  - Corporations that own a captive real estate investment trust (REIT) must add back to federal taxable income the amount of the dividends paid deduction allowed to the captive REIT on its federal income tax return.
  - For cooperatives for taxable years ended after April 30, 2009, the cooperative may not be subject to the requirement to add back to federal taxable income the full federal domestic production activity deduction. If the cooperative elects to pass through the deduction to its patrons under IRC § 199, the amount passed through is not added back to federal taxable income.
- Changes were made to the following tax incentive and credit programs:
  - Renaissance Zone Program - Qualifying projects were expanded to include leasehold improvements and rehabilitation of public utility infrastructure. A new tax credit was created for non-participating property owners who must make required changes to utility services or building structure as a result of another taxpayer's zone project.
  - Credit for Geothermal, Solar, Wind or Biomass Energy Device - The sunset date of the credit was extended from January 1, 2011 to January 1, 2015. The carryover period for unused credits was extended depending on the date the device was installed. For devices installed after September 30, 2008, the carryover period was extended from five to ten years. For a wind energy device only that is installed after September 30, 2008, and before January 1, 2012, the carryover period was extended to 20 years. The provision for the sale, assignment or transfer of credits to an unrelated taxpayer was repealed.
  - Credit for Biodiesel Fuel Production - The credit was expanded to apply to facilities used to crush soybeans or canola.
  - Credit for Investment in an Angel Fund - Clarification was added to the definition of an Angel Fund and to the criteria for certification as an Angel Fund. Additionally, a lifetime maximum of $5 million in credits was set for all investments made in a single Angel Fund.
  - A new credit was created based on wages paid or a reduction in compensation for employees mobilized for National Guard or U.S. Armed Forces reserve duty. The credit is limited to $1,000 per eligible employee. An unused credit may be carried forward for up to five tax years.

2011 Session

- The tax rates were reduced, ranging from 1.68% to 5.15%.
- A new tax credit was created for contributions to the Housing Incentive Fund administered by the North Dakota Housing Finance Agency. The credit is equal to 100% of the amount contributed to the fund and applies only to 2011 and 2012 tax years. The credit has a cumulative statewide limit of $15 million dollars of credits. Also, North Dakota taxable income must be increased by the amount of the contribution that was deducted on the federal tax return.
- Changes were made to the Angel Fund investment credit to allow passthrough entities to pass the credit through to its owners and establish a lifetime limit of $150,000 of credits per taxpayer. The carryover term for excess credits was changed from four years to seven years. An additional change was made for tax years 2011 and 2012 to allow the sale or transfer of credits to another taxpayer.
- A new credit was created effective for future tax years of 2013 through 2015 related to the purchase of machinery and equipment for the purpose of automating a manufacturing process.
- For the 'water's edge' filing method, the requirement to file a domestic disclosure spreadsheet was repealed, for tax years after 2010.

2013 Session

- The tax rates were reduced, ranging from 1.48% to 4.53%.
- The tax credit for contributions to the Housing Incentive Fund was extended for the 2013 and 2014 tax years. A ceiling of $20 million is set on the total credits allowed under the program for the 2013 and 2014 tax years. Any unused credit in the year of the contribution may be carried over to a subsequent year return for up to 10 years. North Dakota taxable income must be increased by the amount of the contribution that was deducted on the federal tax return.
- New renaissance zone projects approved on or after August 1, 2013, have the following new limitations.
  - Expansion project limitation – If a zone project consists of a physical expansion of an existing building, the amount of the exemption for the tax year is limited to an amount equal to the income otherwise eligible for the exemption multiplied by an expansion ratio. The expansion ratio is equal to the

square footage added by the expansion divided by the total square footage of the building after expansion.
    - Per taxpayer limitation – The maximum amount of eligible income that a taxpayer may exempt from income tax for any taxable year is $500,000. This limitation applies to the total eligible income that a taxpayer derives from all business and investment interests held during the tax year.
- Beginning with the 2014 calendar year, a remitter of oil and gas royalty payments must withhold North Dakota income tax from payments made to nonresident royalty owners with a nonworking interest in the production. Nonresident royalty owners include corporations that are domiciled outside North Dakota. Any amount withheld is claimed as a payment when the corporation files its tax return.
- A new income tax credit is allowed to a corporation that makes a contribution to the Rural Leadership North Dakota Program conducted by the North Dakota State University Extension Service. The credit is equal to 50% of the total contributions made during the tax year. There is no carryover of an unused credit, and the contributions may be designated for a specific individual.
- The North Dakota financial institution tax was repealed. A financial institution that was previously subject to the financial institution tax will be subject to income tax beginning January 1, 2013.
- The Angel Fund Investment tax credit program was changed to prohibit an Angel Fund from investing in real estate or a real estate holding company. Any Angel Fund that was certified prior to January 1, 2013, that made an investment in real estate is not eligible for recertification by the North Dakota Department of Commerce. Also, the lifetime limit of credits allowed to any taxpayer was increased from $150,000 to $500,000.

Corporation Income Tax Collections

Fiscal Year	Net Collections
2004	40,257,083
2005	62,669,889
2006	111,789,587
2007	119,955,748
2008	140,737,698
2009	98,958,239
2010	87,874,592
2011	146,489,704
2012	198,746,771
2013	187,067,476
2014	239,404,247
2015 est.	242,112,000

SOURCE: North Dakota Office of State Tax Commissioner.

Historical North Dakota Corporation Income Tax Brackets and Rates

For taxable years beginning on or after January 1, 2013*

North Dakota taxable income:	over	but not over	
	$0	$25,000	1.48% of North Dakota taxable income
	$25,000	$50,000	$370 + 3.73% of the amount over $25,000
	$50,000		$1,302.50 + 4.53% of the amount over $50,000

For taxable years beginning on or after January 1, 2011 and prior to January 1, 2013*

North Dakota taxable income:	over	but not over	
	$0	$25,000	1.68% of North Dakota taxable income
	$25,000	$50,000	$420 + 4.23% of the amount over $25,000
	$50,000		$1,477.50 + 5.15% of the amount over $50,000

For taxable years beginning on or after January 1, 2009 and prior to January 1, 2011*

North Dakota taxable income:	over	but not over	
	$0	$25,000	2.10% of North Dakota taxable income
	$25,000	$50,000	$525 + 5.25% of the amount over $25,000
	$50,000		$1,837.50 + 6.40% of the amount over $50,000

For taxable years beginning on or after January 1, 2007 and prior to January 1, 2009*

North Dakota taxable income:	over	but not over	
	$0	$3,000	2.60% of North Dakota taxable income
	$3,000	$8,000	$78 + 4.10% of the amount over $3,000
	$8,000	$20,000	$283 + 5.60% of the amount over $8,000
	$20,000	$30,000	$955 + 6.40% of the amount over $20,000
	$30,000		$1,595 + 6.50% of the amount over $30,000

For taxable years beginning on or after January 1, 2004 and prior to January 1, 2007*

North Dakota taxable income:	over	but not over	
	$0	$3,000	2.60% of North Dakota taxable income
	$3,000	$8,000	$78 + 4.10% of the amount over $3,000
	$8,000	$20,000	$283 + 5.60% of the amount over $8,000
	$20,000	$30,000	$955 + 6.40% of the amount over $20,000
	$30,000		$1,595 + 7.00% of the amount over $30,000

For taxable years beginning on or after January 1, 1983 and prior to January 1, 2004

North Dakota taxable income:	over	but not over	
	$0	$3,000	3.00% of North Dakota taxable income
	$3,000	$8,000	$90 + 4.50% of the amount over $3,000
	$8,000	$20,000	$315 + 6.00% of the amount over $8,000
	$20,000	$30,000	$1,035 + 7.50% of the amount over $20,000
	$30,000	$50,000	$1,785 + 9.00% of the amount over $30,000
	$50,000		$3,585 + 10.50% of the amount over $50,000

For taxable years beginning on or after January 1, 1981 and prior to January 1, 1983

North Dakota taxable income:	over	but not over	
	$0	$3,000	2.00% of North Dakota taxable income
	$3,000	$8,000	$60 + 3.00% of the amount over $3,000
	$8,000	$20,000	$210 + 4.00% of the amount over $8,000
	$20,000	$30,000	$690 + 5.00% of the amount over $20,000
	$30,000	$50,000	$1,190 + 6.00% of the amount over $30,000
	$50,000		$2,390 + 7.00% of the amount over $50,000

For taxable years beginning on or after January 1, 1978 and prior to January 1, 1981

The corporation income tax rates had five brackets ranging from 3% up to 8.5% for income over $25,000.

For taxable years beginning on or after January 1, 1937 and prior to January 1, 1978

The corporation income tax rates had four brackets ranging from 3% up to 6% for income over $15,000.

For taxable years beginning on or after January 1, 1919 and prior to January 1, 1937

The corporation income tax rate was 3.0% on North Dakota taxable income.

* If a corporation elects to use the water's edge method to apportion its income, the corporation will be subject to an additional 3.5% surtax on its North Dakota taxable income.

Comparison of State Corporation Income Tax Rates
As of January 1, 2014

A comparison of tax **obligations** would also need to consider complex variables such as different state definitions of taxable income and circumstances of each corporation.

State	Tax Rate (percent) Corporation Lowest	Tax Rate (percent) Corporation Highest	Tax Brackets Lowest	Tax Brackets Highest	Tax Rate ** (percent) Financial Institution Lowest	Tax Rate ** (percent) Financial Institution Highest	Federal Income Tax Deductible
Alabama	6.5		Flat Rate		6.5		Yes
Alaska	0	9.4	$25,000	$222,000	0	9.4	No
* Arizona	6.5		Flat Rate		6.5		No
Arkansas	1.0	6.5	$3,000	$100,000	1.0	6.5	No
* California	8.84		Flat Rate		10.84		No
Colorado	4.63		Flat Rate		4.63		No
* Connecticut	7.5		Flat Rate		7.5		No
* Delaware	8.7		Flat Rate		8.7	1.7	No
* Florida	5.5		Flat Rate		5.5		No
Georgia	6.0		Flat Rate		6.0		No
* Hawaii	4.4	6.4	$25,000	$100,000	7.92		No
* Idaho	7.4		Flat Rate		7.4		No
* Illinois	9.5		Flat Rate		9.5		No
* Indiana	7.5		Flat Rate		8.5		No
Iowa	6.0	12.0	$25,000	$250,000	5.0		Yes
* Kansas	4.0		Flat Rate		2.25		No
Kentucky	4.0	6.0	$50,000	$100,000	--		No
Louisiana	4.0	8.0	$25,000	$200,000	4.0	8.0	Yes
* Maine	3.5	8.93	$25,000	$250,000	1.0		No
Maryland	8.25		Flat Rate		8.25		No
* Massachusetts	8.0		Flat Rate		9.0		No
Michigan	6.0		Flat Rate		--		No
* Minnesota	9.8		Flat Rate		9.8		No
Mississippi	3.0	5.0	$5,000	$10,000	3.0	5.0	No
* Missouri	6.25		Flat Rate		7.0		Yes
* Montana	6.75		Flat Rate		6.75		No
Nebraska	5.58	7.81	$100,000		--		No
Nevada	no tax		no corporate income tax				No
* New Hampshire	8.5		Flat Rate		8.5		No
* New Jersey	9.0		Flat Rate		9.0		No
New Mexico	4.8	7.3	$500,000	$1,000,000	4.8	7.3	No
* New York	7.1		Flat Rate		7.1		No
* North Carolina	6.0		Flat Rate		6.0		No
NORTH DAKOTA	**1.48**	**4.53**	**$25,000**	**$50,000**	1.48	4.53	**No**
* Ohio			no corporate income tax		--		No
Oklahoma	6.0		Flat Rate		6.0		No
* Oregon	6.6	7.6	$10,000,000		6.6	7.6	No
Pennsylvania	9.99		Flat Rate		--		No
* Rhode Island	9.0		Flat Rate		9.0		No
* South Carolina	5.0		Flat Rate		4.5		No
* South Dakota	no tax		no corporate income tax		6.0	0.25	No
Tennessee	6.5		Flat Rate		6.5		No
* Texas							No
* Utah	5.0		Flat Rate		5.0		No
* Vermont	6.0	8.5	$10,000	$25,000	--		No
Virginia	6.0		Flat Rate		6.0		No
Washington			no corporate income tax				No
West Virginia	6.5		Flat Rate		6.5		No
Wisconsin	7.9		Flat Rate		7.9		No
Wyoming	no tax		no corporate income tax				No
* District of Columbia	9.975		Flat Rate		9.975		No

* See footnotes on following page.

** Rates listed include the corporate tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.

Footnotes for Comparison of State Corporate Income Tax Rates

Please note that a comparison of corporation income tax obligations would need to consider, in addition to tax rates, complex variables such as different state definitions of taxable income and circumstances of each corporation.

Arizona: Minimum tax is $100 for corporations and financial institutions. Tax rate is scheduled to decrease to 6.0% in tax years 2015.

California: The minimum corporation franchise tax is $800. The additional alternative minimum tax is levied at a 6.65% rate.

Connecticut: Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of $1 million), or $250 (the minimum tax). Plus, an additional 20% surtax applies for tax years 2012 and 2016.

Delaware: The Delaware Bank marginal rate decreases over 4 brackets ranging from $20 to $650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.

Florida: 3.3% Alternative Minimum Tax. An exemption of $50,000 is allowed.

Hawaii: Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).

Idaho: Idaho's Minimum tax on a corporation is $20. The $10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under $100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).

Illinois: The Illinois rate of 9.5% is the sum of a corporate income tax rate of 7.0% plus a replacement tax of 2.5%.

Indiana: The Indiana tax rate is scheduled to decrease to 7.0% on July 1, 2014. The Financial Institution tax rate will decrease to 7.5% on January 1, 2015.

Kansas: In addition to the flat 4% corporate income tax, Kansas levies a 3.0% surtax on taxable income over $50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of $25,000.

Maine: The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per $1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per $1,000 of the institution's Maine assets as of the end of its taxable year.

Massachusetts: Business and manufacturing corporations pay an additional tax of $2.60 per $1,000 on either taxable Massachusetts tangible property or taxable net worth allocatable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is $456.

Minnesota: In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income.

Missouri: 50% of the federal income tax is deductible.

Montana: Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is $50; the $50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of $100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.

New Hampshire: New Hampshire's 8.5% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over $50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.75% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross income over $150,000 or base over $75,000.

New Jersey: Small businesses with annual entire net income under $100,000 pay a tax rate of 7.5%; businesses with income under $50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from $500 for a corporation with gross receipts less than $100,000, to $2,000 for a corporation with gross receipts of $1 million or more.

New York: New York's General business corporate rate shown. Corporations may also be subject to AMT tax at 1.5% (3% banks), or a capital stocks tax. A minimum tax ranges from $25 to $5,000, depending on receipts ($250 minimum for banks). Certain qualified New York manufacturers pay 6.5%. Small business taxpayers in New York pay rates of 6.5%, 7.1%, and 4.35% on 3 brackets of entire net income up to $390,000.

North Carolina: Financial institutions are also subject to a tax equal to $30 per one million in assets.

Ohio: Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to $150 for gross receipts sitused to Ohio of between $150,000 and $1 million, plus 0.26% of gross receipts over $1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.

Oregon: Minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from $150 for corporations with sales under $500,000, up to $100,000 for companies with sales of $100 million or above.

Rhode Island: Minimum tax is $500 for corporations and financial institutions.

South Carolina: Savings and loans are taxed at a 6% rate.

South Dakota: Minimum tax for banks is $200 per location.

Texas: Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than $1,030,000 total revenues at rate of 1%, or 0.5% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.

Utah: Minimum tax is $100 for corporations and financial institutions.

Vermont: Minimum tax is $250 for corporations and financial institutions.

District of Columbia: Minimum tax is $100 for corporations and financial institutions.

SOURCE: Compiled by FTA from various sources.

PRIOR LAW

Applicable through 2004

As a result of federal estate tax law changes, the North Dakota estate tax that is based on the state death tax credit allowable on the federal return has been phased out for estates of decedents whose death occurs after December 31, 2004. Future changes to the state or federal estate tax laws will determine whether North Dakota estate tax is due.

Imposition and Rate

The estate tax is a tax on the value of an estate transferred at death. North Dakota's estate tax is perpetually "federalized". North Dakota's definition of a deceased person's "taxable estate" is identical to the federal definition and North Dakota recognizes all federal exemptions and deductions.

North Dakota's estate tax is equivalent to the credit for state death taxes allowed on the federal estate tax return (or a percentage of that credit equal to the percentage of property located in North Dakota). On the federal return, the credit for state death taxes is allowed as a credit against the federal tax liability. The estate pays the amount of this credit to the state. This method of determining state estate taxes ensures that estates pay no more in total estate taxes than the estate's federal tax liability. The tax is payable without interest for 15 months from the date of death.

The estate tax is administered and collected by the Tax Commissioner.

Distribution of Revenue

Revenue from the tax is distributed on a quarterly basis by the state to the counties and cities in which the property of the estate is located.

HISTORICAL OVERVIEW

Significant Changes in Law

1975 Session
- The definition of taxable estate is based on the federal definition. The estate tax was determined by subtracting the federal tax paid from the federal taxable estate, then computing a tax using a tax table established in the new law.

1977 Session
- The legislature allowed the following state exemptions and deductions to the value of the federal taxable estate: an exemption of $200,000, a deduction for federal estate taxes paid, and an exemption for certain gifted property. The legislature also provided that the tax was either the amount of tax credit for state death taxes on the federal return, or a tax computed by use of a tax table, whichever was greater.

1979 Session
- The rate table was repealed and the law was amended so that the state estate tax is equal to the credit for state death taxes on the federal estate tax return.

1991 Session
- The automatic estate tax lien was repealed.

1997 Session
- The requirement for depositories to file an inventory of the contents of a safe deposit box and for the filing of a notice of transfer of the decedent's assets was repealed.

1999 Session
- The requirement for the register of deeds to forward copies of death certificates and property descriptions was repealed.

Estate Tax Collections

Calendar Year	Total Collections
2004	3,173,650
2005	2,109,496
2006	1,086,192
2007	27,801
2008	87,805
2009	9,776
2010	193
2011	293
2012	27,065
2013	10,440

SOURCE: North Dakota Office of State Tax Commissioner

PRIOR LAW
Applicable through 2012

The financial institution tax was repealed effective December 31, 2012. Beginning January 1, 2013, all financial institutions are subject to income tax. See "2013 Session" on next page. During 2014, income tax administrative rules were adopted to provide for the same apportionment of income of multistate financial institutions that were previously applicable for the financial institution tax.

Imposition and Rates

The financial institution tax was imposed on banks, trust companies, building and loan associations, bank holding companies, production credit associations, certain leasing companies, and other financial institutions.

The financial institution tax was imposed on every financial institution for the privilege of transacting, or the actual transacting of, business in North Dakota and is based upon and measured by the financial institution's taxable income. If a financial institution conducts business both within and without North Dakota, the financial institution must apportion its business income to North Dakota according to the apportionment provisions.

The tax liability was determined by multiplying North Dakota taxable income by 6.5%, with a minimum tax of fifty dollars ($50.00). This amount, less credits allowed is divided between the State General Fund and the Financial Institution Tax Distribution Fund. The net tax payable to the State General Fund must be paid on or before April 15 of the year following the end of the taxable year. The net tax payable to the Financial Institution Tax Distribution Fund must be paid on or before January 15 of the second year following the end of the taxable year. Both payments must be made to the Office of State Tax Commissioner.

If a financial institution elects and is granted Subchapter S corporation status for federal income tax purposes, the Subchapter S status is not recognized for financial institution tax purposes and the corporation must file a financial institution tax return and pay the tax. In this case, a shareholder—limited to an individual, estate or trust—is allowed an adjustment to income in computing the shareholder's North Dakota income tax liability. The adjustment, which is equal to the portion of the income passed through to the shareholder and subject to North Dakota income tax, prevents the financial institution's income from being taxed at the financial institution level and the individual, estate or trust level.

HISTORICAL OVERVIEW

Significant Changes in Law

__1979 Session__
- The 1% business privilege tax paid by individuals, estates, trusts, partnerships and corporations doing business in the state was repealed.

__1991 Session__
- A state net operating loss was allowed to be carried forward.
- Out-of-state banks were allowed to acquire a North Dakota bank if the acquiring company was in a reciprocating state and the Tax Commissioner was authorized to determine a fair method of reporting income to North Dakota.
- Privilege taxes were authorized on North Dakota branches if the U.S. Congress authorized interstate branch banking.

__1995 Session__
- Interstate banking, in-state branching, and interstate branching were authorized. A trust company was allowed to establish for itself and its subsidiaries places of business within or outside North Dakota.

__1997 Session__
- Taxation of banks, trust companies and building or savings and loan associations was repealed and replaced with a financial institution tax.

__1999 Session__
- Cities were provided authority to create "renaissance zones," which allowed opportunities for various income exemptions and tax credits for investments in approved renaissance zones.

__2001 Session__
- An exemption was provided for income from property located in a renaissance zone and owned or leased for either a business or investment purpose. This exemption also extended to qualifying rehabilitations of residential or commercial property. The tax credit for investing in the preservation or renovation of historic property was changed to 25% of the investment, not to exceed $250,000. The credit must be claimed in the year the work is completed. A December 31, 2004 sunset date for the credit was removed.

2003 Session

- Financial institutions tax changed to maintain the deduction for federal income taxes paid. The deduction had previously been allowed by reference to the income tax law. The change was necessary because the deduction was repealed for income tax.
- For tax years after December 31, 1999, the exclusion for the North Dakota domestic dividend was repealed based on a North Dakota Supreme Court ruling.

2005 Session

- A new financial institution tax credit was created for making a contribution to fund a tuition scholarship for participation in the Rural Leadership North Dakota program conducted through the North Dakota State University Extension Service.
- Financial institutions that are members of a unitary group, and conduct 100% of their business in North Dakota were required to file a combined report.

2007 Session

- Changes were made to filing requirements for "short period" returns, i.e., returns filed for a tax year that is less than 12 months. Such returns must be filed by the later of April 15, or the due date prescribed by the IRS.

2009 Session

- The only change enacted to the financial institution tax law was to eliminate obsolete references.

2011 Session

- The overall tax rate was lowered from 7% to 6.5% effective beginning with tax year 2011. The split of the tax collections going to the State General Fund was lowered to 3/13 and the amount going to the Financial Institution Tax Distribution Fund was changed to 10/13. The change to the split was designed so the tax rate reduction would only impact the State General Fund.
- A new tax credit was created for contributions to a qualified Endowment Fund. The credit is equal to 40% of the contribution and the maximum limit on the credit is $10,000 per taxpayer per year. The credit is only allowed against the State General Fund portion of the tax. North Dakota taxable income must be increased by the amount of the contribution for which a credit is claimed. Any unused credit may be carried forward for three years.
- A new tax credit was created for contributions to the Housing Incentive Fund administered by the North Dakota Housing Finance Agency. The credit is equal to 100% of the amount contributed to the fund and applies only to 2011 and 2012 tax years. The credit has a cumulative statewide limit of $15 million dollars of credits for all income-based taxes. Also, North Dakota taxable income must be increased by the amount of the contribution that was deducted on the federal tax return to the extent a credit is claimed.

2013 Session

- The financial institution tax was repealed effective December 31, 2012. Beginning January 1, 2013, all financial institutions will file income tax returns, either as corporations or passthrough entities. A number of one-time provisions were included to address the transition from the financial institution tax to income tax, including dealing with 2013 short period returns, payment of 2013 income tax, and unused North Dakota net operating loss or tax credit carryovers for S corporations. The final year of tax revenue related to financial institutions tax was for tax year 2012, which was deposited into the Financial Institution Tax Distribution Fund and distributed to the counties in March 2014. To address the repeal of the tax and the elimination of the Financial Institution Tax Distribution Fund that was distributable to the counties, the State Aid Distribution Fund allocation to counties and cities was increased from 40% to 43.5% of one-fifth of the general sales tax.

Financial Institution Tax*

Tax Year	Total	To Counties	To General Fund
2004	9,690,881	6,830,163	2,860,718
2005	15,587,316	10,005,681	5,581,635
2006	18,575,329	12,558,064	6,017,265
2007	18,324,871	12,931,382	5,393,489
2008	12,083,480	6,535,072	5,548,408
2009	12,024,732	7,940,281	4,084,451
2010	13,816,254	9,777,194	4,039,060
2011	16,352,719	12,539,063	3,813,665
2012	21,667,001	18,272,223	3,394,778

* In general, the financial institution tax liability for tax years 1997 through 2010 was determined by multiplying North Dakota taxable income by 7%. This amount, which may not be less than $50.00, was divided between the State General Fund and the Financial Institution Tax Distribution Fund. For these years, the State General Fund received 2/7 of the tax, while the Financial Institution Tax Distribution Fund received 5/7 of the tax. For tax years 2011 and 2012, the tax rate was reduced to 6.5% and the split was changed to be 3/13 to the State General Fund and 10/13 to the Financial Institution Tax Distribution Fund.

The tax collected in the Financial Institution Tax Distribution Fund was distributed to the counties on or before March 1st each year. The final distribution was March 1, 2014.

Distribution of Financial Institution Tax*

County	Percentage	County	Percentage	County	Percentage
Adams	0.2968%	Grant	0.3913%	Ramsey	2.5621%
Barnes	2.2119%	Griggs	0.9247%	Ransom	1.3457%
Benson	0.3919%	Hettinger	0.5873%	Renville	0.3585%
Billings	0.0310%	Kidder	0.4219%	Richland	2.7733%
Bottineau	1.8718%	LaMoure	0.7904%	Rolette	1.0018%
Bowman	1.1325%	Logan	0.7964%	Sargent	1.3122%
Burke	0.4819%	McHenry	0.5434%	Sheridan	0.2813%
Burleigh	6.0739%	McIntosh	1.1903%	Sioux	0.0054%
Cass	19.2636%	McKenzie	1.1826%	Stark	4.2348%
Cavalier	1.6172%	McLean	1.3533%	Steele	0.5824%
Dickey	0.9295%	Mercer	1.3538%	Stutsman	3.4793%
Divide	0.8446%	Morton	2.1364%	Towner	0.5375%
Dunn	0.4347%	Mountrail	1.7976%	Traill	0.9871%
Eddy	0.1709%	Nelson	1.0597%	Walsh	2.5128%
Emmons	1.2017%	Oliver	0.1855%	Ward	7.5118%
Foster	0.9723%	Pembina	2.1623%	Wells	1.3501%
Golden Valley	0.5355%	Pierce	1.0727%	Williams	4.0541%
Grand Forks	8.6988%				

*Money in the Financial Institution Tax Distribution Fund for the years through 2012 was divided among the counties based on these percentages.

CURRENT LAW

Imposition, Rates and Administration

Motor Vehicle Fuel Tax (Gasoline and Gasohol)
A motor vehicle fuel tax of 23 cents per gallon is imposed on motor vehicle fuel (gasoline and gasohol) sold to retailers and consumers. Consumers who paid the tax but used the fuel in nonlicensed equipment for agricultural or industrial purposes may obtain a partial refund.

Seven cents per gallon is withheld from agricultural refunds. The seven cents is deposited into an Agricultural Research Fund.

One-half cent per gallon is withheld from industrial refunds to be deposited into the Agricultural Fuel Tax Fund.

The state and political subdivisions may obtain a refund of 23 cents per gallon on all motor vehicle fuel used for construction, reconstruction, and maintenance of roads and highways.

The operator of a licensed emergency medical services operation may obtain a refund of 23 cents per gallon on all motor vehicle fuel used by emergency medical services vehicles.

Special Fuels Taxes Special fuels include diesel, kerosene, heating fuel, compressed natural gas (CNG), liquefid natural gas (LNG) and liquefied petroleum gas (LPG) known as propane. A special fuels tax of 23 cents per gallon is imposed on all undyed (not red) diesel fuels, kerosene, CNG, LNG, and LPG sold for use in licensed vehicles.

For fuel uses other than in a licensed motor vehicle, a 4 cents per gallon special fuels excise tax is imposed on dyed (red) diesel fuels, kerosene, and CNG. A 2% special fuels excise tax is imposed on LPG. LNG and heating fuels are exempt from tax.

The 23 cents per gallon and the 4 cents per gallon and the 2% special fuels excise tax are not refundable. Consumers using special fuels for a purpose other than in a licensed motor vehicle are urged to purchase special fuel subject to the 4 cents per gallon or LPG subject to the 2% special fuels excise tax in lieu of the 23 cents per gallon tax.

The operator of a licensed emergency medical services operation may obtain a refund of 23 cents per gallon on all special fuel used by the emergency medical services vehicles.

A consumer, who uses undyed diesel fuel or other special fuel for a refrigeration unit on a truck or trailer that has a separate supply tank, and pays the special fuels tax of 23 cents per gallon, may file a claim for a refund. Four cents per gallon is withheld from the refund, the amount equal to the tax that would have been imposed if dyed diesel or other special fuel product had been used.

Aviation Fuel Tax The aviation fuel tax is imposed on the sale of aviation gasoline and jet fuels at a rate of 8 cents per gallon. Consumers who qualify for a refund of the 8 cents per gallon tax become subject to a 4% excise tax on the purchase price of the fuel. The 4% excise tax is deducted from the refund claim at the time of refund.

The operator of a licensed emergency medical services operation may obtain a refund of 8 cents per gallon on all aviation fuel used by emergency medical services vehicles.

Tribal Tax The North Dakota portion of the Standing Rock Sioux Tribe, the Spirit Lake Tribe, the Three Affiliated Tribes, and the Turtle Mountain Band of Chippewa passed ordinances imposing Tribal motor vehicle fuel and special fuel taxes. The ordinances are consistent with North Dakota's state fuel tax laws. The initial implementation date for the Standing Rock Sioux Tribe was January 1, 1999, for the Spirit Lake Tribe that date was November 1, 2006, for the Three Affiliated Tribes that date was October 1, 2007, and for the Turtle Mountain Band of Chippewa was September 1, 2010. The amount to be distributed to the Tribes and to the state is based on the population demographics of the last United States census.

HISTORICAL OVERVIEW

Significant Changes in Law

1977 Session
- The motor vehicle fuel tax and the special fuels tax rates increased from 7 cents to 8 cents per gallon.

1979 Session

- The legislature enacted a 4 cents per gallon tax rate for alcohol blended fuel.

1983 Session

- The motor vehicle fuel tax and the special fuels tax rates increased from 8 cents to 13 cents per gallon.
- The rates were reduced for alcohol blended fuel by 4 cents per gallon through December 31, 1983; 5 cents per gallon for calendar year 1984; 6 cents per gallon for calendar year 1985; and 4 cents per gallon from January 1, 1986 through June 30, 1992.

1985 Session

- The reduction for alcohol blended fuel was amended to 8 cents per gallon for July 1, 1985 through June 30, 1987 and 4 cents per gallon for July 1, 1987 through December 31, 1992.

1987 Session

- The motor vehicle fuel tax and special fuels tax rates increased from 13 cents to 17 cents per gallon.

1989 Session

- The motor vehicle fuel tax rate increased from 17 cents to 20 cents per gallon and the special fuels tax rate increased from 17 cents to 19 cents per gallon.
- The rate reduction for alcohol blended fuel was suspended for July 1, 1989 through June 30, 1991 and replaced with an ethanol production subsidy.
- An additional 1½ cents was withheld from farmers' refunds and deposited in the Agricultural Fuel Tax Fund.
- Enabling legislation was passed to allow the director of the new Department of Transportation to enter the International Fuel Tax Agreement (IFTA) for base state fuel tax licensing and reporting. The State Tax Commissioner retained non-IFTA importer for use tax administration.

1989 Referral Election

- The tax rate increases passed by the 1989 Legislature were rejected in a Special Election. The tax rates for the motor vehicle fuel tax and the special fuels tax remained 17 cents per gallon.

1991 Session

- An additional 2 cents per gallon was withheld from farmers' refunds and deposited in the Highway Tax Distribution Fund for incentives to North Dakota ethanol plants.
- The rate reduction for alcohol blended fuel was eliminated.

1993 Session

- The legislature provided for a "triggered" increase in the motor vehicle fuel tax and special fuels tax depending on the availability of federal highway matching funds. Under this provision the rate increased from 17 cents to 18 cents per gallon for the period December 1, 1993 through December 31, 1995.

1995 Session

- The legislature continued to "trigger" changes in the motor vehicle fuel tax and special fuels tax rates depending on the availability of additional federal highway matching funds. The rate increased to 20 cents per gallon for the period January 1, 1996 through December 31, 1997.

1997 Session

- The legislature provided for a permanent 20 cents per gallon motor vehicle fuel tax and special fuels tax through December 31, 1999 and added a provision to the special fuels tax chapter allowing the 2% special fuels excise tax to be charged on fuel dyed for federal motor fuel tax exemption purposes.
- The legislature also revised refund requirements to allow refunds of motor vehicle fuel tax and special fuels tax to industrial fuel users when the fuel was used in nonlicensed equipment on publicly funded projects.
- An additional 4 cents per gallon is withheld from agricultural consumer refund claims for deposit into an agricultural research fund, and the amount withheld for ethanol production incentives was lowered from 2 cents per gallon to 1 cent per gallon.

1999 Session

- The legislature reenacted the motor vehicle fuel and special fuels tax statutes and increased the taxes to 21 cents per gallon.
- The legislature also repealed the refund provisions for special fuel taxes and enacted a dyed fuel enforcement program. Dyed diesel fuel may not be used in licensed motor vehicles, and in the event of a violation, administrative fees may be assessed.

2001 Session

- The legislature enacted a decrease in special fuels taxes on diesel fuel containing at least 2% biodiesel fuel by weight. The decrease is contingent upon the opening of a biodiesel refining facility in this state with a production capacity of at least 10 million gallons biodiesel per year. If triggered, the tax on undyed diesel fuel containing biodiesel is reduced by one and five-hundreths cents per gallon, and the tax on dyed diesel fuel containing biodiesel is reduced to one and nine-tenths percent.

2005 Session

- The legislature provided for an increase in the tax rates for both motor vehicle fuel and special fuels from 21 cents per gallon to 23 cents per gallon.
- E85 was defined and a reduced rate of 1 cent per gallon was imposed on all E85 sold in the state until a total of 1.2 million gallons were sold, at which time the tax rate reverted to the 23 cents motor fuel tax rate.
- A special fuels tax exemption was provided through June 30, 2010, for the sale of hydrogen used to fuel an internal combustion engine or fuel cell.
- Provided for motor vehicle and special fuel tax refunds to Native Americans and established a refund reserve fund for this purpose.

2007 Session

- Motor fuel refunds are available for emergency medical services.
- The special fuels excise tax rate for all special fuels, except LPG, changed from 2% of the value to 4 cents per gallon.
- The special fuels excise tax rate for heating fuel was reduced to 1% for LPG and 2 cents per gallon for all other special fuels through June 30, 2009; beginning July 1, 2009, heating fuels are exempt from tax.
- Taxpayers are required to report actual physical inventories on a monthly basis.
- The requirement that tax be listed as a separate item, or a statement that the tax is included in the price, on a claim for refund was repealed.

2009 Session

- Township highway aid funds no longer withheld from refunds, townships receive 2.7% of highway funds.
- Counties, cities, and townships are required to submit annual reports providing information on use of revenue received for transportation purposes.
- Refunds are allowed for difference in on-road rates on diesel fuel when on-road fuel is used in the refrigeration unit on a truck with a separate supply tank.
- Special fuel tax collected from sale of diesel fuel to railroads up to $1.6 million dedicated to a fund to be used for crossing safety purposes.
- Allows cities with a computerized tracking system for vehicle fuel use to use off-road fuel and report and pay the difference between the off-road fuel and on-road fuel rates.

2011 Session

- Based on information provided on a special fuel license application, the Tax Commissioner may make a determination if a special fuel license is required.
- Allows for cooperative agreements between agencies for the exchange of information regarding interstate and international motor fuel use.

2013 Session

- A special fuel tax exmption is provided for liquefied natural gas (LNG) used for an agricultural, industrial, or railroad purpose after an LNG liquefaction plant is constructed in North Dakota.
- The entire 7¢ per gallon withheld from agricultural refunds of motor vehicle tax is deposited in the Agricultural Research Fund.
- A consumer advisory is requried to be displayed on all retail pumps dispensing dyed special fuel providing information regarding the administrative fee imposed for use of dyed special fuel in a licensed motor vehicle.
- Provided for increased administrative fees for first, second, third, and fourth violations for use of dyed special fuel in a licensed motor vehicle.

Distribution of Revenue

Tax Types
Motor Vehicle Fuel Tax (23¢ per gallon): 23¢ Highway Tax Distribution Fund Withheld from farmers' refunds (7¢ per gallon): 7¢ Agricultural Research Fund Withheld from Industrial users' refunds (½¢ per gallon): ½¢ Agricultural Products Utilization Fund Withheld from state or political subdivision and emergency medical services' refunds (0¢ per gallon)
Special Fuels Tax (23¢ per gallon): 23¢ Highway Tax Distribution Fund Withheld from emergency medical services' refunds (0¢ per gallon) Withheld from refrigeration unit refunds (4¢ per gallon)
Special Fuels Excise Tax (4¢ per gallon): 100% Highway Tax Distribution Fund
Special Fuels Excise Tax - LPG (2% of sales price): 100% Highway Tax Distribution Fund
Aviation Fuel Tax (8¢ per gallon): 8¢ Aeronautics Commission Special Fund Withheld from refunds: 4% Aviation fuel excise tax Withheld from emergency medical services' refunds (0¢ per gallon):
Aviation Fuel Excise Tax (4% of sales price): 100% Aeronautics Commission Special Fund
Highway Tax Distribution Fund
• 61.3% allocated to state highway purposes • 34.5% allocated to the counties and cities • 2.7% allocated to townships • 1.5% allocated to public transportation

Fuel Taxes and Fees Disbursements

Fiscal Year	Total Disbursement	Highway Distribution Fund	Township Highway Aid Fund	Agricultural Fuel Tax Fund	Agricultural Research Fund	Aeronautics Commission	State General Fund	Refund Reserve & Cash Bonds
2004	$121,466,700	$111,644,818	$5,393,334	$236,786	$470,999	$769,785	$889,130	$1,757,500
2005	$124,242,338	$113,931,319	$5,424,854	$217,782	$431,112	$941,680	$903,721	$2,097,000
2006	$135,038,662	$124,741,234	$5,311,819	$196,400	$389,528	$1,130,261	$881,277	$2,115,000
2007	$141,908,527	$131,445,986	$5,456,111	$168,538	$334,153	$1,171,275	$897,502	$2,023,020
2008	$146,250,694	$135,121,096	$5,618,871	$130,928	$259,118	$1,276,210	$848,165	$1,973,028
2009	$144,479,794	$134,825,465	$5,638,380	$119,024	$235,540	$1,271,387	$853,242	$1,536,756
2010	$150,697,451	$145,905,959	$0	$95,414	$190,377	$1,348,746	$866,955	$2,290,000
2011	$170,524,000	$166,210,750	$0	$102,091	$201,801	$1,559,903	$905,455	$1,544,000
2012	$203,232,860	$198,733,151	$0	$55,060	$107,850	$1,875,670	$1,053,129	$1,408,000
2013	$210,288,049	$206,030,768	$0	$45,110	$88,727	$1,898,277	$1,065,166	$1,160,000
2014	$226,270,800	$221,916,313	$0	$5,594	$114,913	$2,070,573	$1,236,407	$927,000

Motor Vehicle Fuels - Gallons Taxed

Fiscal Year	Total Gallons	Fiscal Refund	Net Gallons
2004	370,923,822	12,338,689	358,585,133
2005	366,130,282	11,182,318	354,947,964
2006	350,779,757	10,510,356	340,269,401
2007	358,118,000	9,511,735	348,606,265
2008	359,794,778	8,206,542	351,588,236
2009	365,404,512	7,408,328	357,996,184
2010	377,395,361	6,879,324	370,516,037
2011	395,537,062	5,494,678	390,042,384
2012	428,956,203	5,929,272	423,026,931
2013	439,698,764	3,318,264	436,380,500
2014	463,422,793	2,739,283	460,683,510

Special Fuels - Gallons Taxed - Per Gallon Tax Rate

Year	Total	Refund	Net
2004	177,164,572	0	177,164,572
2005	181,293,961	0	181,293,961
2006	165,456,167	17,221	165,438,946
2007	197,294,786	350,149	196,944,637
2008	208,741,260	659,803	208,081,457
2009	210,814,957	1,296,488	209,518,469
2010	225,409,856	840,634	224,569,222
2011	278,419,258	801,553	277,617,705
2012	377,288,488	445,732	376,842,756
2013	385,066,135	601,255	384,464,880
2014	431,878,855	979,719	430,899,136

Tribal Fuel Taxes & Fees Disbursements

Fiscal Year	Standing Rock	Spirit Lake	Three Affiliated Tribes	Turtle Mountain
2004	$304,349			
2005	$294,870			
2006	$273,142			
2007	$308,073	$103,869		
2008	$292,102	$257,124	$474,053	
2009	$315,633	$288,978	$882,374	
2010	$340,570	$296,346	$1,022,803	
2011	$352,556	$253,252	$1,334,704	$470,240
2012	$338,563	$265,414	$2,041,593	$710,542
2013	$376,153	$252,438	$2,188,392	$687,290
2014	$365,333	$255,200	$2,467,753	$606,968

Special Fuels - Gallons Taxed 2% or $.04 or Heating Fuel

Fiscal Year	2% or $.04/gallon	Heating Fuel
2004	322,361,843	
2005	333,386,326	
2006	303,656,667	
2007	341,923,238	
2008	328,112,675	40,917,726
2009	313,298,379	89,594,470
2010	316,054,095	68,010,417
2011	385,552,293	72,358,292
2012	457,343,493	60,877,963
2013	474,182,067	75,015,596
2014	589,332,437	82,171,046

SOURCE: Office of State Tax Commissioner

State Motor Fuel Tax Rates
January 1, 2014

	GASOLINE			DIESEL FUEL			GASOHOL			
	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	Excise	Fee/Tax	Total	Notes
Alabama [1]	16.0	2.0	18.0	19.0		19.0	16.0	2.0	18.0	Inspection fee
Alaska	8.0		8.0	8.0		8.0	8.0		8.0	
Arizona	18.0	1.0	19.0	26.0	1.0	27.0	18.0	1.0	19.0	Leaking underground storage tank tax [9]
Arkansas	21.5	0.3	21.8	22.5	0.3	22.8	21.5	0.3	21.8	Environmental fee
California	39.5	7.0	46.5	10.0	28.0	38.0	39.5	7.0	46.5	Includes prepaid sales tax [8]
Colorado	22.0		22.0	20.5		20.5	20.0		20.0	
Connecticut	25.0		25.0	54.9		54.9	25.0		25.0	Plus an 8.1% petroleum tax
Delaware	23.0		23.0	22.0		22.0	23.0		23.0	Plus 0.9% gross receipts tax
Florida [2]	4.0	13.1	17.1	4.0	27.3	31.3	4.0	13.1	17.1	Sales tax added to excise [2]
Georgia	7.5	11.8	19.3	7.5	13.8	21.3	7.5	11.8	19.3	Sales tax added to excise
Hawaii [1]	17.0		17.0	17.0		17.0	17.0		17.0	Sales tax additional
Idaho	25.0	1.0	26.0	25.0	1.0	26.0	25.0	1.0	26.0	Clean water tax [7]
Illinois [1]	19.0	1.1	20.1	21.5	1.1	22.6	19.0	1.1	20.1	Sales tax add., environ. & leak. tank fees [3]
Indiana	18.0		18.0	16.0		16.0	18.0		18.0	Sales tax additional [3]
Iowa	21.0	1.0	22.0	22.5	1.0	23.5	19.0	1.0	20.0	Environmental fee
Kansas	24.0	1.03	25.03	26.0	1.03	27.03	24.0	1.03	25.03	Environmental & inspection fees
Kentucky	29.4	1.4	30.8	26.4	1.4	27.8	29.4	1.4	30.8	Environmental fee [3] [4]
Louisiana	20.0	0.125	20.125	20.0	0.125	20.125	20.0	0.125	20.125	Inspection fee
Maine	30.0		30.0	31.2		31.2	30.0		30.0	[5]
Maryland	27.0		27.0	27.75		27.75	27.0		27.0	
Massachusetts	24.0		24.0	24.0		24.0	24.0		24.0	
Michigan	19.0		19.0	15.0		15.0	19.0		19.0	Sales tax additional
Minnesota	28.5	0.1	28.6	28.5	0.1	28.6	28.5	0.1	28.6	Inspection fee [5]
Mississippi	18.0	0.4	18.4	18.0	0.4	18.4	18.0	0.4	18.4	Environmental fee
Missouri	17.0	0.3	17.3	17.0	0.3	17.3	17.0	0.3	17.3	Inspection fee
Montana	27.0		27.0	27.75		27.75	27.0		27.0	
Nebraska	26.4	0.9	27.3	26.4	0.3	26.7	26.4	0.9	27.3	Petroleum fee [5]
Nevada [1]	23.0	0.805	23.805	27.0	0.75	27.75	23.0	0.805	23.805	Inspection and cleanup fee
New Hampshire	18.0	1.625	19.625	18.0	1.625	19.625	18.0	1.625	19.625	Oil discharge cleanup fee
New Jersey	10.5	4.0	14.50	13.5	4.0	17.50	10.5	4.0	14.50	Petroleum fee
New Mexico	17.0	1.875	18.875	21.0	1.875	22.875	17.0	1.875	18.875	Petroleum loading fee
New York	8.0	18.4	26.4	8.0	16.65	24.65	8.0	18.4	26.4	Petroleum & sales taxes additional
North Carolina	37.5	0.25	37.75	37.5	0.25	37.75	37.5	0.25	37.75	Inspection tax [4]
North Dakota	**23.0**		**23.0**	**23.0**		**23.0**	**23.0**		**23.0**	
Ohio	28.0		28.0	28.0		28.0	28.0		28.0	
Oklahoma	16.0	1.0	17.0	13.0	1.0	14.0	16.0	1.0	17.0	Environmental fee
Oregon [1]	30.0		30.0	30.0		30.0	30.0		30.0	
Pennsylvania	40.7		40.7	51.0		51.0	40.7		40.7	Oil franchise tax only
Rhode Island	32.0	1.0	33.0	32.0	1.0	33.0	32.0	1.0	33.0	Leaking underground storage tank tax
South Carolina	16.0	0.75	16.75	16.0	0.75	16.75	16.0	0.75	16.75	Inspection fee & leak. storage tank tax
South Dakota [1]	22.0	2.0	24.0	22.0	2.0	24.0	22.0	2.0	24.0	Inspection fee
Tennessee [1]	20.0	1.4	21.4	17.0	1.4	18.4	20.0	1.4	21.4	Petroleum tax & environmental fee
Texas	20.0		20.0	20.0		20.0	20.0		20.0	
Utah	24.5		24.5	24.5		24.5	24.5		24.5	
Vermont [10]	18.2	13.77	31.97	27.0	4.0	31.0	18.2	13.77	31.97	Cleanup and Transportation fees
Virginia [1]	11.1		11.1	20.2		20.2	11.1		11.1	[6]
Washington	37.5		37.5	37.5		37.5	37.5		37.5	0.5% privilege tax
West Virginia	20.5	15.2	35.7	20.5	15.2	35.7	20.5	15.2	35.7	Sales tax added to excise
Wisconsin	30.9	2.0	32.9	30.9	2.0	32.9	30.9	2.0	32.9	Petroleum inspection fee
Wyoming	23.0	1.0	24.0	23.0	1.0	24.0	23.0	1.0	24.0	License tax
Dist. of Columbia	23.5		23.5	23.5		23.5	23.5		23.5	
Federal	18.3	0.1	18.4	24.3	0.1	24.4	13.0	0.1	13.1	Leaking underground storage tank tax [7]

SOURCE: Compiled by Federation of Tax Administrators from various sources.

(1) Tax rates do not include local option taxes: Alabama, 1-3¢; Hawaii, 8.8-18¢; Illinois, 5¢ in Chicago and 6¢ in Cook county (gasoline only); Nevada, 4-9¢; Oregon, 1-3¢; South Dakota and Tennessee, 1¢; and Virginia, 2%.
(2) Local taxes for gasoline and gasohol vary from 10.8-19.1¢. Plus a 2.071¢ per gallon pollution tax.
(3) Carriers pay an additional surcharge: Illinois, 21¢ (gasoline), 19.5¢ (diesel); Indiana, 11¢; and Kentucky, 2% (gasoline), 4.7% (diesel).
(4) Tax rate is based on the average wholesale price and is adjusted quarterly. The actual rates are: Kentucky, 9%; and North Carolina, 17.5¢ + 7%.
(5) Portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government, or inflation.
(6) Large trucks pay an additional 12.6¢ (gasoline), 3.5¢ (diesel). Actual rates are 3% for gasoline and 6% for diesel.
(7) Tax rate is reduced by the percentage of ethanol used in blending (reported rate assumes the maximum 10% ethanol).
(8) Gasoline is subject to a 2.25% sales tax and diesel is subject to a 9% sales tax.
(9) Diesel rate specified is the fuel use tax rate on large trucks. Small vehicles are subject to 18¢ tax rate.
(10) Diesel rate is scheduled to increase by 1¢ on July 1, 2014.

Gaming Taxes

CURRENT LAW

Imposition and Rates

A gaming tax is levied each quarter on the total gross proceeds from games of chance conducted by licensed organizations. “Gross proceeds” means all cash and checks received from conducting games. The gaming tax rates are as follows:

Total Quarterly Gross Proceeds	Rate
$0 to $1,500,000	1%
Exceeding $1,500,000	$15,000 + 2.25% of any amount over $1,500,000

The Attorney General administers the gaming tax.

Gaming Regulation

Certain organizations which conduct only limited sports pools, raffles, bingo, paddlewheels, twenty-one, or poker may be issued a local permit or charity local permit by a city or county. The current fiscal or calendar year prize limit for organizations conducting under a local permit is $12,000. In other instances, organizations must receive a license from the Attorney General to conduct games. The maximum number of sites an organization may operate is 25. The Attorney General conducts criminal history record checks of all potential new employees. Persons who have committed any felony or certain misdemeanor offenses are prohibited from employment in the gaming industry.

All net proceeds from games must be disbursed for educational, charitable, patriotic, fraternal, religious or public-spirited uses. “Net proceeds” means adjusted gross proceeds less allowable expenses and gaming tax. "Allowable expenses" per quarter are limited to 60% of adjusted gross proceeds. “Adjusted gross proceeds” means gross proceeds less cash prizes, cost of merchandise prizes, gaming tax, and federal excise tax.

Organizations may conduct games of poker, twenty-one, punchboards, pull tabs, bingo, raffles, calcuttas, paddlewheels, and sports pools. Video surveillance systems are required at sites where twenty-one wagers exceed $2 and gross proceeds from twenty-one activity exceed $10,000 per quarter. Organizations may use dispensing devices to conduct pull tabs and have bar employees redeem players' winning pull tabs.

Distribution of Revenue

Revenue from the gaming tax is deposited in the State General Fund. For the 2011-13 biennium, the legislature appropriated 7% of gaming taxes collected, up to $510,000, for cities and counties for gaming enforcement.

HISTORICAL OVERVIEW

Significant Changes in Law

<u>1977 through 1987</u>
- 1977 Session - Bingo, raffles, pull tabs, punchboards, and sports pools were legalized. The gaming tax was established at 3% of adjusted gross proceeds.
- 1979 Session - The gaming tax rate was increased from 3% to 5% of adjusted gross proceeds.
- 1981 Session - The game of twenty-one with a $2 maximum wager was legalized.
- 1983 Session - The gaming tax rate was changed from 5% of adjusted gross proceeds to 5% of the first $600,000 of adjusted gross proceeds and 20% of adjusted gross proceeds over $600,000.
- 1987 Session - The game of poker was legalized.

<u>1989 Session</u>
- The game of calcuttas for certain North Dakota sporting events was legalized.
- The maximum wager for the game of twenty-one was increased from $2 to $5.
- The legislature changed the gaming tax rates on adjusted gross proceeds.
- A 2% excise tax was imposed on pull tab gross proceeds.

<u>1991 Session</u>
- The game of paddlewheels was legalized with a $2 maximum wager.
- Employees of bars were authorized to assist organizations with pull tab dispensing devices.
- The State Gaming Commission was created.

<u>1993 Session</u>
- The excise tax on pull tab gross proceeds was increased from 2% to 4.5%.
- Organizations were required to install a video surveillance system at certain sites for the game of twenty-one.

1995 Session

- The work permit system was replaced by a law that enables the Attorney General's Office to conduct criminal history record checks of all potential new employees of organizations and distributors.
- 2.5% of gross proceeds of pull tabs was added to the allowable expense limit for organizations.

1997 Session

- For the game paddlewheels, in which prizes are a variable multiple of the players' wagers, chips rather than paper tickets were authorized to be used.
- The organizations' allowable expense limit was increased for capital expenditures for security or video surveillance equipment.
- The license fee for manufacturers of pull tabs, paper bingo cards, and dispensing devices was increased to $4,000.
- The Department of Human Services received an appropriation of $150,000 to outsource contract for compulsive gambling prevention, awareness, crises intervention, rehabilitation, and treatment services.

1999 Session

- The maximum monthly rent that an organization may pay a bar owner for conducting pull tabs or operating a dispensing device on a site increased.
- The Attorney General may require certain organizations to make estimated gaming and excise tax payments.

2001 Session

- Bingo halls and on-site food concessions were restricted from operating between the hours of 12 midnight Saturday through 12 noon on Sunday.
- Employees of bars may sell raffle tickets for organizations authorized to conduct games at those bars.
- Manufacturers of paper bingo cards and pull tabs were generally required to sell their products to all licensed distributors.
- The wager limit was increased from $5 to $25.

2003 Session

- Authority was granted to the Attorney General's Office to allow an organization to pay delinquent tax, interest, and penalty on an installment plan.
- The license fee for manufacturers of pull tab dispensing devices only was reduced from $4,000 to $1,000.
- Employees of bars may provide limited assistance to organizations in the conduct of sports pools.

2005 Session

- For a raffle, a licensed organization may, at the request of a winning player, exchange a merchandise prize valued up to $25,000 for a cash prize once per year.

2007 Session

- The sales tax on the sale of bingo cards was replaced with a 3% excise tax on the gross sales of bingo cards.
- The single cash prize limit for raffles was increased from $1,000 to $4,000 and the total cash prizes in a day was increased from $3,000 to $4,000.
- Licensed organizations are allowed, at their discretion, to exchange a merchandise prize valued up to $25,000 for a cash prize twice per year.

2009 Session

- The excise tax on pull tab gross proceeds was decreased from 4.5% to 3%.
- The primary prize limit under a local permit or charity local permit was increased from $2,500 to $6,000 (except that cash prizes under a raffle are still limited to $4,000) .
- The 3% bingo excise tax was eliminated for organizations operating under a local permit or charity local permit.

2011 Session

- Excise taxes on pull tabs and bingo were eliminated and the previous four-tiered gaming tax on adjusted gross proceeds was replaced with a new four-tiered incremental tax on total gross proceeds.
- The multiple calculations for allowable expenses were replaced with a simple calculation of 60% of adjusted gross proceeds.
- Nonprofit organizations that sell an alcoholic beverage as part of certain fundraising activities are exempt from the alcoholic beverage licensing requirements provided that the alcoholic beverage is not consumed at the event.

2013 Session

- The four-tiered incremental tax on total gross proceeds was replaced with a two-tiered progessive tax rate.
- The maximum rent allowed at pull tab sites that do not conduct twenty-one and paddlewheels was increased to $400 per month.
- The $4,000 maximum cash prize limits for raffles conducted by public spirited organizations that support amateur collegiate athletics was eliminated.

Gaming Tax Collections
Levied on Total Gross Proceeds

Fiscal Year	Total Collections
2012	5,521,000
2013	5,358,000
2014	3,363,601
2015 est.	3,100,000

Gaming Tax Collections
Levied on Total Adjusted Gross Proceeds

Fiscal Year	Total Collections
2004	3,432,000
2005	3,361,000
2006	3,010,000
2007	2,940,000
2008	3,274,000
2009	3,060,000
2010	2,990,000
2011	3,123,000
2012*	0

Excise Tax Collections
Levied on Gross Proceeds of Pull Tabs

Fiscal Year	State General Fund
2004	6,483,000
2005	6,361,000
2006	6,080,000
2007	5,963,000
2008*	7,145,000
2009*	7,018,000
2010*	4,900,000
2011	5,193,000
2012*	0

* Excise taxes and the previous gaming tax on adjusted gross proceeds were eliminated on July 1, 2011, and replaced with a new gaming tax based on total gross proceeds.

Pari-Mutuel Taxes

CURRENT LAW

A pari-mutuel tax is levied upon total wagers placed on race performances through live, simulcast and account wagering.

Two percent of live wagers are assessed as follows:

- One-half of one percent to the State Treasurer to be deposited in the State General Fund.
- One-half of one percent to the commission to be deposited in the Breeder's Fund.
- One-half of one percent to the commission to be deposited in the Purse Fund.
- One-half of one percent to the commission to be deposited in the Racing Promotion Fund.

Pari-mutuel taxes on simulcast and account wagering are assessed as follows:

- One-sixteenth of one percent to the State Treasurer to be deposited in the State General Fund.
- One-sixteenth of one percent to the commission to be deposited in the Breeder's Fund.
- One-sixteenth of one percent to the commission to be deposited in the Purse Fund.
- One-sixteenth of one percent to the commission to be deposited in the Racing Promotion Fund.

Pari-mutuel taxes and special funds are administered by the North Dakota Racing Commission.

HISTORICAL OVERVIEW

Significant Changes in Law

2009 Session

- The pari-mutuel tax was decreased from 3.5% and 4% to 2% for simulcast and live racing.

2011 Session

- The amount a licensee pays the Commission for all unclaimed tickets and breakage is based on the first $20 million wagered with each provider. The amount the Commission may receive from the Promotion Fund for operating expenses is limited to $25,000 or 25% of the balance, whichever is greater.

2013 Session

- The tax rate for simulcast wagering was set at the same rate as account wagering (.25%).
- The total taxes paid on simulcast and account wagering were capped at $400,000 for fiscal year 2014 and $420,000 for each fiscal year thereafter.
- All unclaimed tickets and breakage must be deposited into the promotion fund rather than split among the three funds administered by the Commission.

Pari-Mutuel Racing Tax Collections*
Levied on On- and Off-Track Horse Racing

Fiscal Year	State General Fund
2004	111,964
2005	253,268
2006	44,739
2007	184,317
2008	171,159
2009	73,781
2010	54,070
2011	82,084
2012	100,061
2013	124,323

* Horse racing taxes are deposited in the General Fund. Several other portions of wagers are distributed to other racing-related funds and are not included in the table.

SOURCE: North Dakota Racing Commission.

CURRENT LAW

Filing Requirements

Every resident of North Dakota who has a federal income tax filing requirement is required to file a North Dakota income tax return.

Every nonresident who has a federal income tax filing requirement and derives income from North Dakota (except interest and dividends from nonbusiness sources, pensions and annuities) is required to file a North Dakota income tax return. There are exceptions for certain Native Americans, interstate transportation employees, Minnesota and Montana residents, and military personnel and their spouse.

An individual income tax return is due the 15th day of the 4th month following the end of the tax year.

Choice of Methods Full-year residents have the option to file using either Form ND-1EZ or Form ND-1, depending on certain criteria. Part-year residents and full-year nonresidents must file using Form ND-1 along with Schedule ND-1NR. The Form ND-2 (long form) was repealed after tax year 2008.

Filing Status The same filing status (that is, single, married filing jointly, head of household, etc.) used for federal purposes must be used when filing for state purposes.

Taxable Income North Dakota taxable income for most individuals will equal federal taxable income. For some individuals, North Dakota taxable income must be calculated by adjusting federal taxable income by:

- Adding a lump-sum distribution from a qualified pension plan reported on Form 4972.
- Adding a loss from a former financial institution that is an S corporation that elected to be taxed as a C corporation.
- Adding a charitable contribution deducted from federal taxable income on which the North Dakota planned gift tax credit or qualified endowment tax credit is based.
- Adding a charitable contribution deducted from federal taxable income on which the North Dakota Housing Incentive Fund credit is based.
- Subtracting 40% of a net long-term capital gain allocable to North Dakota.
- Subtracting 40% of a qualified dividend allocable to North Dakota.
- Subtracting interest income from U.S. obligations.
- Subtracting exempt income of a Native American.
- Subtracting retirement, unemployment, and sick pay benefits from the U.S. Railroad Retirement Board.
- Subtracting income from former financial institution that is an S corporation that elected to be taxed as a C corporation.
- Subtracting income exempted under the Renaissance Zone Act.
- Subtracting income exempted under the new or expanding business exemption.
- Subtracting the pay received by a National Guard/ Reserve member for service in U.S. armed forces.
- Subtracting the pay received by a nonresident for service in the U.S. armed forces.
- Subtracting up to $10,000 of medical expenses and lost wages for donating a human organ.
- Subtracting the amount of a taxable signing bonus, moving expense reimbursement, or nontypical fringe benefits received for filling an employment position eligible for the workforce recruitment credit.
- Subtracting up to $5,000 ($10,000, if joint return) of contributions to a North Dakota College SAVE account.

Tax Rates The applicable tax rates depend on the taxpayer's filing status. The tax rates applicable to each filing status for the 2014 tax year are as follows:

Single

ND taxable income Over	But not over	Tax rate
$ 0	$ 36,900	1.22%
$ 36,900	$ 89,350	2.27%
$ 89,350	$ 186,350	2.52%
$ 186,350	$ 405,100	2.93%
$ 405,100		3.22%

Married filing jointly or qualifying widow(er)

ND taxable income Over	But not over	Tax rate
$ 0	$ 61,700	1.22%
$ 61,700	$ 148,850	2.27%
$ 148,850	$ 226,850	2.52%
$ 226,850	$ 405,100	2.93%
$ 405,100		3.22%

Married filing separately

ND taxable income

Over	But not over	Tax rate
$ 0	$ 30,850	1.22%
$ 30,850	$ 74,425	2.27%
$ 74,425	$ 113,425	2.52%
$ 113,425	$ 202,550	2.93%
$ 202,550		3.22%

Head of household

ND taxable income

Over	But not over	Tax rate
$ 0	$ 49,400	1.22%
$ 49,400	$ 127,500	2.27%
$ 127,500	$ 206,600	2.52%
$ 206,600	$ 405,100	2.93%
$ 405,100		3.22%

The income brackets are indexed for inflation each year. A 3-year income averaging method is available for calculating the tax on farm income if the taxpayer elects to use the federal 3-year income averaging method.

Nonresident Tax Calculation Residents and nonresidents calculate North Dakota taxable income the same way. For a nonresident, however, the tax calculated on North Dakota taxable income (which includes income from all sources) is multiplied by a ratio equal to North Dakota source income divided by federal adjusted gross income (reduced by interest from U.S. obligations and nonresident military pay).

Credits Tax credits are available for:

- Paying income tax to another state (North Dakota resident only).
- Paying qualified expenses to care for a qualified family member to avoid placement in a long-term care facility.
- Investment in a renaissance fund organization.
- Investment in historic property preservation or renovation in a renaissance zone.
- Purchasing or rehabilitating a single-family residence in a renaissance zone.
- Investment in a qualified North Dakota seed capital business.
- Investment in a qualified North Dakota agricultural commodity processing facility.
- Making a planned gift to a North Dakota qualified nonprofit organization or its qualified endowment fund.
- Blending at least 5% blend of biodiesel or green diesel fuel by a licensed fuel supplier.
- Direct costs incurred by licensed fuel seller to adapt or add equipment to enable retail sales of at least 2% biodiesel or green diesel fuel blend.
- Providing "marriage penalty" relief for eligible joint filers.
- Compensation paid to college interns working in North Dakota.
- New investment or employment in a certified microbusiness.
- Research expenses incurred in North Dakota.
- Investment in a certified angel fund.
- Compensation paid to employee hired to fill hard-to-fill position in North Dakota.
- Installation of geothermal energy device after December 31, 2008.
- Compensation paid to an employee in the National Guard or U.S. armed forces reserve who is mobilized for federal active duty.
- Premiums paid for a long-term care partnership plan insurance policy.
- Contribution of at least $5,000 to a qualified endowment fund held by a qualified nonprofit organization in North Dakota.
- Contribution to the North Dakota Housing Incentive Fund, effective through 2014 tax year.
- Purchasing machinery and equipment to automate a manufacturing process, effective for 2013 through 2015 tax years.

Optional Contributions A taxpayer may make a contribution to the Watchable Wildlife Fund, the Trees For North Dakota Program Trust Fund, or both. A contribution will increase a balance due or reduce an overpayment on the return.

Payment of Estimated Tax

Individuals are required to pay estimated North Dakota income tax if all of the following conditions apply:

1. The individual is required to pay estimated federal income tax; AND
2. The individual's previous year's net tax liability was $1,000 or greater; AND
3. The individual expects to owe, after subtracting withholding, at least $1,000; AND
4. The individual expects withholding to be less than the smaller of:
   a. 90% of current year's net tax liability or
   b. 100% of previous year's net tax liability. (This does not apply if the individual moves into North Dakota during the previous year.)

Employer Wage Withholding

An employer is required to withhold North Dakota income tax from the wages of an employee if federal income tax is required to be withheld from such wages. Wages paid by farmers and ranchers are exempt from this requirement.

North Dakota withholding is computed using one of the following two methods:

- **Method 1: Percentage of Wages (Primary Method)** This method is similar to the IRS's Percentage Method in Publication 15 (Circular E). It is the method recommended for use in all cases.
- **Method 2: Withholding Tables** This method is identical to Method 1, the primary method, except that no calculations are required. Instead, a table is used to look up the withholding amount.

Employers must register with the North Dakota Office of State Tax Commissioner. Forms to register for income tax withholding, sales and use tax permit, unemployment insurance and workers compensation purposes are part of a consolidated registration package.

New Jobs Training Program Under the New Jobs Training Program, a new or expanding primary sector business may use income tax withheld from new employees to pay for the cost of training the employees. Application for the program is made through Job Service North Dakota.

Income Tax Withholding on Royalties
Beginning January 1, 2014, income tax was required to be withheld on oil and gas royalties paid to nonworking interest owners that are either nonresident individuals or non-North Dakota domiciled business entities. There are some exceptions to the withholding requirement for small producing remitters and certain types of royalty owners. The income tax withholding from royalties is administered similar to employers wage withholding, in which the remitter files a quarterly return, remits withheld tax each quarter, and files an annual informational return. The tax that is withheld is generally at the highest rate either for an individual or corporation. The remitter reports the amount of income tax withheld to each royalty owner on Form 1099-MISC that it issues to each royalty owner. The royalty owner claims credit on its income tax return for the income tax withheld from its royalties.

Fiduciary Income Tax (Estates and Trusts)

A fiduciary for a resident trust or estate, or a fiduciary for a nonresident trust or estate which derives income from North Dakota sources, must file a North Dakota fiduciary income tax return (Form 38) if required to file a federal fiduciary income tax return.

Tax Rates The applicable tax rates for the 2014 tax year are as follows:

ND taxable income		
Over	But not over	Tax rate
$ 0	$ 2,500	1.22%
$ 2,500	$ 5,800	2.27%
$ 5,800	$ 8,900	2.52%
$ 8,900	$ 12,150	2.93%
$ 12,150		3.22%

The requirement for an estate or trust to pay estimated North Dakota income tax also follows the same rules applicable to individuals. A beneficiary of an estate or trust may be required to file a North Dakota income tax return to report the income distributed or distributable to the beneficiary.

A fiduciary income tax return is due the 15th day of the 4th month following the end of the tax year.

Distribution of Revenue

All revenue from the individual income tax is deposited in the State General Fund.

HISTORICAL OVERVIEW

Significant Changes in Law

Before 1977
- The state's first income tax law was imposed in 1919.
- In 1923, it was revised and patterned after federal income tax law.
- Between 1923 and 1977, numerous changes were made to the law.

1977 Session
- A tax credit for the installation of a solar or wind energy device was created.

1978 Initiated Measure
- Voters in the 1978 General Election passed a measure decreasing individual income tax rates.

1979 Session
- The beginning farmer program deductions, a deduction for gains from property subject to eminent domain, and a credit for contributions to nonprofit private high schools were created.
- The 1% business privilege tax was repealed for tax years after 1980.

1980 Initiated Measure

- In the 1980 General Election, voters approved the oil extraction tax initiated measure that included an energy cost relief credit of up to $100.

1981 Session

- The simplified optional short form system was created for individuals, on which the tax was determined by multiplying the federal income tax liability by a flat tax rate of 7½%.
- For long form filers, the beginning businessman program deductions, a deduction for interest from a North Dakota financial institution, and a tax credit for installing a geothermal energy device were created.

1983 Session

- The energy cost relief credit was repealed.
- The tax rate on the simplified optional short form was increased to 10½%.
- The tax rates on the long form were increased, ranging from 2% on the first $3,000 of taxable income to 9% on taxable income over $50,000.

1985 Session

- For long form filers, a tax credit for investing in a venture capital corporation and a deduction for an adopted child under the age of 21 were created.

1986 Special Session

- General income tax withholding and estimated income tax laws were created.
- The simplified optional short form tax rate was increased to 14%.
- The tax rates on the long form were proportionally increased, ranging from 2.67% on the first $3,000 of taxable income to 12% on taxable income over $50,000.

1987 Referred Measure

- State voters upheld the 1986 Special Session changes increasing the tax rates and creating the general withholding and estimated tax laws.

1987 Session

- A 10% surtax on state income tax liability was created for tax year 1987 only.
- Beginning in 1988, the tax return had to include a line for an optional contribution to the Nongame Wildlife Fund.
- For long form filers, tax credits were added for investment in the Myron G. Nelson Fund, Inc., and for wages paid to a developmentally disabled or chronically mentally ill employee.

1989 Session

- On the long form, deductions were created for federal retirement benefits not previously eligible, for highway patrol retirement benefits, and for investment in a venture capital corporation or the Myron G. Nelson Fund, Inc.
- A credit was created on the long form for an investment in a nonprofit development corporation, and beginning in 1989, the tax return had to include a line for an optional contribution to the Centennial Tree program Trust Fund. Taxpayers must use the same filing status and the same standard or itemized deductions used for federal purposes.
- North Dakota income tax law was perpetually federalized for tax years beginning after December 31, 1988.
- The short form tax rate increased to 17%.
- The long form tax rates were increased proportionately, ranging from 3.24% on the first $3,000 of taxable income to 14.57% on taxable income over $50,000.

1989 Referral Election

- Tax rate increases passed by the 1989 Legislature were rejected in a December Special Election.

1991 Session

- A deduction was created for distributions from mutual funds that hold U.S. government securities.
- Wages paid by farmers and ranchers were exempted from withholding requirements.
- The North Dakota Taxpayer Bill of Rights was created.
- The income tax exemption for new or expanding businesses was decoupled from the property tax exemption and was limited to value-adding primary sector and tourism businesses.

1993 Session

- Credits were added to the long form for "seed capital investment" in a new or expanding business, for long term care insurance premiums, and for alternative fuel equipment installed on motor vehicles.
- The New Jobs Training Program was created to allow new or expanding businesses to use income tax withheld from new employees to pay for the employees' training.
- Also, a limited liability company form of business entity was legalized.

1994 Special Session

- The project size limitations were removed as qualifications for the new or expanding business tax exemption.

1995 Session

- A deduction was added to the long form for part of the gain on sale or exchange of stock of a corporation that relocates significant operations to North Dakota.
- The number of new jobs a business must create to qualify for the New Jobs Training Program was decreased.
- The Myron G. Nelson Fund, Inc. was changed to the Small Business Investment Company, a state established limited partnership.
- Authorized the taxation of a nonresident's income from gambling in North Dakota.

1997 Session

- A tax credit for qualified care expenses to avoid the placement of a qualifying family member in a long-term care facility was created on the long form.
- An individual who files a claim for unemployment compensation benefits may elect to have federal and state income tax withheld from the benefits.

1999 Session

- The interest rate on refunds was increased from 10% per year to 1% per month.
- The Renaissance Zone Program was created, which allows cities to designate an area within the city in which various investment qualify for income and financial institution tax deductions and credits.

2001 Session

- The simplified short form method (on which the tax was calculated as a percentage of the federal tax liability) was repealed. It was replaced with a method that uses federal taxable income as the starting point in calculating North Dakota taxable income, to which is applied a set of five tax rates—2.1%, 3.92%, 4.34%, 5.04%, and 5.54%. Each rate corresponds to one of five income brackets, each of which varies by filing status (that is, single, married filing jointly, head of household, etc).
- The estimated income tax requirements for individuals, estates, and trusts were changed to provide that no estimated tax has to be paid if the preceding tax year's net tax liability is less than $500.
- The threshold for filing an annual withholding return by an employer was increased to $500.
- A credit was created for investing in a North Dakota agricultural commodity processing facility.
- The partnership provisions were changed to exempt guaranteed payments of a nonresident partner of a professional service partnership for work performed outside North Dakota.
- Changes were made to the Renaissance Zone Act provisions, including the addition of rehabilitation work as a qualifying transaction.
- On the long form, the deduction for adopting a child under age 21 was increased to $1,750 with a 5-year carryforward of an unused amount.
- On the long form, the geothermal, solar, and wind energy device credit was allowed for a device installed on property leased by the taxpayer.

2003 Session

- The seed capital investment tax credit rate was increased to 45%, and thresholds on eligible investments and credits were increased.
- A payroll service provider who electronically transmits an employer's withholding return and taxes for federal purposes must electronically transmit the state withholding returns and taxes.
- The legislature required the Tax Commissioner to conduct a tax amnesty program.
- The new or expanding business income exemption was allowed on Form ND-1. On Form ND-2, the dividend deduction was repealed.
- A deduction was created for compensation that a National Guard or Reserve member receives for federal active duty service.

2005 Session

- The long-term capital gain exclusion on Form ND-1 was limited to a gain allocable to North Dakota.
- Lottery winnings were subjected to income tax withholding.
- The geothermal, solar, or wind energy device credit was changed to allow a five-year carryforward of an unused credit.
- A deduction of up to $10,000 of medical expenses and lost wages related to a human organ donation was created.
- A passthrough entity was required to withhold income tax from the distributive shares of income of its nonresident individual owners or beneficiaries.
- A credit for blending biodiesel fuel by a supplier was created.
- A credit for adding equipment necessary for the retail sale of biodiesel fuel was created.
- The seed capital and ag commodity investment tax credit provisions were changed to allow the credits to corporations and all passthrough entities and to revise various limitation provisions.
- A credit for planned gifts to qualified North Dakota nonprofit organizations was created.

2007 Session

- New income tax credits were created for: (1) Investing in a North Dakota Angel Fund; (2) Employing college interns; (3) Employing extraordinary recruitment methods to fill hard-to-fill positions in North Dakota;

(4) Increasing employment and/or purchasing additional tangible personal property in a North Dakota business; (5) Filing a joint return by certain married persons; and, (6) Owning an interest in a passthrough entity that invests in a North Dakota Endowment Fund.
- The existing research credit was changed to allow it to include all taxpayer types.
- The agricultural commodity processing facility and seed capital investment tax credit programs were changed to broaden and simplify their provisions.
- The energy device credit provisions were expanded to: (1) Include biomass as an energy source; (2) Allow the sale, assignment, or transfer of an unused credit under certain conditions; and, (3) Allow the transfer of the credit under a turnkey arrangement.
- The planned gift credit provisions were changed to increase the amount of the credit allowed.
- For the 2007 and 2008 income tax years only, two separate credits—one for residential and agricultural property and the second for commercial property—were created.
- The family member care credit provisions were changed to clarify and simplify them.
- New deductions were created for: (1) Contributing to a North Dakota College SAVE account; (2) Income of a Native American derived from reservations where not enrolled as a member; and, (3) Certain payments received for employment in a position eligible for the workforce recruitment credit.
- The beginning entrepreneur program deductions were repealed.

2009 Session
- The optional method for computing tax (found on Form ND-2) was repealed, as were the deductions and tax credits that were available to individuals only if they filed Form ND-2.
- Income tax rates were reduced approximately 12.3% for individuals, estates, and trusts. Income brackets changed only for indexing, but the tax rates for the five brackets were reduced from 2.1%, 3.92%, 4.34%, 5.04%, and 5.54% to 1.84%, 3.44%, 3.81%, 4.42%, and 4.86%, respectively.
- New income tax credits were created for: (1) Installing a Geothermal Energy Device after December 31, 2008 on property owned or leased in North Dakota; (2) Paying wages to an employee mobilized as a National Guard or Reserve member; and (3) Paying premiums for a long-term care "partnership plan" insurance policy.
- For the 2009 income tax year only, a credit was created for certain taxpayers who were ineligible for the property tax relief income tax credit under the 2-year program enacted by the 2007 North Dakota Legislature.
- A new deduction was created for qualified dividends received during the tax year that are allocable to North Dakota. This deduction is available to individuals, estates, and trusts.
- The Renaissance Zone program was changed to: (1) Increase the ceiling on the total credits allowed for investments made in a Renaissance Fund organization from $5 million to $7.5 million; and, (2) Add a new credit for a property owner not participating in a zone project who is required to make changes in utility services or building structure solely because of changes directly resulting from another taxpayer's zone project.
- The law governing the Angel Fund investment tax credit was changed to: (1) Provide a definition of what constitutes a qualifying Angel Fund; and, (2) Require the Angel Fund to be certified by the North Dakota Commerce Department.
- A new ND-EZ form was created for full-year residents of North Dakota who have simple returns and choose to file on paper. It is a shorter version of Form ND-1 and uses the same tax rates to compute the tax due.

2011 Session
- Income tax rates were reduced approximately 17.9%, with the new rates ranging from 1.51% to 3.99%
- New income tax credits were created for contributing to the Housing Incentive Fund, contributing to a qualified endowment fund, and purchasing new or used machinery and equipment to automate a manufacturing process.
- A new deduction was created for married persons filing jointly, which applies only if the standard deduction at the federal level for married persons filing jointly is less than 200% of the standard deduction for a single filer.
- Mobile Workforce legislation established new exemptions for individual income tax and income tax withholding based on the amount of time nonresidents are working in North Dakota, the type of work they are performing, and other facts related to the individual.
- Changes were made to the Angel Fund investment credit including making certain credits transferable and adding additional limitation on the amount of credits that can be earned by a taxpayer. Also, passthrough entities were added to the list of eligible investors to receive a tax credit and the carryover provision for unused credits was extended from four years to seven years.
- Changes were made to the Renaissance Fund Organization investment tax credit increasing the maximum credits available and altering requirements for the Renaissance Fund Organizations.

2013 Session

- Income tax rates were reduced approximately 19.3%, with rates ranging from 1.22% to 3.22%.
- The exclusion of long term capital gains and qualified dividends was increased to 40%.
- A new income tax withholding requirement was established January 1, 2014, for remitters of oil and gas royalties to certain nonresident owners of nonworking royalty interests. There are exceptions to the withholding requirement for small producing remitters and certain types of royalty owners.
- The provisions related to income tax withholding by passthrough entities were expanded to require passthrough entities to withhold income tax from the distributive share of income of its owners that are non-North Dakota domiciled passthrough entities. Also, the type of entity that may be included in a composite return was expanded to include non-North Dakota domiciled passthrough entities and the settlor of a grantor trust.
- The tax credit for contributions to the Housing Incentive Fund was extended to the 2013 and 2014 tax years, with a ceiling of $20 million was set on the total credits available under the program.
- The Angel Fund investment tax credit lifetime limitation of $150,000 per taxpayer was increased to $500,000. The Angel Fund program was also changed to restrict Angel Funds that were certified prior to January 1, 2013, from investing in real estate and to prohibit recertification if it had invested in real estate.
- Two changes were made to the Renaissance Zone program for projects approved after August 1, 2013. A new limitation (based on square footage) was placed on the amount of business or investment income that can be excluded when the project consists of a physical expansion of a building. An annual limitation of $500,000 per taxpayer was also placed on the amount of income from all projects that may be exempted.
- A new adjustment was created for a shareholder of an S corporation that was subject to the North Dakota financial institution tax prior to 2013 and elects to be taxed as a C corporation for North Dakota income tax purposes. The adjustment must be made to remove income or loss received from the S corporation from the shareholder's North Dakota taxable income to prevent double taxation of the income or a double deduction of the loss.
- The net tax liability threshold for when quarterly estimated tax payments are required was increased from $500 to $1,000.

Individual Income Tax Collections

Fiscal Year	Net Collections
2004	214,145,899
2005	241,319,731
2006	274,621,741
2007	318,433,494
2008	308,889,352
2009	378,135,463
2010	304,252,924
2011	429,848,371
2012	432,132,062
2013	617,933,162
2014	516,139,885
2015 est.	436,711,000

SOURCE: North Dakota Office of State Tax Commissioner.

Per Capita Comparison of Individual Income Tax Collections*
Fiscal Year 2013

Rank	State	Per Capita
1	Connecticut	$2,172
2	New York	$2,047
3	Massachusetts	$1,924
4	California	$1,743
5	Minnesota	$1,651
6	Oregon	$1,593
7	New Jersey	$1,361
8	Virginia	$1,320
9	Maryland	$1,298
10	Illinois	$1,284
11	Wisconsin	$1,259
12	Hawaii	$1,236
13	Delaware	$1,221
14	Maine	$1,153
15	Nebraska	$1,125
16	North Carolina	$1,124
17	Iowa	$1,112
18	Vermont	$1,057
19	Colorado	$1,049
20	Rhode Island	$1,035
21	Montana	$1,030
22	Kansas	$1,022
23	Utah	$983
24	West Virginia	$969
25	Arkansas	$895
26	Missouri	$890
27	**North Dakota**	**$888**
28	Georgia	$878
29	Ohio	$853
30	Kentucky	$847
31	Pennsylvania	$844
32	Michigan	$833
33	Idaho	$802
34	Oklahoma	$757
35	Indiana	$757
36	South Carolina	$703
37	Alabama	$662
38	New Mexico	$595
39	Louisiana	$592
40	Mississippi	$587
41	Arizona	$513
42	New Hampshire	$75
43	Tennessee	$40

* Seven states levy no individual income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

Comparison of Individual Income Tax Features by State

State	Tax Rate Range (in percents) Low	High	Number of Brackets	Income Brackets Lowest	Highest	Personal Exemptions Single	Married	Dependents	Federal Income Tax Deductible
Alabama	2.0 -	5.0	3	500 (b) -	3,001 (b)	1,500	3,000	500 (e)	Yes
Alaska	No State Income Tax								
Arizona	2.59 -	4.54	5	10,000 (b) -	150,001 (b)	2,100	4,200	2,100	
Arkansas (a)	1.0 -	7.0	6	4,199 -	34,600	26 (c)	52 (c)	23 (c)	
California (a)	1.0 -	12.3(f)	6	7,587 (b) -	508,500 (b)	106 (c)	212 (c)	326 (c)	
Colorado	4.63		1	Flat rate		3,950 (d)	7,900 (d)	3,950 (d)	
Connecticut	3.0 -	6.7	6	10,000 (b) -	250,000 (b)	13,000 (g)	24,000 (g)	0	
Delaware	2.2 -	6.6	6	5,000 -	60,001	110 (c)	220 (c)	110 (c)	
Florida	No State Income Tax								
Georgia	1.0 -	6.0	6	750 (h) -	7,001 (h)	2,700	5,400	3,000	
Hawaii	1.4 -	11.00	12	2,400 (b) -	200,001 (b)	1,040	2,080	1,040	
Idaho (a)	1.6 -	7.4	7	1,409 (b) -	10,568 (b)	3,950 (d)	7,900 (d)	3,950 (d)	
Illinois	5.0		1	Flat rate		2,000	4,000	2,000	
Indiana	3.4		1	Flat rate		1,000	2,000	2,500 (i)	
Iowa (a)	0.36 -	8.98	9	1,515 -	68,175	40 (c)	80 (c)	40 (c)	Yes
Kansas	2.7 -	4.8 (j)	2	15,000 (b) -	30,001 (b)	2,250	4,500	2,250	
Kentucky	2.0 -	6.0	6	3,000 -	75,001	20 (c)	40 (c)	20 (c)	
Louisiana	2.0 -	6.0	3	12,500 (b) -	50,001 (b)	4,500 (k)	9,000 (k)	1,000	Yes
Maine (a)	0 -	7.95	3	5,700 (b) -	20,900 (b)	3,900	7,800	3,900	
Maryland	2.0 -	5.75	8	1,000 (l) -	250,000 (l)	3,200	6,400	3,200	
Massachusetts (a)	5.2		1	Flat rate		4,400	8,800	1,000	
Michigan (a)	4.25		1	Flat rate		3,950	7,900	3,950 (k)	
Minnesota (a)	5.35 -	9.85	4	24,680 (m) -	152,541 (l)	3,950 (d)	7,900 (d)	3,950 (d)	
Mississippi	3.0 -	5.0	3	5,000 -	10,001	6,000	12,000	1,500	
Missouri	1.5 -	6.0	10	1,000 -	9,001	2,100	4,200	1,200	Yes (n)
Montana (a)	1.0 -	6.9	7	2,700 -	16,400	2,280	4,560	2,280	Yes (n)
Nebraska (a)	2.46 -	6.84	4	3,000 (b) -	29,001 (b)	128 (c)	256 (c)	128 (c)	
Nevada	No State Income Tax								
New Hampshire	State Income Tax of 5% on Dividends and Interest Income Only.								
New Jersey	1.4 -	8.97	6	20,000 (o) -	500,000 (o)	1,000	2,000	1,500	
New Mexico	1.7 -	4.9	4	5,500 (p) -	16,001 (p)	3,950 (d)	7,900 (d)	3,950 (d)	
New York	4.0 -	8.82	8	8,200 (b) -	1,029,250 (b)	0	0	1,000	
North Carolina	5.8		1	Flat rate					
North Dakota (a)	**1.22 -**	**3.22**	**5**	**36,900 (q) -**	**405,100 (q)**	**3,950 (d)**	**7,900 (d)**	**3,950 (d)**	
Ohio (a)	0.534 -	5.392	9	5,000 -	200,000	1,000 (r)	3,400 (r)	1,700 (r)	
Oklahoma	0.5 -	5.25	7	1,000 (s) -	8,701 (s)	1,000	2,000	1,000	
Oregon (a)	5.0 -	9.9	4	3,250 (b) -	125,000 (b)	191 (c)	382 (c)	191 (c)	Yes (n)
Pennsylvania	3.07		1	Flat rate			None		
Rhode Island	3.75 -	5.99	3	59,600 -	135,500	3,800	7,600	3,800	
South Carolina (a)	0.0 -	7.0	6	2,880 -	14,400	3,950 (d)	7,900 (d)	3,950 (d)	
South Dakota	No State Income Tax								
Tennessee	State Income Tax of 6% on Dividends and Interest Income Only.					1,250	2,500	0	
Texas	No State Income Tax								
Utah	5.0		1	Flat rate		(t)	(t)	(t)	
Vermont (a)	3.55 -	8.95	5	36,900 (u) -	405,100 (u)	3,950 (d)	7,900 (d)	3,950 (d)	
Virginia	2.0 -	5.75	4	3,000 -	17,001	930	1,860	930	
Washington	No State Income Tax								
West Virginia	3.0 -	6.5	5	10,000 -	60,000	2,000	4,000	2,000	
Wisconsin (a)	4.6 -	7.65	4	7,500 (v) -	225,000 (v)	700	1,400	700	
Wyoming	No State Income Tax								
Dist. of Columbia	4.0 -	8.95	4	10,000 -	350,000	1,675	3,350	1,675	

SOURCE: Compiled by Federation of Tax Administrators.

Footnotes

(a) 17 states have statutory provisions for automatically adjusting to the rate of inflation the dollar values of the income tax brackets, standard deductions, and/or personal exemptions. Massachusetts, Michigan, and Nebraska index the personal exemption only. Oregon does not index the income brackets for $125,000 and over. Maine has suspended indexing for 2014 and 2015.

(b) For joint returns, taxes are twice the tax on half the couple's income.

(c) The personal exemption takes the form of a tax credit instead of a deduction

(d) These states use the personal exemption amounts provided in the federal Internal Revenue Code.

(e) In Alabama, the per-dependent exemption is $1,000 for taxpayers with state AGI of $20,000 or less, $500 with AGI from $20,001 to $100,000, and $300 with AGI over $100,000.

(f) California imposes an additional 1% tax on taxable income over $1 million, making the maximum rate 13.3% over $1 million.

(g) Connecticut's personal exemption incorporates a standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over $71,000.

(h) The Georgia income brackets reported are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $1,000, to $10,000.

(i) Indiana includes an additional exemption of $1,500 for each dependent child.

(j) Kansas tax rates are scheduled to decrease on 1/1/2015. New rates will range from 2.7% to 4.6%.

(k) The amounts reported for Louisiana are a combined personal exemption-standard deduction.

(l) The income brackets reported for Maryland are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $1,000, to $300,000.

(m) The income brackets reported for Minnesota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $36,080 to $254,241.

(n) The deduction for federal income tax is limited to $5,000 for individuals and $10,000 for joint returns in Missouri and Montana, and to $6,100 for all filers in Oregon.

(o) The New Jersey rates reported are for single individuals. For married couples filing jointly, the tax rates also range from 1.4% to 8.97%, with 7 brackets and the same high and low income ranges.

(p) The income brackets reported for New Mexico are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $8,000 to $24,000.

(q) The income brackets reported for North Dakota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $61,700 to $405,100.

(r) Ohio provides an additional tax credit of $20 per exemption.

(s) The income brackets reported for Oklahoma are for single persons. For married persons filing jointly, the same tax rates apply to income brackets ranging from $2,000, to $15,000.

(t) Utah provides a tax credit equal to 6% of the federal personal exemption amounts (and applicable standard deduction).

(u) Vermont's income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from $61,600, to $405,100.

(v) The Wisconsin income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from $10,000, to $300,000.

CURRENT LAW

Imposition, Rates and Administration

Every insurance company licensed to do business in North Dakota is subject to a premium tax on the gross amount of its annual premiums, membership fees, and policy fees received from North Dakota policyholders. The premium tax rate is 2% for life insurance, and 1.75% for accident, health, property, casualty and surplus lines of insurance. A company domiciled in another state may be charged retaliatory tax--the tax rate of the home state--if the rate in the home state is higher than North Dakota's applicable premium tax rate.

A minimum $200 annual filing fee is required provided the total tax liability of an entity required to pay tax is less than $200.

The insurance premium tax is administered by the State Insurance Commissioner and is collected quarterly.

Exemptions and Credits

Gross receipts from annuities and from policies of benevolent and fraternal benefit companies are exempt. Credits against tax due are provided to insurers for the following situations:

- Assessment paid as a member of a comprehensive health association.
- Examination costs paid to the North Dakota Insurance Department (NDID) or contract examiners representing the NDID and for travel expense reimbursements paid directly to examiners.
- Ad valorem taxes on the premises occupied as the principal office in the state for over 50% of the year for which tax is paid.
- Investments in securities offered by a small business investment company created by the Myron G. Nelson Fund, Inc.
- Assessment paid to the Life and Health Insurance Guaranty Association.
- Insurers making or participating in incentive fund to make loans to low-risk businesses for primary sector business projects (N.D.C.C. ch. 26.1-50).

Distribution of Revenue

Collections are deposited in the State General Fund. The legislature may appropriate insurance premium tax revenue to the Insurance Tax Distribution Fund.

Insurance premium tax collections are deposited in the Insurance Tax Distribution Fund until the legislatively appropriated amounts are met. The remainder is deposited in the State General Fund. In the past, the Legislature has appropriated funds to the North Dakota Health Department Emergency Medical Services grants, North Dakota Firefighters Association and to the certified city and rural fire districts.

HISTORICAL OVERVIEW

Significant Changes in Law

1935 Session
- The first general sales tax in North Dakota was enacted at a rate of 2%. The tax base generally consisted of all sales to consumers of personal property; sales or service of gas, electricity, water and communication; and sales of tickets to places of amusement.

Before 1983
- Out-of-state insurance companies were subject to a 2.5% premium tax.
- North Dakota insurance companies were subject to corporation income tax, rather than insurance premium tax.

1983 Session
- Insurance companies doing business in the state, whether incorporated in North Dakota or any other state, became subject to the insurance premium tax and exempt from the corporation income tax.
- The legislature provided for a 2% rate for life insurance, 0.5% for accident and health insurance, and 1% for property, casualty and other types of insurance.

1987 Session
- The legislature increased the insurance premium tax rate from 0.5% to 1.25% for accident and health insurance and from 1% to 1.25% for property, casualty and other insurance.
- A credit was created for investments in the Myron G. Nelson Fund, Inc.

1989 Session

- The legislature increased the insurance premium tax rate from 1.25% to 1.75% for accident, health, property, casualty and other types of insurance.

1991 Session

- The legislature adopted a $200 annual filing fee for all insurance companies.

1997 Session

- A credit was created for any insurance company making or participating in a loan under the North Dakota Low-Risk Incentive Fund (see N.D.C.C. ch. 26.1-50-05).

1999 Session

- The method for calculating a penalty for failure to pay tax was changed.

2011 Session

- The Surplus Lines Insurance Multistate Compact (SLIMPACT) was enacted to allocate among the states the surplus lines premium tax paid to the insurer's home state. The compact only becomes effective if 10 states join the compact or states representing more than 40 percent of the surplus lines insurance premium join.

2013 Session

- The Legislature, through H.B. 1145, increased the distribution of insurance premium tax revenue to the North Dakota Firefighters Association and the certified city and rural fire districts to $15,336,386.

Insurance Premium Tax Collections and Disbursements

Fiscal Year	Total Collections	General Fund	Ins. Dist. Fund	Firefighter Death Benefit Fund
2005	30,671,102	28,019,102	2,652,000	
2006	29,124,817	25,864,817	3,260,005	
2007	30,168,197	27,008,197	3,160,000	
2008	37,425,546	33,590,546	3,785,000	50,000
2009	34,583,055	30,798,055	3,785,000	0
2010	35,893,902	31,098,902	4,782,691	10,000
2011	36,686,391	31,901,391	4,785,000	
2012	42,818,733	38,758,733	4,060,000	
2013	47,866,948	43,806,948	4,060,000	
2014	51,047,337	42,754,144	8,293,193	
2015 est.	50,428,000	42,135,000	8,293,000	

SOURCE: North Dakota Insurance Department.

Insurance Premium Tax Collections Per Capita
Fiscal Year 2013

Rank	State	Per Capita Insurance Premium Taxes
1	Tennessee	$106
2	Hawaii	$97
3	Delaware	$95
4	Vermont	$92
5	Rhode Island	$90
6	Nevada	$89
7	Louisiana	$86
8	South Dakota	$85
9	Alaska	$82
10	West Virginia	$82
11	Maine	$75
12	Minnesota	$74
13	Montana	$74
14	New York	$73
15	Maryland	$72
16	Mississippi	$71
17	Oklahoma	$70
18	Texas	$68
19	Connecticut	$67
20	**North Dakota**	**$66**
21	Arizona	$64
22	New Jersey	$64
23	New Hampshire	$63
24	Washington	$63
25	Pennsylvania	$62
26	Alabama	$62
27	New Mexico	$60
28	Massachusetts	$60
29	Kansas	$60
30	California	$58
31	North Carolina	$55
32	Arkansas	$55
33	Virginia	$48
34	Missouri	$45
35	Idaho	$45
36	Ohio	$44
37	Colorado	$40
38	Utah	$38
39	Nebraska	$37
40	Iowa	$34
41	Florida	$34
42	Georgia	$33
43	Kentucky	$32
44	Indiana	$32
45	Wyoming	$32
46	South Carolina	$31
47	Wisconsin	$31
48	Michigan	$30
49	Illinois	$28
50	Oregon	$26
	US Average	$55

SOURCE: US Dept. of Commerce, Census Bureau Department.

CURRENT LAW

Imposition and Administration

The tax on liquor and beer is a privilege tax imposed on all alcoholic beverage wholesalers doing business in North Dakota. In addition, direct shippers, microbrew pubs, domestic wineries and domestic distilleries pay the taxes on alcoholic beverages made by those facilities and sold directly to consumers. A pub, winery, or distillery may not engage in any wholesaling activities. The State Tax Commissioner administers the tax and licenses of wholesalers, direct shippers, microbrew pubs, domestic wineries and domestic distilleries. The tax is collected on either a monthly or annual calendar year basis. Licenses are also required for alcoholic beverage suppliers shipping product to a North Dakota wholesaler and out of state direct shippers of alcoholic beverages to North Dakota consumers.

Exemptions

If the alcohol is used for non-beverage purposes, it is exempt from the tax. These exemptions include:

- Denatured alcohol
- Patent, proprietary, medical, pharmaceutical, antiseptic and toilet preparations
- Flavoring extracts
- Syrups and food products
- Scientific chemical and industrial products
- Wines delivered to priests, rabbis and ministers for sacramental use

Rates

The amount of the tax is determined by the type of beverage and the gallonage sold by a wholesaler. The tax rate schedule is as follows:

	Per Wine Gallon
Beer in bulk containers	$ .08
Beer in bottles and cans	$ .16
Wine (less than 17% alcohol), including sparkling wine	$ .50
Wine (17% to 24% alcohol)	$ .60
Distilled Spirits	$ 2.50
Alcohol	$ 4.05

Distribution of Revenue

Revenue from the liquor and beer tax is deposited in the State General Fund.

HISTORICAL OVERVIEW

Significant Changes in Law

1967 Session
- The alcoholic beverage tax law was rewritten and the tax rates were restructured.

1991 Session
- Microbrew pubs became subject to the liquor and beer tax.

1995 Session
- Bonding repealed.

1995 Session
- Microbrew pubs became subject to new licensing requirements.

1999 Session
- Establish penalties for the shipping of out-of-state sales of alcoholic beverages from an out-of-state location directly to a person in North Dakota who is not a wholesaler.

2001 Session
- The wholesale alcoholic beverage administration was transferred from the state treasurer to the state Tax Commissioner effective July 1, 2001.
- Effective August 1, 2001, direct shippers of alcoholic beverages and farm wineries are required to obtain annual licenses and pay the wholesaler and applicable retailer taxes to the state Tax Commissioner.

2003 Session
- The alcoholic beverages law was amended to replace "farm winery" with "domestic winery."

2005 Session
- Suppliers became subject to new licensing requirements.
- Brand registration requirements were repealed.
- Thresholds for point-of-sale and dispensing equipment provided by wholesalers to retailers were increased.

- The percentage volume of North Dakota produced ingredients that must be included in wine produced by a domestic winery was defined.

2007 Session

- Container capacity was defined for "bottle or can" and bulk sales.
- The reciprocity with other states with regard to wine sales was repealed.
- Direct shipments to consumers inside or outside of the state are allowed by domestic wineries.
- Domestic winery reporting requirements were defined. The revocation of a suppliers license is provided for failure to comply with reporting requirements.

2009 Session

- Domestic distilleries required to obtain annual license and pay the wholesaler and applicable retailer taxes to the State Tax Commissioner.
- Tax rate on sparkling wine reduced to $.50 per wine gallon.
- Updated obsolete law references for microbrew pubs and referenced monthly tax reporting by microbrew pubs.

2011 Session

- Expanded the number of days the Tax Commissioner may issue permits for a domestic winery or domestic distillery to participate in special events. Participation has been increased from twenty days to twenty events plus all Pride of Dakota events.

2013 Session

- Alcohol Carriers and Logistics Shippers became subject to new licensing requirements.
- Brewer Taproom licensing provisions were established.
- Direct to retail sales provisions for licensed wineries were established

Liquor and Beer Taxes Collection

Fiscal Year	Total Collections
2000	5,420,486
2001	5,455,921
2002	5,493,783
2003	5,662,052
2004	5,910,349
2005	5,979,513
2006	6,340,589
2007	6,478,280
2008	6,959,464
2009	7,208,645
2010	7,411,422
2011	7,798,552
2012	8,523,427
2013	9,221,955
2014	9,220,018
2015 est.	9,115,000

SOURCE: Office of State Tax Commissioner.

Comparison of State Tax Rates - Beer
January 1, 2014

State	State Rate on Beer ($ per gallon)	Sales Taxes Applied	Other Taxes
Alabama	$0.53	Yes	$0.52/gallon local tax
Alaska	1.07	n.a.	
Arizona	0.16	Yes	
Arkansas	0.23	Yes	3% off-premise and 10% gross receipts on-premise tax
California	0.20	Yes	
Colorado	0.08	Yes	
Connecticut	0.24	Yes	
Delaware	0.16	n.a.	
Florida	0.48	Yes	
Georgia	0.32	Yes	$0.53/gallon local tax
Hawaii	0.93	Yes	$0.54/gallon draft beer
Idaho	0.15	Yes	over 4% - $0.45/gallon
Illinois	0.231	Yes	$0.29/gallon in Chicago and $0.06/gallon in Cook County
Indiana	0.115	Yes	
Iowa	0.19	Yes	
Kansas	0.18	--	over 3.2% - 8% enforcement tax + 10% on-premise, under 3.2% - 4.23% sales tax
Kentucky	0.08	Yes *	11% wholesale tax
Louisiana	0.32	Yes	0.048/gallon local tax
Maine	0.35	Yes	7% on-premise tax
Maryland	0.09	Yes	9% sales tax; 0.2333/gallon in Garrett County
Massachusetts	0.11	Yes	0.57% on private club sales
Michigan	0.20	Yes	
Minnesota	0.15	--	under 3.2% - $0.077/gallon. 9% sales tax
Mississippi	0.4268	Yes	
Missouri	0.06	Yes	
Montana	0.14	n.a.	
Nebraska	0.31	Yes	
Nevada	0.16	Yes	
New Hampshire	0.30	n.a.	
New Jersey	0.12	Yes	
New Mexico	0.41	Yes	
New York	0.14	Yes	$0.12/gallon in New York City
North Carolina	0.6171	Yes	
North Dakota	**0.16**	**--**	**7% state sales tax, bulk beer $0.08/gallon**
Ohio	0.18	Yes	
Oklahoma	0.40	Yes	under 3.2% - $0.36/gallon; and 13.5% on-premise
Oregon	0.08	n.a.	
Pennsylvania	0.08	Yes	
Rhode Island	0.11	Yes	$0.04/case wholesale tax
South Carolina	0.77	Yes	
South Dakota	0.27	Yes	
Tennessee	0.15	Yes	
Texas	0.20	Yes	14.95% - on-premise and $0.05/drink on airline sales
Utah	0.41	Yes	over 3.2% - sold through state store
Vermont	0.265	Yes	more than 6% alcohol - 0.55; 10% on-premise sales tax
Virginia	0.26	Yes	
Washington	0.26	Yes	
West Virginia	0.18	Yes	
Wisconsin	0.06	Yes	
Wyoming	0.02	Yes	
District of Columbia	0.09	Yes	9% off- or on-premise sales tax
U.S. (median)	$0.20		

* Sales tax is applied to on-premise sales only.

SOURCE: Distilled Spirits Council of the U.S., October 2014.

Comparison of State Tax Rates - Wine
January 1, 2014

State	State Rate on Wine ($ per gallon)	General Sales Tax Applies	Other Taxes
Alabama	$1.70	Yes	Local - $0.26/gal. Over 14% alcohol content - $9.16/gal.
Alaska	2.50	[2]	
Arizona	0.84	Yes	Over 24% alcohol content - $4.00/gal.
Arkansas	0.75	Yes	Under 5% alcohol content - $0.25/gal. Case - $0.05. Off-premises - 3%. On-premises - 10%.
California	0.20	Yes	Sparkling wine - $0.30/gal.
Colorado	0.28	Yes	
Connecticut	0.72	Yes	Over 21% alcohol content - $1.80/gal. Sparkling wine - $1.80/gal.
Delaware	0.97	[2]	
Florida	2.25	Yes	Over 17.259% alcohol content - $3.00/gal. Sparkling wine - $3.50/gal.
Georgia	1.51	Yes	Over 14% alcohol content - $2.54/gal. Local tax - $0.83/gal.
Hawaii	1.38	Yes	Sparkling wine - $2.12/gal. Wine coolers - $0.85/gal.
Idaho	0.45	Yes	
Illinois	1.39	Yes	Over 20% alcohol content - $8.55/gal. Chicago: $0.36 - $0.89/gal. Cook County: $0.16 - $0.30 /gal.
Indiana	0.47	Yes	Over 21% alcohol content - $2.68/gal.
Iowa	1.75	Yes	Under 5% alcohol content - $0.19/gal.
Kansas	0.30	No	Over 14% alcohol content - $0.75/gal. Off-premises - 8%. On-premises - 11%.
Kentucky	0.50	Yes	Wholesale - 11%.
Louisiana	0.11	Yes	14% - 24% alcohol content - $0.23/gal. Over 24% alc. content - $1.59/gal. Sparkling wine - $1,59/gal.
Maine	0.60	Yes	Over 15.5% alcohol content - sold through state stores. Sparkling wine - $1.25/gal. On-premises - 7%.
Maryland	0.40	No	9% sales tax.
Massachusetts	0.55	No	Sparkling wine - $0.70/gal.
Michigan	0.51	Yes	Over 16% alcohol content - $0.76/gal.
Minnesota	0.30	No	14% - 21% alcohol content - $0.95/gal. Under 24% alc. cont. - $1.82/gal. Sparkling wine - $1.82/gal. Over 24% alc. cont. - $3.52/gal. Bottle (except miniatures) - $0.01. 9% sales tax.
Mississippi	0.35	Yes	Sparkling wine and champagne - $1.00/gal.
Missouri	0.42	Yes	
Montana	1.06	[2]	Over 16% alcohol content - sold through state stores.
Nebraska	0.95	Yes	Over 14% alcohol content - $1.35/gal.
Nevada	0.70	Yes	14% - 22% alcohol content - $1.30/gal. Over 22% alcohol content - $3.60/gal.
New Hampshire	[1]	[2]	
New Jersey	0.875	Yes	
New Mexico	1.70	Yes	
New York	0.30	Yes	
North Carolina	1.00	Yes	Over 17% alcohol content - $1.11/gal.
North Dakota	**0.50**	**No**	**Over 17% alcohol content - $0.60/gal. 7% sales tax.**
Ohio	0.32	Yes	14% - 21% - $1.00/gal. Vermouth - $1.10/gal. Sparkling wine - $1.50/gal.
Oklahoma	0.72	Yes	Sparkling wine - $2.08/gal. On-premises - 13.5%.
Oregon	0.67	[2]	Over 14% alcohol content - $0.77/gal.
Pennsylvania	[1]	Yes	
Rhode Island	1.40	Yes	Sparkling wine - $0.75/gal.
South Carolina	0.90	Yes	Additional tax - $0.18/gal.
South Dakota	0.93	Yes	14% - 20% alcohol content - $1.45/gal. Over 21% alco. cont. - $2.07/gal. Sparkling wine - $2.07/gal. Wholesale tax - 2%.
Tennessee	1.21	Yes	On-premises - 15%.
Texas	0.204	Yes	Over 14% alcohol content - $0.408/gal. Sparkling wine - $0.516/gal. On-premises - 14.95%. Airline sales - $0.05/drink.
Utah	[1]	Yes	
Vermont	0.55	Yes	Over 16% alcohol content - sold through state store. On premises - 10%.
Virginia	1.51	Yes	Under 4% alcohol content - $0.2565/gal. Over 14% alcohol content - sold through state stores.
Washington	0.87	Yes	Over 14% alcohol content - $1.72/gal.
West Virginia	1.00	Yes	Local tax - 5%.
Wisconsin	0.25	Yes	Over 14% alcohol content - $0.45/gal.
Wyoming	[1]	Yes	
District of Columbia	0.30	No	Over 14% alcohol content - $0.40/gal. Sparkling wine - $0.45/gal.
U.S. (median)	0.72		

[1] All wine sales are through state stores. Revenue in these states is generated from various taxes, fees, price mark-ups, and net profits.
[2] These states do not have a general sales tax.

SOURCE: Compiled by Federation of Tax Administrators from state sources.

Comparison of State Tax Rates - Distilled Spirits

January 1, 2014

State	State Rate on Spirits ($ per gallon)	General Sales Tax Applies	Other Taxes
Alabama	(1)	Yes	
Alaska	$12.80	n.a.	Under 21% alcohol content - $2.50/gal.
Arizona	3.00	Yes	
Arkansas	2.50	Yes	Under 5% alcohol content - $0.50/gal. Under 21% alco. content - $1.00/gal. Case - $0.20. On-premises - 14%. Off-premises - 3%.
California	3.30	Yes	Over 50% alcohol content - $6.60/gal.
Colorado	2.28	Yes	
Connecticut	5.40	Yes	Under 7% alcohol content - $2.46/gal.
Delaware	3.75	n.a.	25% or less alcohol content - $2.30/gal.
Florida	6.50	Yes	Under 17.259% alcohol content - $2.25/gal. Over 55.780% alco. content - $9.53/gal.
Georgia	3.79	Yes	Local tax - $0.83/gal.
Hawaii	5.98	Yes	
Idaho	(1)	Yes	
Illinois	8.55	Yes	Under 20% alcohol content - $1.39/gal. Chicago - $2.68/gal. Cook Cty. - $2.00/gal.
Indiana	2.68	Yes	Under 15% alcohol content - $0.47/gal.
Iowa	(1)	Yes	
Kansas	2.50	No	On-premises - 10%. Off-premises - 8%.
Kentucky	1.92	Yes	Under 6% alcohol content - $0.25/gal. Case - $0.05. Wholesale tax - 11%.
Louisiana	2.50	Yes	
Maine	(1)	Yes	
Maryland	1.50	Yes	
Massachusetts	4.05	Yes	Under 15% alcohol content - $1.10/gal. Over 50% alco. content - $4.05/proof gal. Private club sale - 0.57%
Michigan	(1)	Yes	
Minnesota	5.03	No	Bottle (except miniatures) - $0.01. Sales tax - 9%.
Mississippi	(1)	Yes	
Missouri	2.00	Yes	
Montana	(1)	n.a.	
Nebraska	3.75	Yes	
Nevada	3.60	Yes	5% - 14% - $0.70/gal. 15% - 22% - $1.30/gal.
New Hampshire	(1)	n.a.	
New Jersey	5.50	Yes	
New Mexico	6.06	Yes	
New York	6.44	Yes	Under 24% - $2.54/gal. New York City - $1.00/gal.
North Carolina	(1)	Yes (2)	
North Dakota	**2.50**	**No**	**Sales tax - 7%.**
Ohio	(1)	Yes	
Oklahoma	5.56	Yes	On-premises - 13.5%.
Oregon	(1)	n.a.	
Pennsylvania	(1)	Yes	
Rhode Island	5.40	Yes	
South Carolina	2.72	Yes	Case - $5.36. Surtax - 9%. On-premises - 5%.
South Dakota	3.93	Yes	Under 14% alcohol content - $0.93/gal. Wholesale tax - 2%.
Tennessee	4.40	Yes	Under 7% alcohol content - $1.10/gal. On-premises - 15%.
Texas	2.40	Yes	On-premises - 14.95%. Airline sale - $0.05/drink.
Utah	(1)	Yes	
Vermont	(1)	No	On-premises - 10%.
Virginia	(1)	Yes	
Washington (3)	14.27	No	Retail sales tax - 20.5%. On-premises retail sales tax - 13.7%. On-premises - $9.24/gal.
West Virginia	(1)	Yes	
Wisconsin	3.25	Yes	Administrative fee - $0.11/gal.
Wyoming	(1)	Yes	
District of Columbia	1.50	No	On-premises and off-premises sales tax - 9%.
U.S. (median)	$3.75		

(1) In 17 states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees, price mark-ups, and net liquor profits.

(2) General sales tax is applied to on-premise sales only.

(3) Washington privatized liquor sales starting June 1, 2012.

SOURCE: Compiled by Federation of Tax Administrators from state sources.

CURRENT LAW

On November 5, 2002, North Dakota citizens approved a constitutional amendment that enabled the state to participate in multi-state lottery games. The 2003 Legislative Assembly passed House Bill No. 1243 that became law on April 4, 2003. This law, Chapter 53-12.1 of the North Dakota Century Code, created the North Dakota Lottery as a division within the Office of Attorney General. The law restricts the Lottery to only conduct online games, while the constitution restricts the lottery to only conduct multi-state games. The administrative rules, Chapter 10-16 of the North Dakota Administrative Code, address general rules, retailer, conduct and play, and game rules.

Scope of Operation

The North Dakota Lottery is responsible for administering, regulating, enforcing, and promoting the state's lottery.

The Lottery selects and licenses retailers; trains employees of retailers to use lottery terminals and sell and redeem tickets; develops administrative rules and proposes laws; investigates allegations of unlawful activity; assists retailers in promoting lottery games; pays high-tier prizes to players; ensures that retailers and players comply with the lottery law and rules; and provides full accountability to the public and Legislature.

Lottery Advisory Commission

The Attorney General and Chairman of the Legislative Management appointed a five-member Lottery Advisory Commission. The Commission serves as a policy advisory to the Attorney General and director of the Lottery and serves as the Audit Committee of the Lottery. The Commission oversees the general operation of the Lottery and is consulted on all substantive Lottery policies, plans, issues, contracts, timelines, and activities. The Commission meets at least on a quarterly basis.

Product Mix

North Dakota Lottery conducts the games of Powerball®, Hot Lotto®, Wild Card 2®, 2by2®, and Mega Millions®. Powerball was launched on March 25, 2004, Hot Lotto on June 24, 2004, Wild Card 2 on September 23, 2004, 2by2 on February 2, 2006, and Mega Millions on January 31, 2010. These games have a range of minimum jackpots of $22,000 to $40 million, and overall odds of winning a prize of 1:3.59 to 1:31.85.

The Lottery launched the North Dakota Lottery Players Club℠ on July 6, 2014 to provide players additional opportunities to win. As a member of the Players Club, players can enter special web code entries to earn points that he/she can use to redeem for special members-only benefits and prizes. Membership is free and members can enjoy all these great benefits: Points for Prizes®, Points for Drawings™, Second Chance Drawings, Subscription Service, and free FunPlay™ games.

In addition to the Players Club, the Lottery launched a new Subscription service on July 6, 2014. As a benefit of the Players Club, subscribers can prepay and be automatically entered in drawings from just one (1) draw up to 52 weeks. A subscriber is now able to buy, track, manage, and renew his/her subscriptions online; as well as earn points for his/her subscription purchases. Subscriptions are available for Powerball®, Hot Lotto®, Wild Card 2®, 2by2®, and Mega Millions®. Subscriptions are a convenience for players who cannot always get to a Lottery retailer before every draw.

Retailers

As of July 7, 2014, the Lottery had 429 licensed lottery retailers located in 126 towns and cities throughout 52 counties.

Debt Setoff

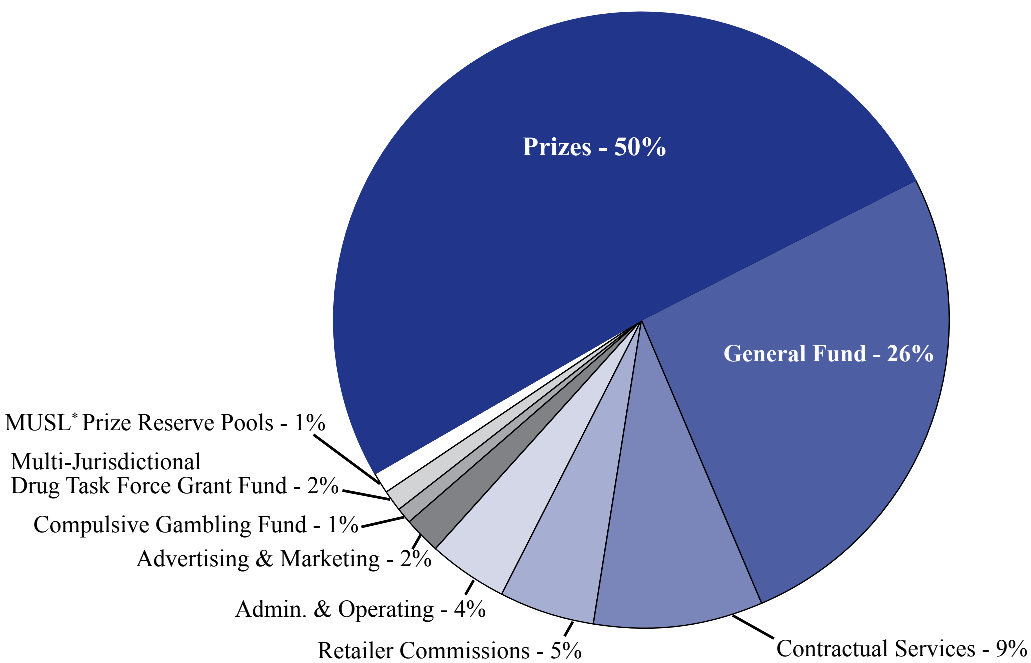
The Lottery has established a debt setoff program in which a lottery prize of $600 or more is used to setoff a delinquent debt owed to any state agency or collected through a state agency on behalf of a third party.

ND Lottery Financial Data

	FY 2010	FY 2011	FY 2012	FY 2013	Unaudited FY 2014
Ticket Sales	$24,422,716	$23,002,610	$26,043,816	$27,837,316	$26,934,289
Total Prizes	$12,643,632	$11,941,258	$13,407,269	$14,216,632	$13,796,338
Retailer Commissions	$1,194,589	$1,125,708	$1,274,067	$1,359,799	$1,313,359
Retailer Bonuses	$57,750	$53,250	$41,000	$37,000	$35,550

Transfers	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Compulsive Gambling Prevention and Treatment Fund	$400,000	$400,000	$400,000	$400,000
State General Fund	$11,055,000	$10,400,000	$14,300,000	$15,200,000
Multi-Jurisdictional Drug Task Force Grant Fund	$845,000	$845,000	$845,000	$845,000

Percent Allocation of Lottery Ticket Sales



*MUSL - Multi-State Lottery Association

SOURCE: North Dakota Lottery.

CURRENT LAW

Oil And Gas Gross Production Tax

Imposition and Rates

The oil and gas gross production tax is imposed in lieu of property taxes on oil and gas producing properties.

Oil A 5% rate is applied to the gross value at the well of all oil produced, except royalty interest in oil produced from a state, federal or municipal holding and from an interest held by an organized Indian tribe. Both the producer and purchaser of the oil are required to submit reports to the Tax Commissioner on a monthly basis. The reports show the volume and taxable value of sales of the production from each well. The producer remits the tax on oil not sold at the well. The purchaser is primarily responsible for remitting the tax on oil bought during a production month. The Tax Commissioner has the authority to waive a producer's filing requirement if certain conditions are met. Purchasers are required to file monthly reports electronically.

Gas The gross production tax on gas is an annually adjusted flat rate per thousand cubic feet (mcf) of all nonexempt gas produced in the state. The annual adjustments are made according to the average producer price index for gas fuels. Rates through June 30, 2015 are as follows:

Time Period	Tax Rate
July 1, 2010 - June 30, 2013	$.1143
July 1, 2013 - June 30, 2014	$.0833
July 1, 2014 - June 30, 2015	$.0982

Exempt from the tax is gas used on the lease for production purposes and the royalty interest in gas produced from a state, federal or municipal holding and from an interest held by an organized Indian tribe.

Shallow gas produced during the first 24 months of production from and after the first date of sales from a shallow gas zone, is exempt from gross production tax.

- Gas, that would otherwise be flared, is exempt from the gross production tax when it is used in a generation unit producing electricity for use on site.

Monthly reports to the Tax Commissioner are required from both the producer and the purchaser/processor of the gas. The producer remits the tax on unprocessed gas and the purchaser/processor remits the tax on processed gas. The Tax Commissioner has the authority to waive a producer's filing requirement if certain conditions are met. Purchasers/processors are required to file monthly reports electronically.

Distribution of Revenue

During the 2013-15 biennium, revenue from the gross production tax is distributed under the following formula:

- One-fifth of the tax is deposited with the state treasurer who shall:
    - Allocate to the "hub" cities of Williston, Dickinson, and Minot a monthly amount that will provide $375,000 per fiscal year for each percentage point of employment engaged in the mining industry
    - Allocate to the "hub" schools a monthly amount that will provide $125,000 per fiscal year for each percentage point of employment engaged in the mining industry
    - Credit the oil and gas impact grant fund revenues up to $240 million per biennium
    - Credit 4% of the total to the outdoor heritage fund, up to $15 million per fiscal year
    - Credit 4% of the total to the abandoned oil and gas well plugging and site reclamation fund, up to $5 million per fiscal year
    - Four-fifths of the tax is allocated between the producing county and the state according to the formula:
    - 100% of the first $5 million will be allocated to the producing county
    - 25% of annual revenue in excess of the first $5 million will be allocated to the producing county, with the remaining 75% allocated to the state

Tax revenue distributed to a county is further split among the cities and schools within the county, based on population and average daily attendance, respectively. Additionally, a portion is shared with hub cities and with the townships in the largest producing counties.

After all the allocations above, the amount remaining is allocated first to provide for the deposit of 30% of all gross production tax revenue collected in the Legacy

Fund as provided by the Constitution of North Dakota. The remainder must be allocated to the state. These state revenues, along with 30% of the oil extraction tax revenues, shall be distributed under the following formula:

- The first $200 million to the state general fund
- The next $341,790,000 into the property tax relief fund
- The next $100 million to the state general fund
- The next $100 million to the strategic investment and improvements fund
- The next $22 million to the state disaster relief fund
- Any additional revenues to the strategic investment and improvements fund.

This distribution formula sunsets at the close of the 2013-15 biennium.

Oil Extraction Tax

Imposition and Rates

The oil extraction tax is levied on the extraction of oil from the earth. The tax rate is 6.5% of the gross value at the well of crude oil. However, the rate is reduced to 4% for oil produced from the following:

- A vertical or horizontal new well, after the appropriate exemption expires.
- A workover well after the exemption expires.
- Incremental oil from a qualifying secondary or tertiary recovery project, after the 5-year or 10-year exemption expires.
- Nonincremental oil from a qualifying secondary recovery project that has reached an average production level of at least 25% over normal operations for six consecutive months.
- Nonincremental oil from a qualifying tertiary recovery project that has reached a production level of at least 15% over normal operations for one month and continues to be operated as a qualifying project.

A qualifying *secondary recovery project* is a unit that uses water flooding and is certified by the North Dakota Industrial Commission. A qualifying *tertiary recovery project* is a unit that uses an enhanced recovery method which conforms with federal tax code provisions and is certified by the North Dakota Industrial Commission.

The rate is reduced to 2% for the first 75 thousand barrels or the first $4.5 million of gross value at the well whichever is less during the first 18 months after completion of a horizontal well drilled and completed after April 30, 2009 and before July 1, 2015. The rate reduction is effective the month following a month in which the average price of a barrel of crude is less than $55. The rate reduction becomes ineffective the month following a month in which the average price of a barrel of crude exceeds $70.

For a well that is located both outside of the Bakken and Three Forks formations as well as 10 miles or more outside of an established field that includes the Bakken or Three Forks formation, the rate is reduced to 2% for the first 75 thousand barrels of oil during the first 18 months after completion.

The oil extraction tax is paid monthly with the gross production tax on a combined reporting form.

Exemptions

To receive the full benefit of an exemption, the 4% reduced rate, or the 2% reduced rate, a producer must file the Industrial Commission's certification of well status with the Tax Commissioner within 18 months of the first day of eligibility. If the producer does not file within the 18-month period, then the exemption or reduced rate begins the first day of the month in which the certification is received by the Tax Commissioner.

The exemptions to the oil extraction tax are as follows:

- Royalty interest in oil extracted from a state, federal or municipal holding and from a Native American holding within the boundary of a reservation.
- Oil extracted from a certified stripper well property. A stripper well property is property whose average daily production during a 12-month period did not exceed 10 barrels per day for a well of a depth of 6,000 feet or less, 15 barrels per day for a well of a depth of more than 6,000 feet but not more than 10,000 feet, and 30 barrels per day for a well of a depth of more than 10,000 feet outside the Bakken and Three forks formations, and 35 barrels per day for wells of a depth of more than 10,000 feet in the Bakken and Three Forks formations.
- Oil produced during the first 15 months of production from a vertical new well. This exemption is subject to the "trigger" provisions described below.
- Oil produced during the first 24 months of production from a horizontal new well. The exemption is subject to the "trigger" provisions described below.
- Oil produced from a horizontal reentry well for a period of 9 months beginning on the date the well is recompleted as a horizontal well. The exemption is subject to the "trigger provisions" described on the next page.

- Oil produced from a two-year inactive well for a period of ten years beginning the first day of the month in which the Industrial Commission's certification is received by the Tax Commissioner. The exemption is subject to the "trigger" provisions described below.
- Oil produced from a qualifying well that has been worked over. The exemption is for a 12-month period starting with the first day of the third month after completion of the workover project. A qualifying well is a well that has produced less than 50 barrels per day during the last six months of continuous production before workover. The well operator must notify the Industrial Commission before beginning the project. Project cost must exceed $65,000 or production must increase 50% or more in the first two months after project completion. The exemption is subject to the "trigger" provisions described below.
- Oil produced from a two-year inactive well for a period of ten years after being recompleted or returned to production. The exemption is subject to the "trigger" provisions described below.
- Incremental oil from a qualifying secondary or tertiary recovery project. The exemption is 5 years for secondary recovery projects and 10 years for tertiary recovery projects from the date the incremental production begins.

"Trigger" Provisions

The reduced rate provisions for new wells, horizontal wells, horizontal reentry wells, two-year inactive wells, workover wells, and enhanced recovery wells are ineffective if the average price of a barrel of crude oil exceeds the trigger price (thirty-five dollars and fifty cents, as indexed for inflation) for each month in any consecutive five-month period. Except for incremental oil produced from enhanced recovery wells, exemptions for the above wells also become ineffective if the average price of a barrel of crude exceeds the trigger price for the same consecutive five-month period. The reduced rates and exemptions are reinstated if the average price falls below the trigger price for each month in any consecutive five-month period.

The Tax Commissioner has determined that the tax incentives subject to the trigger price became ineffective for production periods beginning October 1, 2004, and until such time as the statutory provisions for reinstatement are met.

The trigger prices effective for calendar years through December 31, 2014 are as follows:

Time Period	Trigger Price
Jan. 1, 2012 - Dec. 31, 2012	$50.07
Jan. 1, 2013 - Dec. 31, 2013	$52.20
Jan. 1, 2014 - Dec. 31, 2014	$52.06

Distribution of Revenue

Revenue from the oil extraction tax is distributed as follows:
- 30% allocated to the Legacy Fund as provided by the Constitution of North Dakota.
- 30% to the State General Fund.
- 20% divided equally between the Common Schools Trust Fund and Foundation Aid Stabilization Fund.
- 20% to the Southwest Water Pipeline Sinking Fund and to a Resources Trust Fund. Principal and income from the Resources Trust Fund may be expended only pursuant to legislative appropriation and are available for water and certain energy related projects.

HISTORICAL OVERVIEW

Oil And Gas Gross Production Tax

Significant Changes In Law

1953 Session
- The gross production tax was imposed at a rate of 4.25% of gross value at the well.

1957 Session
- The rate was increased from 4.25% to 5% and the revenue distribution formula was adjusted.

1981 Session
- The revenue distribution formula was amended.

1983 Session
- Monthly rather than quarterly remittance was required, and the maximum distributions to the counties was increased.

1985 Session
- Oil reclaimed from tank bottoms and pit oil material has value for tax purposes only if a cash price is paid by the oil reclaimer.

1989 Session
- The law was changed to specifically state the gross production tax is a real property tax.
- The revenue distribution formula was amended, effective July 1, 1991 to allocate 33 1/3 % of the first one-fifth portion to the Oil and Gas Impact Grant Fund.

1991 Session
- The tax on gas was changed from 5% of gross value to an annually adjusted flat rate per mcf. Procedures were provided for determining gross value at the well of oil under arm's length and non-arm's length contracts.
- The legislature approved the Taxpayer Bill of Rights.

1993 Session
- The interest accrual period was changed on tax refunds for periods after June 30, 1993. Interest begins to accrue 60 days after the due date of the return, after the return was filed, or after the tax was fully paid, whichever occurs later.
- Tax from undetermined sources will be allocated between the State General Fund and the county that received the least amount of revenue during the fiscal year.

1997 Session
- The periods for assessment or refund run from the due date of the original return or the date the original return was filed whichever is later. The Tax Commissioner has two years after an amended return is filed to audit that return and assess any additional tax that is due.
- The Tax Commissioner has authority to require purchasers to file monthly reports by electronic data interchange or other form of electronic media and can waive the producer's requirement to file a monthly return.
- Legislation passed that authorized the use of alternative methods for signing, subscribing, or verifying a return filed by electronic means, including telecommunications.
- A Permanent Oil Tax Trust Fund was established for the deposit of oil extraction and gross production tax revenues, which exceed specific amounts in a biennium.

1999 Session
- The legislature changed the manner in which unallocated oil and gas gross production taxes collected from unidentified sources is distributed. Previously, the unallocated taxes were distributed to the county with the lowest total gross production tax distribution for the fiscal year. After June 30, 1999, the unallocated taxes are distributed to each county in the same proportion as total gross production tax allocations for the fiscal year.

2003 Session
- An oil and gas research council was created and an Oil and Gas Research Fund was established with a continuing appropriation provided.
- A temporary exemption from gross production tax was provided for gas produced from shallow gas wells with an expiration date of June 30, 2007.

2007 Session
- The expiration date for the gross production tax exemption for shallow gas wells was eliminated.
- The distribution formulas for the county share of gross production tax was increased to 100% of the first million, 75% of the second million, 50% of the third million, and 25% for amounts over $3 million. A county may receive $1 million in addition to the amount of the cap if during the fiscal year the county levies a total of at least 10 mills for road and bridge purposes.

2009 Session
- Increased the distribution of Gross Production Tax (GPT) to counties and cities.
- Created an infrastructure fund for distribution to townships with impact.
- Required counties and townships to levy 10 mills for road purposes.
- Required counties and townships to submit annual reports providing information on use of revenue received for transportation purposes.
- Provided for an exemption from GPT for gas that would otherwise be flared when it is used in a generation unit producing electricity for use on site or for sale.

2011 Session
- Removed the city cap of $750 per capita in the distribution formula for gross production tax.

2013 Session
- Income tax withholding is required for certain oil and gas royalties.
- The revenue sharing percentage of oil and gas tax revenue subject to the Tribal agreement was changed to 50% of all revenue. The Tribe is required to report annually on investments in infrastructure on the Fort Berthold Reservation.

Oil Extraction Tax

Significant Changes in Law

1980 Initiated Measure
- Voters in the 1980 General Election passed an initiated measure creating the 6.5% oil extraction tax.

- The revenue distribution formula was: 45% to the State General Fund, 45% to schools, and 10% to the Trust Fund.
- The measure also included an individual income tax energy cost relief credit.

1981 Session
- The legislature amended the distribution formula.

1983 Session
- The distribution formula was changed.
- Filing requirements were changed from a quarterly to a monthly basis.

1987 Session
- An exemption for the first 15 months of production from a new well (drilled and completed after April 27, 1987) was provided.
- The rate was reduced from 6½% to 4% for a new well after the 15-month exemption and for production from a qualifying secondary or tertiary recovery project well. These incentives would be eliminated if the average crude oil price is $33 or more per barrel.
- The legislature repealed the exemption for private royalty interest and expanded the stripper well definition to allow more marginal wells to qualify for an exemption.

1989 Session
- A 12-month exemption was provided for production from a qualifying well after completion of a workover project. This incentive is subject to the "trigger."

1991 Session
- An exemption was created for incremental oil from a qualifying secondary or tertiary recovery project.
- A June 30, 1995 sunset was placed on certification of secondary projects. After the expiration of the exempt period, the incremental oil would be eligible for the 4% reduced rate. The reduced rate incentive is subject to the "trigger."
- The "trigger" was amended to reinstate the reduced rates and exemptions if the average crude oil price falls below $33 per barrel.

1993 Session
- The workover exemption was amended to eliminate the $30,000 minimum project cost requirement and a 4% reduced rate was adopted for oil produced from wells that receive the workover exemption after June 30, 1993.

1995 Session
- The stripper well definition was broadened from 20 to 30 barrels per day for wells over 10,000 feet deep.
- The exemption for a horizontal new well was increased from 15 to 24 months and a 9-month exemption was created for a horizontal reentry well.
- A 10-year exemption was created for oil from a two-year inactive well. To get the full benefit of an exemption or the 4% reduced rate, producers were given an 18-month period to file the Industrial Commission's certification of well status with the Tax Commissioner.
- For secondary recovery projects, the sunset for certification was removed.
- The revenue distribution formula was changed.

1997 Session
- A 60-month exemption was created for production from a well drilled and completed on an Indian reservation or on tribal trust land after July 31, 1997.
- Previous legislation was amended to keep the current distribution factors at the current percentages.

2001 Session
- The "trigger" provision for exemptions and rate reductions was amended to clarify when the trigger was to be become effective. All rate reductions and exemptions subject to the trigger provision become ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. The reduced rates and exemptions are reinstated if the average price falls below the trigger price for each month in any consecutive five-month period. Average price is defined as the monthly average of the daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents. Trigger price is defined as thirty-five dollars and fifty cents, as indexed for inflation.

2003 Session
- An oil and gas research council was created and an Oil and Gas Research Fund was established with a continuing appropriation provided.
- A temporary exemption from gross production tax was provided for gas produced from shallow gas wells with an expiration date of June 30, 2007.
- The two-year inactive well exemption was amended to clarify the definition of a two-year inactive well and to provide an 18 month provision to qualify the well for an exemption to be consistent with other oil extraction tax exemptions.
- The workover well exemption was amended to remove the requirement that a notice of intention must be filed

before a workover project is commenced to qualify for an exemption.

2005 Session
- The legislature provided for a sales and use tax exemption for carbon dioxide used for the enhanced recovery of oil or natural gas.

2007 Session
- The legislature provided for an oil extraction tax rate reduction to 2% for the first 75 thousand barrels of oil produced during the first 18 months after completion from a well drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2008.
- The expiration date for the gross production tax exemption for shallow gas wells was eliminated.
- The distribution formulas for the county share of gross production tax was increased to 100% of the first million, 75% of the second million, 50% of the third million, and 25% for amounts over $3 million. A county may receive $1 million in addition to the amount of the cap if during the fiscal year the county levies a total of at least 10 mills for road and bridge purposes.
- The Governor, in consultation with the Tax Commissioner, is authorized to enter into agreements with the Three Affiliated Tribes relating to taxation and regulation of oil and gas exploration and production within the boundaries of the Fort Berthold Reservation.

2009 Session
- Provided an incentive with a reduced oil extraction tax (OET) rate of 2% for horizontal wells drilled when the average price of oil is below $55.
- Rate increased to full rate of 6.5% when average price is above $70.

2011 Session
- Extended the 2% rate reduction incentive for horizontal wells to June 30, 2013.

2013 Session
- The North Dakota Industrial Commission is required to recertify stripper wells reentered or recompleted as horizontal wells.
- Stripper well property determinations were eliminated after June 30, 2013. Stripper wells are required to be certified on a well basis.
- A 35 barrel per day production determination is provided for stripper well qualifications in the Bakken and Three Forks formations.
- The 60 month oil extraction tax exemption for wells drilled on Indian land was eliminated.
- An oil extraction rate reduction was provided for wells drilled and completed at least ten miles from an established Bakken or Three Forks formation field.
- Income tax withholding is required for certain oil and gas royalties.
- The revenue sharing percentage of oil and gas tax revenue subject to the Tribal agreement was changed to 50% of all revenue. The Tribe is required to report annualy on investments in infrastructure on the Fort Berthold Reservation.

Oil and Gas Taxes Distribution Formula Changes

Gross Production Tax

		State				Counties						Maximum County		
	Increments	General Funds	Oil & Gas Impact Grant Fund	Legacy Fund	Other Fund	Total County %	Cities	School Districts	Road & Bridge Fund	General Fund	Townships & Hub Cities	Under 3,000	3,000 to 6,000	Over 6,000
1957 Session	First 1/5:..................	100%												
	Remaining 4/5:.........													
	1st $200,000............	25%				75%								
	2nd $200,000............	50%				50%	15%	45%	40%					
	3rd $400,000............	75%				25%								
1981 Session	First 1/5:..................	100%[1]												
	Remaining 4/5:.........												FY-1982	
	1st $ Million............	25%				75%						$3.2 M	$3.5 M	$4.0 M
	2nd $ Million............	50%				50%	20%	35%		45%			FY-1983	
	Over $2 Million.......	75%				25%						$3.8 M	$4.0 M	$4.6 M
1983 Session	....											$3.9 M	$4.1 M	$4.6 M
1989 Session	First 1/5:..................	66 2/3%	33 1/3%											
2007 Session	First 1/5:..................	66 2/3%	33 1/3%											
	Remaining 4/5:.........													
	1st $ Million............	0%				100%								
	2nd $ Million............	25%				75%	20%	35%		45%		$3.9 M	$4.1 M	$4.6 M
		50%				50%								
	Over $3 Million.......	75%				25%								
2009 Session	First 1/5:..................	[2]	[3]											
	Remaining 4/5:.........													
	1st $2 Million........	0%				100%								
	$2 - $3 Million.........	25%				75%	20%	35%		45%				
	$3 - $4 Million............	50%				50%								
	$4 - $18 Million..........	75%				25%								
	Over $18 Million.........	90%				10%								
2011 Session	....		[3]	30%[4]										
2013 Session	First 1/5:..................	[2]	[3]	30%[4]	[5]									
	Remaining 4/5:.........													
	1st $5 Million.......[6]	0%				100%	20%	35%		45%				
	Over $5 Million.......[6]	75%				25%	20%	5%		60%	15%			

[1] For the 1981-83 biennium only, the legislature provided that up to $32 million of the 1/5 State General Fund share be distributed to the Highway Tax Distribution Fund and to township road and bridge funds.

[2] Each city in a oil-producing county which has a population of 12,500 or more and more than 1% of its private covered employment engaged in the mining industry was allocated $500,000 per fiscal year ($1,000,000 per fiscal year if more than 7.5% of mining employment) through the 2011-13 biennium. In the 2013-15 biennium, these hub cities received $375,000 per percentage point of mining employment per fiscal year. Schools in these hub cities received $125,000 per percentage point of mining employment per fiscal year.

[3] The total amount dedicated to the Oil and Gas Impact Grant Fund was increased to $8 million in the 2009 session, to $100 million in the 2011 session, and to $240 million in the 2013 session.

[4] The Legacy Fund was established as a Constitutional amendment and requires 30% of all revenue to be deposited into this fund.

[5] 4%, up to $15 million per fiscal year, is deposited in the Outdoor Heritage Fund. An additional 4%, up to $5 million per fiscal year, is deposited in the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund. The total amount in this fund cannot exceed $75 million.

[6] Counties with revenue up to $5 million per fiscal year receive 100% of the 4/5's share and have the revenue distributed as shown. Counties with revenue exceeding $5 million receive 100% of the first $5 million and 25% of the revenue over $5 million, and have the revenue distributed as shown.

Oil Extraction Tax

	State General Fund	Legacy Fund	Education Funds	Water Pipeline & Trust Fund
1980 Measure #6	45%		45%	10%
1981 Session	30%		60%	10%
1983 Session	90%		10%	
1995 Session:				
FY 1996 and 1997	60%		20%	20%
After FY 1997	70%		20%	10%
1997 Session: After FY 1997	60%		20%	20%
2011 Session After FY 2011	30%	30%[1]	20%	20%

[1] The Legacy Fund was established as a Constitutional amendment and requires 30% of all revenue to be deposited into this fund.

Oil and Gas Gross Production Tax Revenue

Fiscal Year	Total Net Collections	State General Fund
2004	47,519,075	28,256,440
2005	74,046,219	49,629,401
* 2006	104,378,689	45,774,119
* 2007	118,782,343	-0-
* 2008	209,457,069	39,309,315
* 2009	221,462,334	-0-
* 2010	302,099,211	32,718,333
* 2011	481,083,658	-0-
* 2012	795,681,003	146,501,416
* 2013	1,130,369,449	16,956,688
* 2014	1,492,982,452	146,071,108
* 2015 est.	1,545,188,000	-0-

SOURCE: North Dakota Office of State Tax Commissioner, Comparative Statement of Collections.

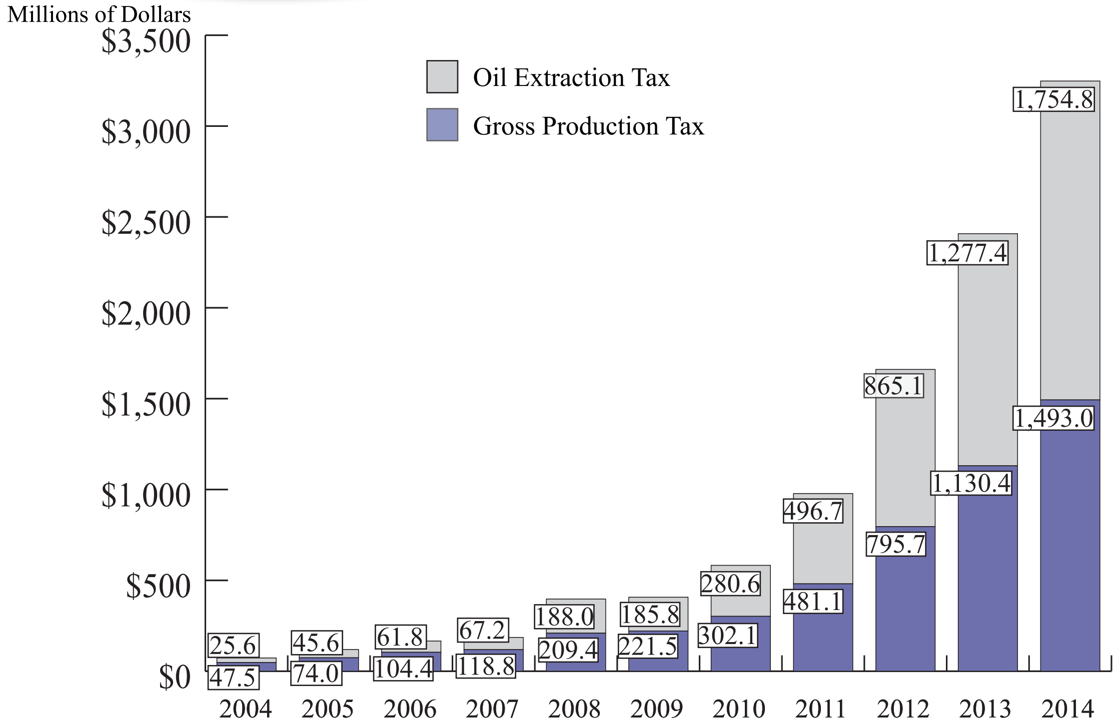
Oil Extraction Tax Revenue

Fiscal Year	Total Net Collections	State General Fund
2004	25,638,914	15,291,025
2005	45,566,628	27,301,469
* 2006	61,767,934	25,225,881
* 2007	67,187,829	-0-
* 2008	182,366,018	31,691,685
* 2009	185,814,920	-0-
* 2010	280,611,437	38,281,667
* 2011	496,749,735	-0-
* 2012	865,121,628	112,550,313
* 2013	1,277,370,124	23,991,583
* 2014	1,754,824,617	153,928,892
* 2015 est.	1,963,676,000	-0-

SOURCE: North Dakota Office of State Tax Commissioner, Comparative Statement of Collections.

* Oil and Gas Gross Production Tax and Oil Extraction Tax revenues had a statutory cap of $71 million in distributions to the State General Fund during the 2005-07, 2007-09, and 2009-11 bienniums. That cap was reached in FY 2006, FY 2008, and FY 2010. The statutory cap was increased to $300 million per biennium starting with the 2011-13 biennium, and was reached in FY 2014.

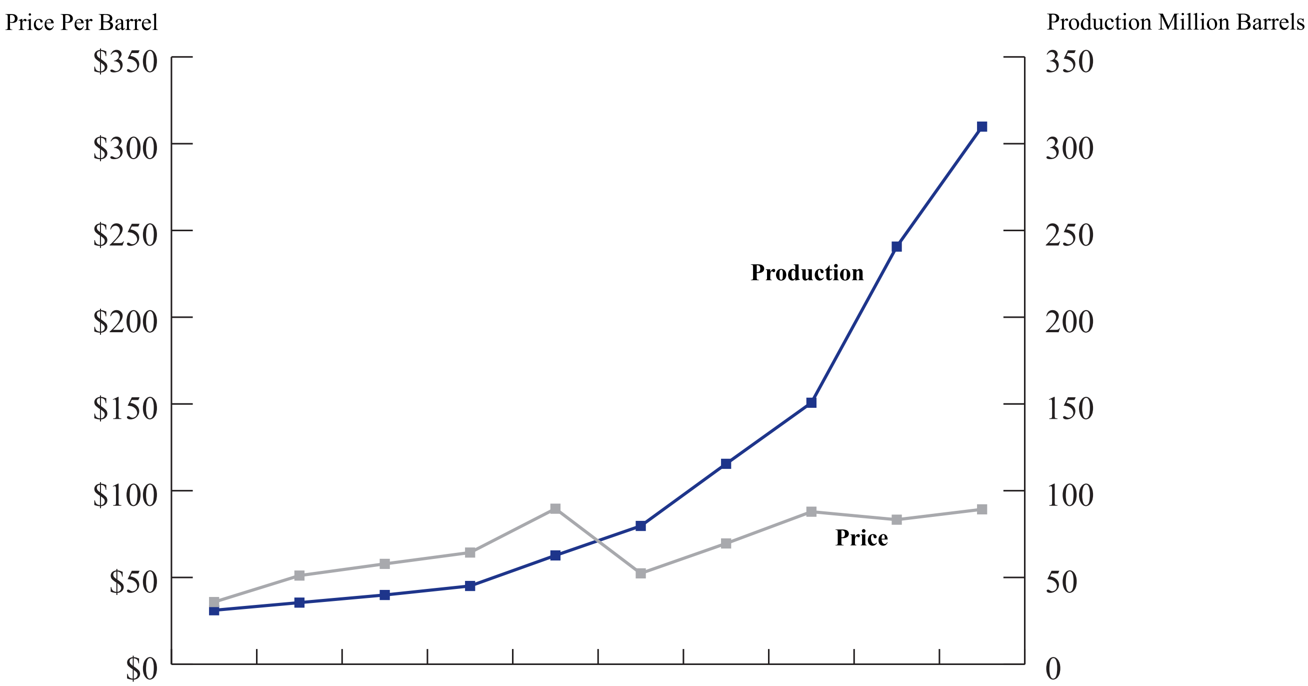
Trends in Oil and Gas Tax Collections



SOURCE: North Dakota Office of State Tax Commissioner, Comparative Statement of Collections.

North Dakota Oil Statistics

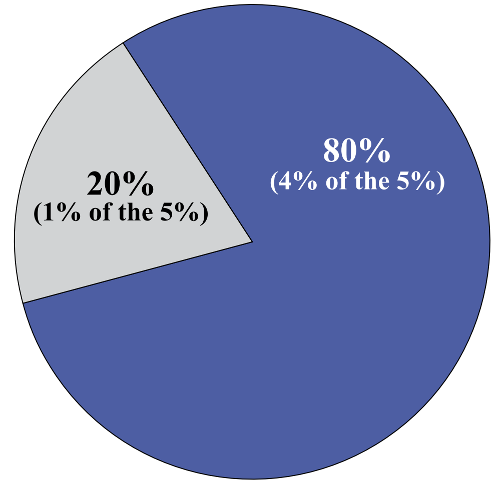
Annual Production & Average Annual Price for Sweet Crude 2004-2013



Calendar Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Price	$35.83	$51.09	$57.86	$64.36	$89.63	$52.36	$69.60	$87.90	$83.30	$89.26
Production	31.1	35.5	39.9	45.1	62.7	79.7	115.50	150.70	240.69	309.84

5% Gross Production Tax

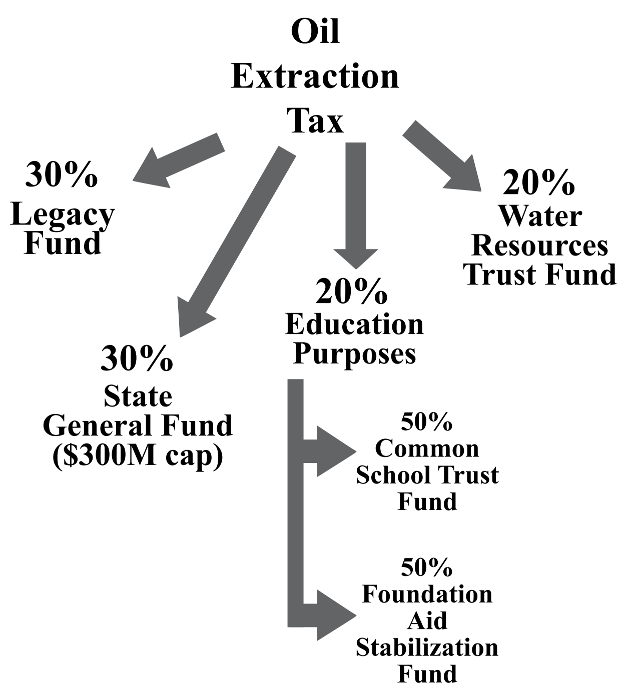
- Hub Cities
- Hub Schools
- Impact Grant Fund
- Heritage Fund
- Reclamation Fund



Breakdown of the 4%		
$0 - $5,000,000	100% County	0% State
Over $5,000,000	25% County	75% State

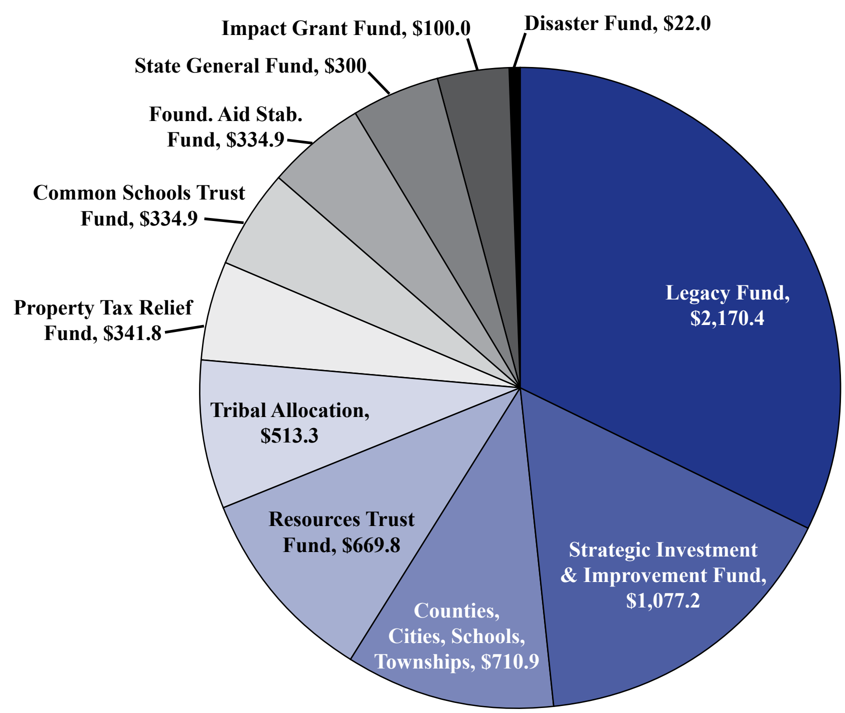
- County General Fund
- Cities within County
- Schools within County
- Townships within County
- Townships within Region
- Hub Cities

6.5% Oil Extraction Tax



Estimated Distribution

2013-15 Biennium



Oil Taxes in the 14 Major Oil Producing States
September 2014

State	Severance or Gross Production Tax Rate	Local Ad Valorem Taxes Effective Rate	Misc. Taxes	Total Taxes	Annual Production (Million Barrels)			
					2006	2008	2010	2012
Alaska	0% to 25.0%	*	.01% - .04%	0% - 25.0%	270.5	249.9	219.5	
California [(1)]		1.139%		1%	223.4	214.5	201.4	
Colorado [(2)]	2% to 5%	4% to 10%	0.14%	7.14%	23.4	24.1	32.6	
Kansas [(3)]	4.33%	3.67%		8%	35.7	39.6	40.5	
Louisiana	3.125% to 12.5%	*		3.125% - 12.5%	73.9	73	67.4	
Michigan	4% to 6.6%	*		6.6%	5.1	6.2	6.8	
Mississippi	0% to 6.0%	*		0% - 6.0%	17.4	22.1	23.6	
Montana [(4)]	.5% to 14.8%			.5% - 14.8%	36.3	31.5	25.3	
New Mexico	3.75%	2.339%	3.39%	9.479%	59.8	59.4	65.4	
NORTH DAKOTA[(5)]	5.0%, 7.0%, 9.0%, or 11.5%	*		5% - 11.5%	39.9	62.8	113.1	
Oklahoma	1% to 7.0%	*	0.9 of 1%	1% - 7.095%	62.8	64.1	67.7	93.6
South Dakota	4.5%		.24%	4.74%	1.4	1.7	1.6	
Texas [(6)]	0% to 4.6%	4% to 5%	½ cent per bbl.	4.0% - 10.0% plus ½ cent per bbl.	397.2	398	429.3	
Utah [(6) (7)]	0%, 3.0% or 5.0%	4% to 5%	0.2%	0% - 5% + ad valorem (4%-5%)	17.9	22	24.7	
Wyoming	2% to 6.0%	6.7%		8.7% - 12.7%	52.9	52.9	53.3	

* Severance (or gross production) tax is in lieu of local property taxes on the oil.

(1) California's statutory tax rate is 1% but is subject to increases based on needs to retire voter approved credit.

(2) Colorado has a 2% to 5% severance tax but allows 87.5% of local property taxes as a credit against the tax. Since property taxes average about 7% this credit generally eliminates the severance tax liability.

(3) Kansas has an 8.0% severance tax but allows a credit of up to 3.67% for property taxes paid on oil properties. The severance tax is based on value. Actual rate paid after credit is 4.33%.

(4) Montana's tax rates vary based on the type of well, when the well was drilled, and whether the taxpayer has a working or non-working interest. A portion of the production tax is allocated back to local governments in lieu of property taxes.

(5) North Dakota, has a gross production tax rate of 5% with no exemptions and oil extraction tax rates of 0.0%, 2.0%, 4.0% and 6.5%.

(6) Texas and Utah have property taxes on oil properties but it was not possible for local authorities to estimate an effective percentage rate.

(7) Utah's severance tax is 3% on the first $13 per barrel and 5% on any amount over $13 per barrel.

SOURCE: Survey of states conducted by North Dakota Office of State Tax Commissioner, Oil and Gas Section, September 2012. Interstate Oil and Gas Compact Commission and the Dept. of Energy.

OIL TAXES IN OTHER STATES

Alaska

Effective April 2006, the oil and gas production tax system in Alaska changed from a tax on the gross proceeds of oil and gas production to a tax on the net proceeds of oil and gas production. Originally called the Petroleum Production Tax (PPT), the Alaska legislature made several additional changes to the production tax in November 2007, resulting in the Alaska Clear and Equitable Share (ACES) production tax. The tax is calculated on oil and gas producing companies operating in Alaska as follows:

ACES Tax Liability = [Value - Costs * Tax Rate] - Credits

The terms used in the equation are defined as follows:

Value = Volume of Oil and Gas Produced x Wellhead Value

Costs = Operating Expenditures + Capital Expenditures

Tax Rate = 25% of the production tax value per BTU equivalent barrel of oil or gas. When the average monthly tax value is more than $30 per barrel but less than $92.50 an additional 0.4% progressive tax is due for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds $92.50 per barrel the tax rate is the sum of 25% and 0.1% of the difference between the average monthly production tax value and $92.50. The maximum tax may not exceed 75%.

Oil reserves are not subject to ad valorem property taxes in Alaska, but equipment and physical property used in the production of oil and gas are, at a rate of 20 mills, or 2% of assessed value.

Incentives. The oil and gas production tax system offers several different types of tax credits to be used against the production tax liability. Most of these credits may be sold or transferred, and they do not expire. For example, the ACES tax offers credits for up to 20% of qualified capital expenditures against a tax liability in a given period, and credits of up to 50% for certain exploration-related capital expenditures. Credit in the amount of 25% of a company's net loss for the period may be redeemed under the production tax system. Companies producing less than 50,000 barrels of oil equivalent per day are eligible for a tax credit in the amount of $12 million annually.

California

California levies ad valorem taxes on real property, including mineral properties. Values are determined and assessed at the county governmental level. The statutory tax rate is 1%, but is subject to increases based on needs to retire voter approved debt. In fiscal year 2012-2013 the rate was 1.139%. Values are based on an adjusted acquisition value or the current market value, whichever is lower. Adjustments to acquisition value are made for depletion and increases in reserves and added or removed improvements.

There are no statewide severance taxes levied in California. Some local municipalities levee a severance tax. A nominal per barrel fee is collected to fund the Department of Conservation, Division of Oil, Gas & Geothermal Resources.

Colorado

Colorado has a 2% to 5% severance tax but allows 87.5% of local property taxes as a credit against the tax. Since property taxes average about 7%, this credit generally eliminates the severance tax liability.

A conservation tax of 0.14% is administered by the Oil and Gas Conservation Commission.

Kansas

Kansas levies an 8% value-based severance tax but all oil properties receive a 3.67% credit for property taxes paid. The net severance tax rate for all taxable production is 4.33%. "Minimum production" (stripper) wells are exempt but eligibility is based on the depth of the well and the spot price of crude oil. Effective May 1, 2000, wells under 2,000 feet must have five barrels per day of production or less, while deeper wells may have six barrels per day or less, depending on the price. (If the well is using waterflood, the required barrels per day are adjusted to six and seven, respectively.) Stripper status is granted to wells with higher daily production in times of lower price. All tertiary recovery oil is eligible for an exemption.

Kansas also levies a volume-based 9.1% conservation fee administered by the Kansas Corporate Commission.

Incentives A "new pool" incentive provision exempts oil from newly discovered pools for wells producing

50 barrels or less per day for a period ending two years from the date of first production.

A tax exemption is also available for wells that have completed production enhancement projects or were new discoveries using three-dimensional seismic studies. The tax exemption is good for 7 years but is dependent on the price of oil in the previous calendar year. This exemption is 4.33%. "Minimum production" (stripper) wells are exempt but eligibility is based on the depth of the well and the spot price of crude oil. Effective May 1, 2000, wells under 2,000 feet must have five barrels per day of production or less, while deeper wells may have six barrels per day or less, depending on the price. (If the well is using waterflood, the required barrels per day are adjusted to six and seven, respectively.) Stripper status is granted to wells with higher daily production in times of lower price. All tertiary recovery oil is eligible for an exemption.

Kansas also levies a volume-based 9.1% conservation fee administered by the Kansas Corporate Commission.

Louisiana

A 12.5% severance tax is levied in lieu of all other taxes, including ad valorem taxes, on the oil and condensate production. Stripper wells (those with production of 10 barrels per day or less) are taxed at 3.125%, while "incapable" wells (those producing between 10 and 25 barrels per day and having at least a 50% sediment and water) are taxed at 6.25%. Tertiary recovery wells are exempt from severance tax until the tertiary project reaches payout.

Louisiana also levies an "oil field site restoration fee" of 1½¢ per barrel. The fee is reduced to ¾¢ per barrel for incapable wells and ⅜¢ per barrel for stripper wells.

An "oil spill contingency fee" of 2¢ per barrel is levied on crude oil loaded or off loaded at a marine terminal facility in Louisiana waters. This fee is collected and remitted by the marine terminal operator.

Incentives. Oil production from certified deep wells and horizontal wells is exempt from severance tax for two years or until payout of well costs, whichever occurs first. Oil production from certified wells is exempt for any month in which the gross value is below $20 per barrel.

Michigan

Michigan levies a severance tax of 6.6% on oil and 5% on gas based on the gross cash market at the place where production was severed from the soil.

Michigan also levies an oil and gas maintenance fee that is used for monitoring wells that does not exceed 1% of the gross cash market value.

Incentives Michigan offers a reduced rate of 4% for oil produced from stripper wells and marginal properties, and carbon dioxide secondary or enhanced recovery projects approved after March 30, 2014.

Mississippi

Mississippi levies a 6% severance tax on the value of production at the mouth of the well. A maintenance tax of 4.4¢ per barrel and 0.5¢ per mcf is administered by the Oil & Gas Board.

Incentives Beginning April 1, 1994, wells that use an approved Enhanced Oil Recovery method receive a 3% reduced rate.

Montana

Tax rates vary by type of production, by the date the well was drilled, and for working interests and non-working interests. The following is a summary of the tax rates effective January 2, 2000.

	Working Interest	Non-Working Interest
• Primary Recovery Production		
First 12 months	.5%	14.8%
Pre-1999 Well	12.5%	14.8%
Post-1999 Well	9%	14.8%
• Stripper Production[(1)]		
First 1-10 barrels	5.5%	14.8%
Over 10 barrels	9%	
Stripper well exemption	.5%	14.8%
Stripper well bonus production	6%	14.8%
• Horizontally Drilled Wells		
First 18 months	.5%	14.8%
Pre-1999 after 18 months	12.5%	14.8%
Post-1999 after 18 months	9%	14.8%
• Incremental Production [(2)]		
Secondary Production	8.5%	14.8%
Tertiary Production	5.8%	14.8%
* Horizontally Recompleted		
First 18 months	5.5%	14.8%
Pre-1999 after 18 months	12.5%	14.8%
Post-1999 after 18 months	9%	14.8%

(1) Stripper oil is oil produced from any well that produced less than 10 barrels a day for the calendar year immediately preceding the current year.

(2) This is the volume of oil in excess of the production decline curve as approved by the Board of Oil and Gas Conservation.

New Mexico

New Mexico levies four tax types on the value of oil. An intergovernmental production tax credit of 75% of the lesser of the state tax rate or the Native American tax rate on the value of new production severed within the boundaries of Native American tribal land is given to each tax type.

Severance Tax: 3.75% of value of oil. Incentives include 1.875% on qualified enhanced recovery projects, 2.45% on qualified workover wells, and variable rates on stripper properties. A 10-year exemption is given to qualified production restoration projects.

Most of the incentives (well workover, production restoration, and enhanced oil recovery) are tied to posted prices of West Texas Intermediate (WTI) crude and subject to an exemption sunset based on a statutory price threshold. These incentives have now been subjected to the statutory sunset provisions based on reported prices.

Emergency School Tax: 3.15% of value of oil with variable rates on stripper properties.

Conservation Tax: 0.19% of the value of oil. When the average price of WTI crude in the previous quarter exceeds $70.00 per barrel, the rate of the total tax on oil shall be 0.24% of the taxable value of the sold product.

Ad Valorem Production Tax: Rates vary and are established by producing counties and school districts and are effective each September.

A Tribal Capital Improvements Credit of the lesser of the amount of the tribal capital improvements tax or seven-tenths of one percent of the taxable value of the products is available for products subject to the oil and gas emergency school tax and severed from qualifying wells located on Jicarilla Apache tribal land.

Oklahoma

Oklahoma's Gross Production Tax is a value based severance tax that is levied upon the production of oil and natural gas. The Gross Production Tax is in lieu of Ad Valorem Tax on minerals and the equipment that is essential to the production of a well.

The Gross Production Base Tax rate is levied at 7%. Currently, Oklahoma provides for an incentive tax rate of 4% on qualified deep wells for a period of up to 60 months and a 1% incentive tax rate on qualified horizontal wells for a period of 48 months.

Effective July 1, 2015, the aforementioned incentive tax rates expire and a new incentive tax rate of 2% will be levied on all new wells drilled. The reduced rate shall be effective for the first 36 months of production on a qualified well, and thereafter, the tax rate will change to the 7% base rate.

In addition to the Gross Production Tax, Oklahoma levies a Petroleum Excise Tax on the production of oil and natural gas equal to .095 of 1% of the product's gross value.

Incentives. The State of Oklahoma provides for a rebate of Gross Production Tax as an incentive for operators to reestablish or enhance the production of existing wells and to encourage the drilling of new wells.

The rebate of tax is equal to 6/7ths of the 7% base Gross Production Tax rate. Wells currently qualifying for the rebate are as follows:

- The reestablished production of a well that is non-productive for 1 year (Expires July 1, 2020),
- The enhancement of production through workover or recompletion (Expires July 1, 2020),
- Wells drilled to a total footage greater than 12,500 feet (Expires July 1, 2015),
- Wells qualified as being new discovery (Expires July 1, 2015),
- Wells that are drilled using 3-D seismic technology (Expires July 1, 2015),
- Wells meeting the criteria of being economically at-risk (Expires July 1, 2020).

South Dakota

South Dakota levies a 4.5% oil severance tax and a .24% conservation tax. The tax is determined by multiplying the tax rate times the taxable value less any rental or royalty payment applicable to the United States or the State of South Dakota and its political subdivisions. The taxable value is the posted field price per unit at the point of production.

Texas

Texas levies a 4.6% severance tax on the value of oil produced. This tax is reduced to 2.3% or to 0.00% if the oil qualifies for certain tax incentives. Oil properties in Texas are also subject to normal property taxes and to a 3/16 of a cent per barrel "regulatory tax," as well as a regulatory fee of 5/16 of a cent ($0.003125) per barrel for report periods prior to September 2001 and 5/8 of a cent ($0.00625) per barrel for report periods September 2001 and later.

Incentives. Oil produced from Enhanced Oil Recovery (EOR) projects is taxed at 2.3% of the market value. Oil produced from well bores certified by the Texas Railroad Commission as 2-year or 3-year inactive well bores is exempt from the tax for 10 years.

Producers are eligible for a production tax credit for crude oil from low producing wells ranging from 100% if the average price is $22 or less to 0% if the average price is more than $30 per barrel. A certified orphan well put back in production is eligible for a 100% exemption from the oil production tax and the oilfield cleanup fee.

Utah

Utah levies a severance tax of 3% on the first $13 per barrel and 5% on any amount over $13 per barrel. This tax is in addition to a normal ad valorem tax on the reserves and a 0.2% conservation tax. Stripper wells, defined as wells that produce 20 barrels per day or less, are exempt from the severance tax.

Incentives. The first six months' production from any new development well and the first 12 months' production from any new wildcat well are exempt from the tax. All transportation and processing costs can be deducted from value to determine taxable value. There is a 50% tax rate reduction on incremental production achieved from any enhanced recovery project. New workover or recompletion projects receive a 20% tax credit, up to $30,000 per well.

Wyoming

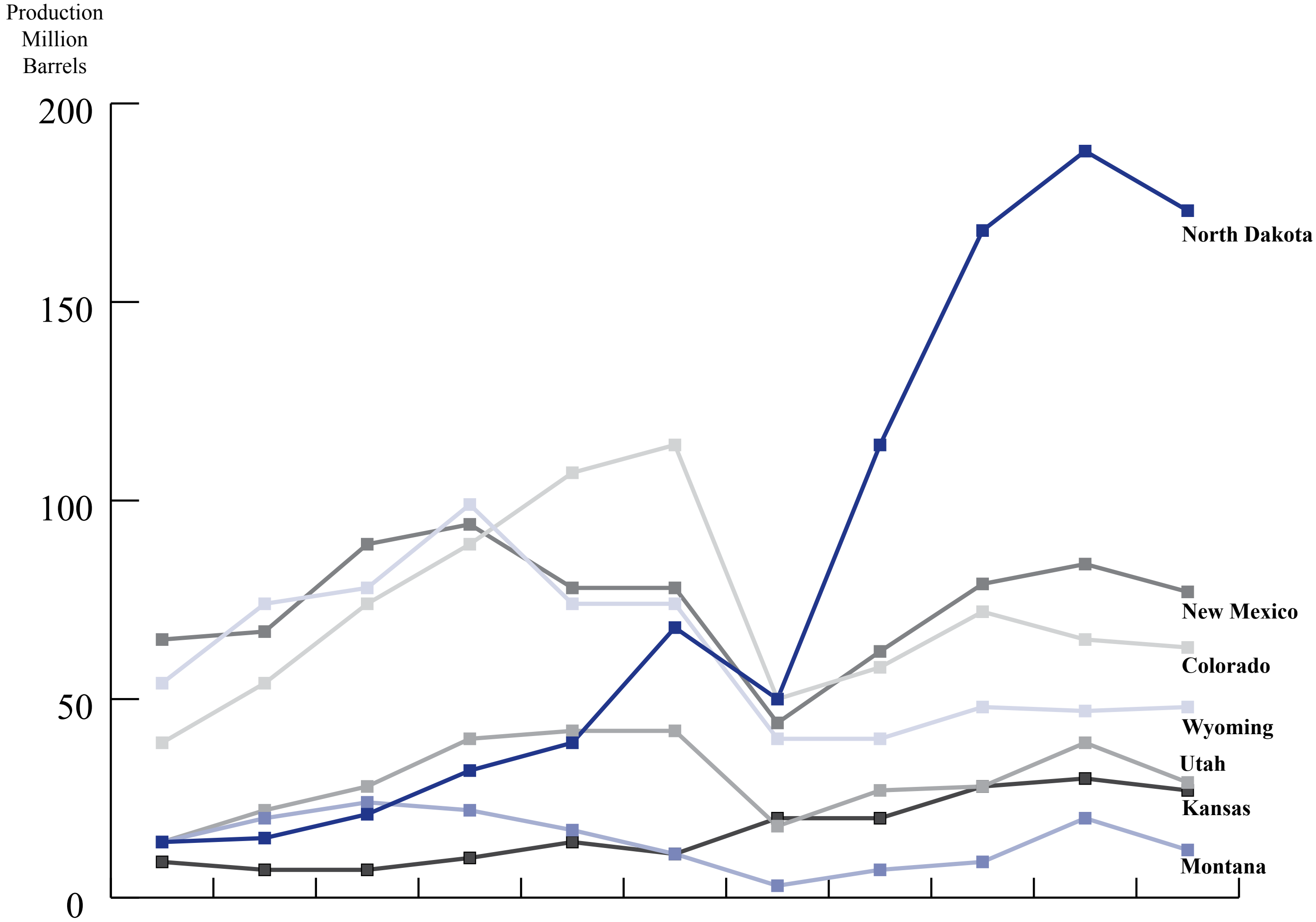
A severance tax is levied at 6% of the value of the oil produced. Stripper wells are eligible for a reduced tax rate of 4%.

An ad valorem tax is levied on the same value as that used for severance tax purposes but is collected by the counties and based on the applicable local mill rates. Currently, the ad valorem taxes average about 6.7% of the value of the oil produced.

Incentives. Wyoming grants the reduced rate of 2% on the first 60 barrels per day from new wells for 24 months and all incremental oil from workovers and recompletions. New wells must have been drilled between July 1, 1993 and March 31, 2003. Workovers or recompletions must have been performed between July 1, 1993 and March 31, 2001. In the case of new oil wells, the incentive is canceled if the average price of oil is equal to or exceeds $22 per barrel for the preceding six (6) month period.

Oil produced from previously shut in wells is subject to a reduced severance tax rate of 1.5% for five years from the date of first renewed production. Wells must have had no production for two years prior to January 1, 1995. This incentive is canceled if the average price of oil exceeds $25 per barrel for six straight months.

Western Oil and Gas Producing States
Average Annual Rig Activity



Calendar Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
North Dakota	14	15	21	32	39	68	50	114	168	188	173
Montana	14	20	24	22	17	11	3	7	9	20	12
Wyoming	54	74	78	99	74	74	40	40	48	47	48
Colorado	39	54	74	89	107	114	50	58	72	65	63
Utah	14	22	28	40	42	42	18	27	28	37	29
Kansas	9	7	7	10	14	11	20	20	28	30	27
New Mexico	64	67	83	94	78	78	44	62	79	84	77

SOURCE: Hughes rig count (annual average). These states have similar geographical formations and similar technologies are used in oil production.

CURRENT LAW

LOCALLY ASSESSED PROPERTY

Imposition, Administration and Distribution of Revenue

All real property, unless specifically exempted, is subject to a property tax. A mobile home used as a residence or business is subject to the tax if it is 27 or more feet long or is attached to utility services.

The property tax is determined by multiplying the mill rate times the taxable value of real property.

The county determines and collects the tax and distributes the revenue to the county, cities, townships, school districts, and other taxing districts. The tax is due January 1 of each year following the year of assessment and is payable without penalty until March 1. A 5% discount is allowed for taxes paid in full before February 15th.

Mill Rates

Local mill rates are established to meet the revenue needs of the taxing district. Each taxing district prepares a proposed budget to determine the money needed to provide services. After public hearings, the elected governing bodies adopt final budgets and certify tax levies (total property taxes) to the county auditor. The tax levy may not exceed the legal maximum. The only increases allowed without voter or legislative approval are for property added to the tax rolls. To determine the mill rate, the county auditor divides the total property taxes to be collected for each taxing district by the district's total taxable value.

Taxable Value

Residential The determination of taxable value begins with the true and full value or market value of the property. The true and full value of residential property is established by the local assessor. The assessed value is 50% of the true and full value and the taxable value is 9% of the assessed value.

Commercial The true and full value of most commercial property is established by the local assessor. The assessed value is 50% of the true and full value and the taxable value is 10% of the assessed value. The true and full value of railroad, public utility, and airline property is centrally determined by the State Board of Equalization (see Centrally Assessed Property on page 86).

Agricultural The true and full value of agricultural property is based on productivity as established through computations made by North Dakota State University of the capitalized average annual gross return of the land. This information is forwarded to the State Tax Commissioner who certifies to the county directors of tax equalization the estimated average true and full agricultural value of farm and grazing land in each county.

The county tax directors use the certified estimates of the county average agricultural values to determine the average value of agricultural lands within each assessment district in the county. This estimate is based on the relative value of lands for each assessment district compared to the county average. In determining the relative value, the county tax directors are to use soil type and soil classification data from detailed and general soil surveys. In determining the relative value of each assessment parcel, the local assessor applies the following considerations in descending order of significance to the assessment determination:

a. Soil type and soil classification data from detailed or general soil surveys.
b. The schedule of modifiers that must be used to adjust agricultural property assessments within the county as approved by the State Supervisor of Assessments.
c. Actual use of the property for cropland or noncropland purposes by the owner of the parcel.

The assessed value of agricultural land is 50% of the true and full value and the taxable value is 10% of the assessed value.

Equalization Process Equalization is a method required by law to adjust assessments so that they are consistent with market value or, in the case of agricultural land, the value of agricultural productivity. Local assessments are reviewed and equalized by either the Township Board of Equalization on the second Monday in April or the City Board of Equalization on the second Tuesday in April. The Board of County Commissioners meets within the first ten days of June to equalize among assessment districts within the county. The State Board of Equalization has the responsibility to equalize among counties and assessment districts in a county and meets the second Tuesday in August.

Exemptions and Credits

Property tax exemptions and credits are listed below according to type of property.

Residential Property

- Personal property is exempt.
- A property tax exemption of up to five years is available for the value added by rehabilitation or remodeling to property which is 25 years old or older if the city or county approves the exemption.
- Homes owned and occupied by persons who are blind or disabled may be eligible for exemption or partial exemption from property taxes, subject to annual review.
- A geothermal, solar or wind energy system may qualify for a five-year exemption.
- Qualifying new single-family residences and condominiums may be exempt for two years, provided the exemption is approved by the city or county. The exemption is limited to a maximum of $150,000 of the structure's value.
- New single-family residential property, exclusive of land, may be exempt for the taxable year in which construction began and the next two taxable years if the property remains owned by the builder and unoccupied, provided the exemption is approved by the city or county.
- A single-family residence located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.
- Homeowners who are 65 years of age or older or who are certified as permanently and totally disabled regardless of age may be entitled to certain property tax credits under the homestead property tax credit program. Qualifications include an annual income of $42,000 or less (including Social Security and pensions) and assets of $500,000 or less (including the market value of the homestead). A qualifying homeowner may receive a credit to reduce the property's taxable value by up to $4,500. Applications are filed with the local assessor.
    - In addition, these homeowners may qualify for a special assessment credit which becomes a lien on the real property and must be repaid when the property is transferred.
- Renters who are 65 years of age or older or who are certified as permanently and totally disabled regardless of age and who have an annual income from all sources of $42,000 or less may be entitled to rent refunds under the homestead property tax credit program. Those who qualify may receive rent refunds of up to $400 if 20% of the rent they pay exceeds 4% of their income. Renters apply to the Office of State Tax Commissioner for this refund.
- A disabled veteran with an armed forces service-connected disability of 50 percent or greater may qualify for a property tax credit on the veteran's homestead. The percentage of credit is equal to the percentage of the veterans disability compensation rating for service connected disabilities, and is applied to the first $150,000 of true and full value of the fixtures, buildings, and improvements of the homestead.

Commercial Property

- Personal property is exempt.
- A property tax exemption of up to five years and in certain cases up to ten years is available to a qualifying new or expanding business (see page 85, New Business Exemption).
- An exemption of up to five years is available for the value added to property by rehabilitation or remodeling if the city or county approves the exemption.
- The portion of a building used primarily for licensed day care is exempt if the city or county approves the exemption.
- Fixtures, buildings, and improvements used primarily as an adult care center are exempt upon approval by the city or county.
- A geothermal, solar or wind energy system may qualify for a five-year exemption.
- A cooperative or nonprofit organization that provides water to its members and customers may be eligible for an exemption for its buildings and structures.
- A public parking structure is eligible for an exemption.
- A pollution control improvement is exempt if the city or county approves the exemption.
- A commercial building located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.
- Property of a housing authority used for administration and property solely owned and used by authority to conduct powers granted under N.D.C.C. ch. 23-11 are exempt from all taxes and special assessments.

Agricultural Property

- Personal property is exempt.
- Farm structures are exempt if located on agricultural land and used in operations normally associated with farming and ranching. Farm residences are exempt if located on 10 acres or more of agricultural land, if occupied or used by a farmer who normally devotes the major portion of time to farming operations, and if the farmer receives not less than 50% of annual net income from these operations in any one of the preceding three years. The residence is

not eligible if the farmer has received more than $40,000 of non-farm income in each of the three preceding years. The income requirements apply to the combined income of the farmer and spouse.
- A qualifying wetland is exempt if the owner signs an agreement to keep the property as wetland. If the land is removed from wetland status, the landowner must repay up to ten years of the taxes forgiven. This exemption is available if funds are available for the state to reimburse the political subdivisions for all revenue losses.
- State-owned land leased for grazing or pasture purposes is exempt. State-owned land leased for growing crops is exempt if payments in lieu of property taxes are made by the state.
- The surviving spouse of a farmer who at the time of death was an active farmer is eligible for the farm residence exemption through the end of the fifth taxable year after the taxable year of death of the deceased active farmer. The farm residence exemption applies for as long as the residence is continuously occupied by the surviving spouse of an individual who at the time of death was a retired farmer.

Other Property
- Property owned by a governmental unit is exempt.
- Property owned and used exclusively for religious or charitable purposes is exempt.
- Property belonging to institutions of public charity, used wholly or in part for public charity is exempt.
- Property owned by a religious organization used for religious services of the organization or as a residence for the minister in charge of services is exempt. Property owned by a religious organization may retain its exemption if the property is rented to a tax-exempt organization and no profit is realized from the rent.
- Property owned by a lodge, club, association or like organization is exempt if the organization is nonprofit, if the property is used for meeting and for conducting business or ceremony, and if food or alcoholic beverages are not sold for profit on the premises. This property, however, is subject to taxation by cities for the cost of fire protection services.
- All property belonging to an educational institution and not used for profit is exempt.
- Property owned by a nonprofit corporation and used for promoting athletic and educational needs at a state educational institution is exempt.
- All land used exclusively for burying grounds or cemeteries is exempt.
- Land belonging to a military organization and used as a public park or monument ground and not for gain is exempt.
- Minerals in place in the earth are exempt if, at the time of extraction, they are subject to either the oil and gas gross production tax or the coal severance tax.
- Property of Native Americans, where the title cannot be transferred without the consent of the U.S. Secretary of the Interior, is exempt.
- Forested land may be eligible for a reduced property tax rate of 50 cents per acre.
- All property, including any possessory interest therein, relating to waterworks, mains, water distribution systems, sewage systems, and facilities for the collection, treatment, purification and disposal in a sanitary manner of sewage, leased to the state or any agency or institution of the state, or to a private entity, which property is operated by, or providing services to, a municipality or other political subdivision is exempt.
- All property, including any possessory interest therein, belonging to the state or an agency or institution of the state leased to a private entity pursuant to N.D.C.C. § 54-01-02, which property is operated by, or providing services to, the state or its citizens is exempt.
- Property owned by the state and held under a lease and any structure, fixture, or improvement located on that property is not taxable to the leaseholder if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education.

New Business Exemption

Parameters A new or expanding business project may be granted a property tax exemption for up to five years. Two extensions are available:
- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- A project which is located in property leased from a governmental entity qualifies for an exemption for up to five additional years upon annual application by the project operator.

In addition to or instead of an exemption, local governments and any project operator may negotiate payments in lieu of property tax for a period of up to 20 years from the date project operations begin.

Qualifications A qualifying "project" is any new or expanded revenue-producing enterprise. Before a municipality may grant a property tax exemption, the project must be certified as a primary sector business by the ND Commerce Department. A city or county with a population under 40,000 may grant an exemption to a project operating in the retail sector if the governing body has obtained approval from a majority of the qualified electors. All buildings, structures or improvements used in or necessary to the operation of the project qualify. The structure may be the project's building or the project's quarters within a larger building. An exemption may not be granted for land. A project is not eligible for an exemption if the project received a tax exemption under tax increment financing or if the governing body determines the exemption fosters unfair competition or endangers existing business.

Application Procedures The project operator applies to the city governing body if the project is located within city boundaries. If the project is located outside city boundaries, application is made to the county commission.

- The application for exemption must be made and approved before construction of a new structure begins. If the project will occupy an existing structure, application must be made and approved before the structure is occupied. Application for payments in lieu of property tax need not be made prior to commencement of construction or occupancy of an existing building.
- The governing body confirms primary sector certification for property tax exemption application.
- If the city or county governing body determines there are local competitors, the project operator must publish two notices in the official newspaper of the city or county at least one week apart, and the last notice must be published at least 15 days, but not more than 30 days, before the city or county considers the application. For example, notices published one week apart on May 1 and May 8 are appropriate for a hearing scheduled anytime between May 23 and June 7.
- The city or county governing body holds a public hearing on the application.
- After the public hearing, the city or county governing body acts on the application.

CENTRALLY ASSESSED PROPERTY

Assessment Procedures

Assessments for property tax purposes of railroads, investor-owned public utilities, and airlines are determined by the State Board of Equalization. The assessed value of centrally assessed property is 50% of the true and full value and the taxable value is 10% of the assessed value for all centrally assessed property except wind turbine electric generation units with a nameplate generation capacity of 100 kilowatts or more. Taxable value is 1.5% for units for which a purchased power agreement was executed between April 30, 2005 and January 1, 2006, and construction was begun between April 30, 2005, and July 1, 2006, and for a centrally assessed wind turbine electric generation unit of 100 kilowatts or more on which construction is completed after June 30, 2006, and before January 1, 2015. Taxable value is 3% for all other units on which construction is completed before January 1, 2015. The taxable value of centrally assessed property is subject to property taxes as discussed below for each type of property.

Steps in the assessment process are as follows:

1. The company must file an annual report with the State Tax Commissioner by May 1st.
2. The State Tax Commissioner prepares a tentative assessment by July 15th.
3. Notice of tentative assessment is sent to the company ten days prior to the State Board of Equalization meeting.
4. The State Board of Equalization meets the first Tuesday in August at the Office of State Tax Commissioner to receive testimony on the value of centrally assessed property and to make the assessments.
5. Following the action of the State Board of Equalization, the State Tax Commissioner certifies the assessments to the counties.

Airlines

A regularly scheduled airline serving North Dakota cities pays a property tax computed by applying the average of all mill levies in the municipalities served by regularly scheduled airlines against the taxable valuation of an airline's operating real property located in North Dakota.

The Tax Commissioner collects the tax and the State Treasurer distributes the revenue to the municipalities in which the airline operates. The revenue is used exclusively for airport purposes.

Public Utilities

Centrally assessed public utilities are investor-owned power, gas and pipeline companies. The tax for telecommunications carriers is discussed below. The taxable value of a utility's North Dakota real and personal operating property is subject to the mill levies of the taxing districts in which the property is located.

The tax is collected by the county and distributed to the taxing districts within the county.

A 10-year exemption is allowed for pipelines carrying CO_2 for use in enhanced recovery of oil or natural gas. The state reimburses political subdivisions for the lost tax revenue.

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, is exempt from property taxes for the first taxable year. Subsequent years' taxable value must be reduced by 75% for the second year, 50% for the third year, and 25% for the fourth year. After the fourth year, the transmission line and substations are exempt from property taxes and are subject to a tax of $300 per mile.

Railroads

Railroad operating real property is taxed at the mill rates of the taxing districts in which the property of the railroad is located. The tax is collected by the county and distributed to the various taxing districts within the county.

TAXES PAID IN LIEU OF PROPERTY TAXES

Telecommunications Carriers

Telecommunications carriers are assessed a tax of 2.5% of their adjusted gross receipts by the State Board of Equalization. The gross receipts tax is paid annually to the Tax Commissioner. The state allocates $8.4 million annually to the counties for distribution to political subdivisions. Revenue in excess of $8.4 million is deposited in the State General Fund.

Rural Electric Cooperatives

Property of rural electric cooperatives is subject to generation, distribution, and transmission taxes under N.D.C.C. ch. 57-33.2. The taxes are in lieu of property taxes on all property other than land, owned and used by a company in the operation and conduct of the business of generation or delivery of electricity through distribution or transmission lines.

Other companies engaged in electric generation, distribution, and transmission may file an irrevocable election to be taxed under ch. 57-33.2 and exempt from ad valorem taxation under ch. 57-06.

Coal Conversion Facilities

The coal conversion tax is in lieu of property taxes on investor-owned or cooperative electrical generating plants which have at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, other coal conversion facilities consuming 500,000 tons or more of coal per year, or coal beneficiation plants. (See page 21.)

Tourism or Concession License Fee

A license fee in lieu of property taxes is payable for state-owned property leased from the Superintendent of the State Historical Board or the Director of State Parks and Recreation and used for tourism or concession purposes. The fee is set by the superintendent or by the director and is at least $1, but not more than 1% of the tenant's gross receipts. The tenant pays the license fee to the county treasurer, who deposits the payment into the county general fund.

HISTORICAL OVERVIEW

Significant Changes in Law

Before 1981 Prior to the 1981 Legislative Session, the standard of value was market value, but property was assessed at a fraction of its market value. By law, all real property was in one class, but a de facto classification system existed. Limitations were imposed on the number of mills which could be levied.

1981 Session
- Changed the procedures for determining the value of property for tax purposes to include methods of establishing the true and full value, assessed value, and taxable value of property, according to a new classification system.
- Placed limits on the dollar amount of change in a levy rather than on the number of mills that could be levied.
- Allowed up to a 7% increase in the number of dollars levied.
- Increased the maximum qualifying income for the homestead credit and renter's refund from $9,000 to $10,000 per year.

1983 Session
- Allowed for a 4% increase in the number of dollars levied.
- Authorized cities and counties to give two-year exemptions for new single-family, condominium, or townhouse property.
- Increased the new business exemption's cost and sales limitations from $100 million to $150 million.

1985 Session
- Allowed for a 3% increase in the number of dollars levied.
- Enacted an exemption for qualifying wetlands, effective for tax years beginning after December 31, 1986.
- Increased the maximum qualifying income for

homestead credit and renter's refund from $10,000 to $12,000 per year.

1987 Session

- Allowed for a 5% increase in the number of dollars levied.
- Removed limitations on the type of business qualifying for the new business exemption, in effect, including service and retail industries. Previously, the exemption was limited to assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any agricultural, mineral, or manufactured product.

1989 Session

- Allowed for a 5% increase in the number of dollars levied.
- Enacted an exemption for day care in commercial property.
- Expanded the exemption for religious organizations to include property rented to a tax-exempt organization.
- Increased the maximum qualifying income for the homestead credit and renter's refund from $12,000 to $13,000 per year.
- Repealed the requirement that the State Board of Equalization approve the property tax exemption for new businesses.
- Excepted property in cities of 3,000 population or less from the vacancy requirement in the new business exemption law.
- Excluded projects exempt under tax increment financing from the new business exemption.
- Extended the allowable property tax exemption to up to ten years for new projects located in property leased from a governmental entity.

1991 Session

- Allowed for a 4% increase in the number of dollars levied.
- Broadened the property tax exemption to include expanding businesses.
- Decoupled the property tax exemption from the income tax exemption.
- Repealed the vacancy requirement for existing buildings.
- Provided a partial exemption for the sixth through tenth years for projects that produce or manufacture a product from agricultural commodities grown in North Dakota.
- Enacted a ten-year exemption for pipelines carrying CO2 to an enhanced recovery project in a North Dakota oil field.
- Provided for a license fee in lieu of property taxes for certain state-owned property leased for tourism or concession purposes.
- Provided for a 50-cents-per-acre property tax rate for forested land and several administrative changes.

1993 Session

- Set the maximum levy increase at 3% for taxes payable in 1994 and 2% for taxes payable in 1995.
- Permitted cities and counties to exempt pollution control improvements.
- Granted an exemption for state-owned land leased for grazing or pasture purposes.
- Granted an exemption for state-owned land leased for growing crops if payments in lieu of taxes are made by the state.
- Increased the maximum qualifying income for the homestead credit and renter's refund from $13,000 to $13,500 per year beginning with the 1995 tax year.

1994 Special Session

- Removed project size limitations from the new or expanding business tax exemption, allowing large projects to qualify.
- Changed the extended exemption for agricultural processors from a partial exemption to either a partial or complete exemption.
- Enabled a local government and any project operator to negotiate payments in lieu of property taxes for a period of up to 20 years.

1995 Session

- Allowed for a 2% increase in the number of dollars levied for taxes payable in 1996 and 1997.
- Provided that the only increase allowed after 1998 without voter or legislative approval is for property added to the tax rolls.
- Exempted railroad personal property from property taxes.
- Required that before a city or county grants a new and expanding business exemption or payments in lieu of taxes, the affected school districts and townships must be consulted.

1997 Session

- Allowed for a 2% increase in the amount levied to match federal funds.
- Required the state water commission to make payments in lieu of taxes for land acquired for the Devils Lake project.
- Extended the agricultural production data used by NDSU for the agricultural land formula to a ten-year period for the 2000 assessment.
- Made permanent a 50% expense allowance for agricultural revenue from irrigated cropland.
- Allowed the temporary requirement that school districts and townships be consulted before granting a new business property tax incentive to expire.

- Defined the income requirement for the farm residence exemption as more than 50% from farming activities in any one of the preceding three years.
- Increased allowable nonfarm income to $40,000 during each of the preceding three years.
- Provided that park model trailer owners could pay a fee of $20 per year to the motor vehicle department to exempt the trailer from taxation as a mobile home for tax years 1997 and 1998.
- Increased the maximum general fund tax levy for fire protection districts from 10 to 13 mills.
- Gave the state engineer authority to take remedies when man-made objects situated in, on the bed of, or adjacent to a navigable lake are, or are imminently likely to be, a menace to life or property or public health or safety; and to assess costs of action against any property of the person responsible.
- Changed the agricultural property definition for property platted after March 30, 1981.
- Provided that a pipeline and associated equipment, not including land, constructed after 1996 for transportation or storage of CO_2 for use in enhanced recovery of oil or natural gas is tax exempt during construction and the first ten full taxable years. The property is subject to assessment by the State Board of Equalization and payments in lieu of taxes by the State Treasurer during the time it is exempt.

1999 Session

- Made income and expense statements provided by commercial property owners to assessors confidential.
- Allowed an abatement of property tax for damage to a building, mobile home, structure, or other improvement caused by natural disaster.
- Increased the income limitation for the homestead credit and renter's refund from $13,500 to $14,000.
- Made permanent the $20 permit fee for a park model trailer in lieu of the mobile home tax.
- Expanded the farm building exemption to include feedlots and buildings used primarily, rather than exclusively, for farming purposes.
- Allowed depreciation expense as an addition to net farm income for the farm residence exemption.
- Granted the farm residence exemption to beginning farmers.
- Established a class of inundated agricultural property that is assessed at 10% of the noncropland value.
- Changed the agricultural land valuation formula to require inclusion of a production cost factor.
- Made permanent the requirement that school districts and townships be included in the negotiations for the new business exemption.
- Changed the payments in lieu of taxes for new businesses to include existing buildings as well as new buildings.
- Extended the period of exemption for remodeling from three to five years and allowed an addition to an existing building to be exempted as an eligible improvement.
- Changed the tax deed proceedings from a sale of tax delinquent property to foreclosure of tax lien.
- Changed the county levy for Social Security to allow up to five mills to be used for county automation and telecommunications.
- Increased the levy of a tax for programs and activities for senior citizens by a county or city from one to two mills.
- Provided that a school district may levy up to 15 mills for removal or abatement of asbestos in school buildings and for providing an alternative education program.

2001 Session

- Required that when the board of county commissioners rejects an application for abatement, a written explanation of the rationale for the decision must be attached to the application and mailed to the applicant.
- Provided that the taxable value of a centrally assessed wind turbine electric generation unit with a capacity of 100 kwh or more is 3% of assessed value.
- Provided that a county officer or employee will not refund a fee or tax of less than $5.00.
- Provided that a municipality may provide partial or complete exemption of residential property, exclusive of land, if the property was rehabilitated by an individual for the primary place of residence as a renaissance zone project. Provided for exemptions of buildings, structures, fixtures and improvements rehabilitated as a zone project for any business or investment purpose. A taxpayer may not be delinquent in payment of any state or local tax to benefit from those provisions.
- Defined inundated agricultural land as agricultural property containing a minimum of 10 contiguous acres if the value exceeds 10% of the average agricultural value of noncropland for the county. Provided the land must have been unsuitable for growing crops or grazing farm animals for at least two consecutive growing seasons, and produced revenue less than the county average revenue per acre for noncropland.
- Required a nonprofit organization to make payments in lieu of taxes on property acquired for conservation.
- Provided that a township may defray expenses of improvements by special assessment.

2003 Session

- Provided that land acquired by tax deed must be sold to the highest qualified bidder. Provided that a person is unqualified to be the highest bidder for property if the person owes delinquent taxes to any county.

- Provided that any privately owned structure, fixture, or improvement located on state-owned land is not exempt from special assessments levied for flood control purposes if it is used for commercial purposes, unless it is primarily used for athletic or educational purposes at a state institution of higher learning.
- Exempted from property taxation all property including any possessory interest therein, relating to any waterworks, mains, and water distribution system, or sewage systems and facilities for the collection, treatment, purification, and disposal in a sanitary manner of sewage, leased to the state or any agency or institution of the state, or to a private entity, which property is operated by, or providing services to, a municipality or other political subdivision.
- Exempted from property taxation any property, including any possessory interest therein, belonging to the state or any agency or institution of the state, leased to a private entity pursuant to N.D.C.C. § 54-01-27, which property is operated by, or providing services to, the state or its citizens.
- Provided that property owned by the state and held under a lease and any structure, fixture, or improvement located on that property is not taxable to the leaseholder if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education.
- Provided for one year's exemption and three years of graduated tax rates for new or substantially expanded investor-owned and cooperative-owned transmission lines of 230 kilovolts or larger, and associated transmission substations, initially placed in service on or after October 1, 2002. After the fourth year, those lines are taxed at $300 per mile.
- Provided that the rate used for capitalization of the average annual gross return of agricultural land may not be less than 9.5%.

2005 Session

- Created the North Dakota transmission authority. Provided that transmission facilities built under the authority are exempt from property taxes for a period not to exceed five years. After the initial period, transmission lines of 230 kilovolts or larger and associated transmission substations are subject to a per-mile tax at the full rate and subject to the same manner of imposition and allocation as imposed on cooperative-owned transmission lines.
- Required the county auditor to certify if there is an unsatisfied lien for homestead credit for special assessments against land in a document presented for transfer. Provided that the county recorder may not record any deed for property on which the county auditor has determined that there is an unsatisfied lien for homestead credit for special assessments, except for a transfer between spouses because of the death of one of them.
- Required a recipient to enter into a business incentive agreement with each grantor of a business incentive granted by the state or a political subdivision. Provided a penalty for a recipient that fails to meet goals.
- Provided that agricultural property includes land on which a greenhouse is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse. Provided that a greenhouse located on agricultural land and used primarily for growing of horticultural or nursery products is a farm building or improvement.
- Provided that a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, for which a purchased power agreement was executed after April 30, 2005, and before July 1, 2006, and construction was begun after April 30, 2005, and before July 1, 2006, must be valued at 1.5 of assessed value to determine taxable value.
- Increased the maximum qualifying income for the homestead credit and renter's refund from $14,000 to $14,500. Increased the maximum amount of taxable value credit to $3,038. Increased the unencumbered amount of homestead valuation that may be excluded from the asset test for homeowners to $100,000.
- Provided that the rate used for capitalization of the average annual gross return of agricultural land may not be less than 8.9% for 2005 and 8.3% for subsequent years.
- Authorized housing authorities to provide housing for persons of moderate income. Provided that property of an authority used for moderate income housing is exempt from all taxes except special assessments unless specifically exempted from a special assessment by the political subdivision.
- Provided that in lieu of exemption of a park model trailer located in a trailer park or campground, the department of transportation shall register the trailer as a travel trailer for a registration fee of $20 per year.

2007 Session

- Provided that 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 1.5% of assessed value to determine taxable value.
- Provided that the value of carbon dioxide pipeline property for which payments in lieu of taxes are required must be excluded from the valuation of property in the taxing district for purposes of determining the mill rate for the taxing district.

- Created the North Dakota pipeline authority to facilitate development of pipeline facilities to support production, transportation, and utilization of North Dakota energy-related commodities. Provided for exemption of pipeline property owned by the pipeline authority and constructed after 2006, during construction and for the first five years of operation. The property is subject to assessment by the State Board of Equalization and payments in lieu of taxes by the State Treasurer during the time it is exempt.
- Required a resolution by the board of county commissioners to use any proceeds of a tax levy in excess of the amount needed to match federal funds for surfacing or maintenance of roads within the county road program for which the levy was originally made, or for any new project included in an amended program.
- Defined the uncontested amount of taxes paid under protest as the amount that will be payable if the application for abatement, adjustment, or refund is approved by the board of county commissioners. Provided that the uncontested amount of taxes under protest may be allocated immediately.
- Provided that an applicant for abatement is limited to the relief claimed in the application for abatement.
- Required the county director of tax equalization to use soil type and soil classification data from detailed and general soil surveys to determine the relative value of lands for each assessment district compared to the county average value.
- Required local assessors, in determining the relative value of each assessment parcel, to apply the following considerations in descending order of significance: soil type and soil classification data from the detailed or general soil surveys; the schedule of modifiers approved by the State Supervisor of Assessments and provided by the county director of tax equalization; and actual use of the property for cropland or noncropland purposes by the owner of the parcel.
- Provided 5% of a county's allocation from the State Aid Distribution Fund shall be withheld from any county that has not fully implemented use of soil type and soil classification data from detailed or general soil surveys for any taxable year after 2009, until implementation is complete.
- Required that during the 2007-2008 interim, each county that has not fully implemented use of soil type and soil classification data from the detailed and general soil surveys shall report to the Legislative Council the reason for failure to do so and the anticipated date for full implementation.
- Provided that unless delinquent taxes, special assessments, penalty, interest, and costs on real property are paid by October 1 of the second year following the year in which taxes became delinquent, the county auditor will foreclose on the tax lien and issue a tax deed to the county.
- Provided that an excess levy may be authorized for a township up to 100% over and above the basic legal limitations.
- Increased the maximum qualifying income for the homestead credit and renter's refund from $14,500 to $17,500 per year for tax year 2007. Increased the maximum taxable value of the homestead that may be exempted to $3,375.
- Required that when any assessor has increased the true and full value of any lot or tract of land and improvements by more than 10% of the last assessment, notice must be delivered or mailed in writing to the property owner, or provided to the property owner by electronic mail with verification of receipt, not fewer than 15 days before the meeting of the local board of equalization.
- Provided that after June 30, 2007, in any school district election for approval of unlimited or increased levy authority, the ballot must specify the number of mills, the percentage increase in dollars levied or that unlimited mill levy authority is proposed for approval, and the number of taxable years for which that approval is to apply.
- Provided that approval of unlimited or increased levy authority may not be effective for more than ten taxable years.
- Provided that the question of authorizing or discontinuing specific number of mills authority or unlimited taxing authority in any school district must be submitted to the electors at the next regular election upon resolution of the school board or filing of a petition signed by 10% of the electors.
- Provided that the property tax statement must include, or be accompanied by a separate sheet with, three columns showing for the taxable year to which the statement applies and the two immediately preceding taxable years, the property tax levy in dollars against the parcel by the county, school district, and city or township.
- Provided for an income tax credit for 2007 and 2008 of 10% of property taxes or mobile home taxes that became due during the income tax taxable year and are paid. See "Historical Overview" under Individual Income Tax on page 53 and Corporation Income Tax on page 30.
- Provided that mobile home tax statements must include three columns showing for the taxable year for which the statement applies and the two immediately preceding taxable years, the property tax levy in dollars against the mobile home by the county, school district, and any city or township that levied taxes against the mobile home.

- Required the Legislative Council to study in each interim through 2012 the feasibility and desirability of property tax reform and providing property tax relief, with the goal of reduction of each taxpayer's annual property tax bill to not more than 1.5% of the true and full value of the property.
- Provided that a certificate from a licensed physician or a written determination of disability from the Social Security Administration is acceptable proof of permanent and total disability for purposes of the homestead credit and renter's refund.
- Increased the true and full value of improvements owned and occupied as a homestead for which a paraplegic disabled veteran may receive property tax exemption from $80,000 to $120,000.
- Repealed the income test for a disabled veteran with 50% or greater certified rated service-connected disability.
- Provided that a disabled veteran with a 50% or greater certified rated service-connected disability is eligible for an exemption equal to the percentage of the disabled veteran's disability applied against the first $120,000 of true and full value of improvements owned and occupied by the disabled veteran as a homestead.
- Provided that after the initial filing of a claim for exemption, the exemption is automatically renewed each year, but the veteran or veteran's unremarried surviving spouse must re-file if that person sells the property or no longer claims it as a primary place of residence, or if the veteran dies or receives a change in the percentage of certified rated service-connected disability.
- Provided that the disabled veteran's exemption does not apply within a county in which a resolution adopted by the board of county commissioners is in effect disallowing the exemption for the taxable year.
- Provided that the governing body of a city may establish valuations that recognize the supply of vacant lots available for sale.

2009 Session

- Increased the maximum ad valorem exemption for the homestead of a blind person to true and full value of $160,000 of fixtures, buildings, and improvements.
- Provided that if the owner of a manufactured home records an affidavit of affixation, the manufactured home is considered real property and is assessed with the land on which it is located.
- Provided that all oil or gas pipeline property that is not exempt from ad valorem taxation is subject to assessment by the State Board of Equalization.
- Provided that the State Board of Equalization may not approve valuation and assessment in any taxing district in which the true and full value for residential and commercial property exceeds the true and full value for those property classifications in that taxing district as determined by the sales ratio study.
- Extended the date by which a centrally assessed wind generation unit with a nameplate generation capacity of 100 kilowatts or more must be completed to qualify for 1.5% taxable valuation rate until January 1, 2015.
- Repealed N.D.C.C. sections 57-02-24 and 57-02-25 relating to taxation of minerals, the ownership of which has been severed from the ownership of the overlying land.
- Enacted property tax relief for all North Dakota taxpayers by providing mill levy reduction grants to school districts and requiring school districts to reduce their mill levies. Terminated authority for school districts to have unlimited mill levies effective for taxable years after 2015. Required electors desiring levies up to a specified number of mills above 185 mills to approve a levy up to a specific number of mills, for a period not to exceed ten years, by December 31, 2015.
- Provided a state-funded property tax credit to reimburse political subdivisions for property tax losses experienced because of exemption of qualifying disabled veterans' homesteads from property taxes. Required a qualifying applicant to furnish to assessment officials, when requested to do so, any information which is believed will support the claim for credit for any subsequent year. Repealed language that permitted a county to disallow disabled veterans' exemptions.
- Enacted an exemption for new single-family residential property, exclusive of land, for the year in which construction began and the next two taxable years, if the property remains owned by the builder and unoccupied, provided the exemption is approved by the city or county.
- Provided that the surviving spouse of a farmer who at the time of death was an active farmer is eligible for the farm residence exemption through the end of the fifth taxable year after the taxable year of death of the deceased active farmer. The farm residence exemption applies for as long as the residence is continuously occupied by the surviving spouse of an individual who at the time of death was a retired farmer.
- Increased the maximum amount of exemption allowed for new single-family, condominium, and townhouse property, exclusive of land, to $150,000 for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time, provided the exemption is approved by the city or county.
- Increased the maximum mill levy allowed for a soil conservation district to 2 mills.
- Increased the maximum qualifying income for applicants for homestead property tax credit to $26,000.

Increased the maximum exemption under the homestead credit program to $4,500 taxable value ($100,000 true and full value) of the person's homestead. Raised the asset limitation for qualifying applicants to $75,000 excluding the first $100,000 unencumbered value of the homestead.

- Increased the maximum qualifying income for applicants for the renter's property tax refund to $26,000 and increased the maximum refund to $400.
- Provided that property owned by a nonprofit entity and used exclusively as a cemetery is exempt from special assessments.
- Provided that when any assessor has increased the true and full value of any lot or tract of land and improvements by $3,000 or more and 10% or more than the amount of the last assessment, written notice must be delivered or mailed to the property owner, or provided to the property owner by electronic mail with verification of receipts, not fewer than 15 days before the meeting of the local board of equalization.

2011 Session

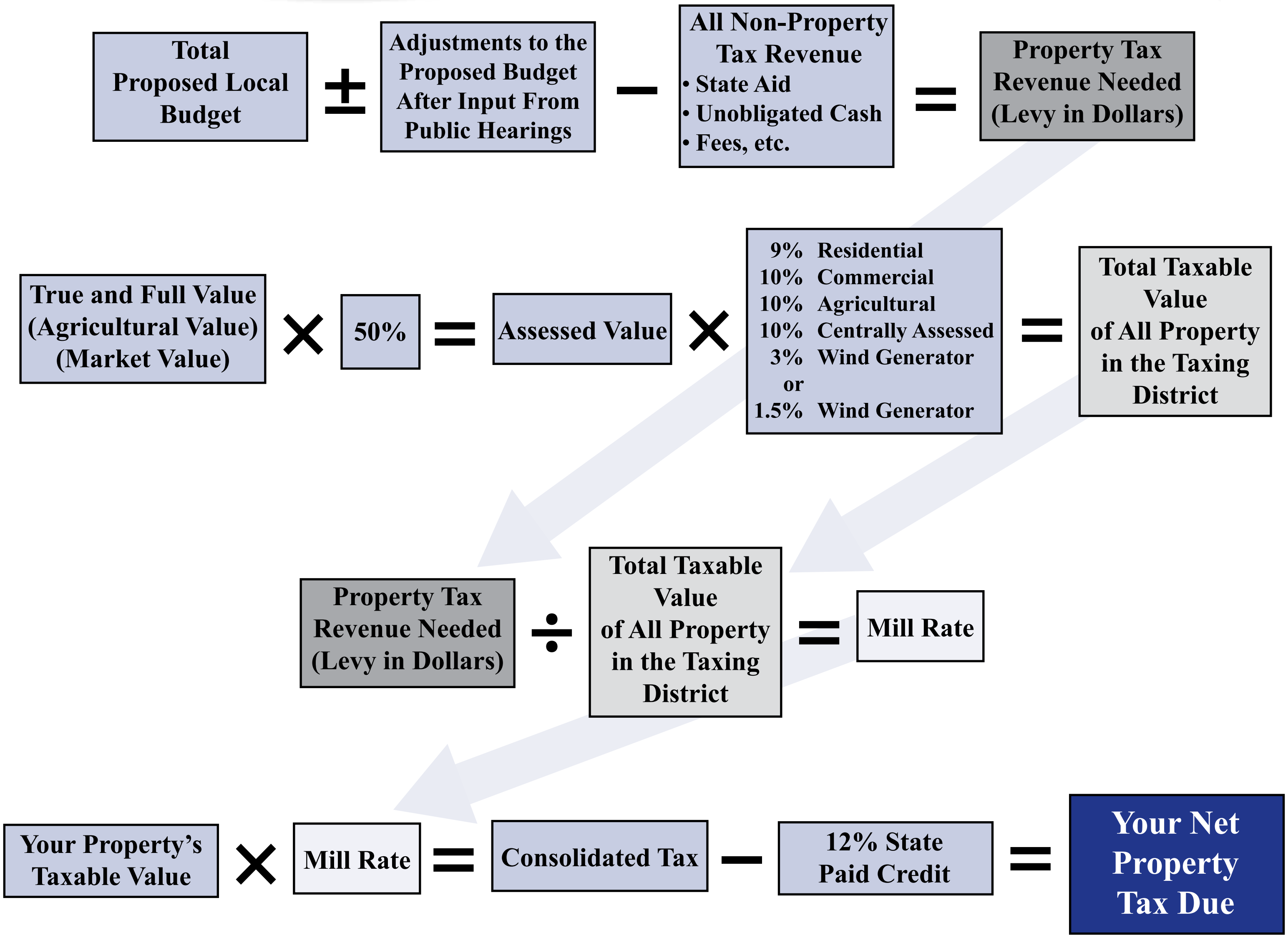
- Enacted a potash and byproducts tax in lieu of ad valorem taxes on any property rights attached to or inherent in the right to produce potash and potash byproducts; upon producing potash and potash byproducts leases; upon machinery, appliances, and equipment used in and around any well producing potash or potash byproducts and actually used in the operation of the well; and upon any investment in property. Provided that the land and processing plant, mining facility, or satellite facility must be assessed and taxed as other property within the taxing district in which the property is situated, is taxed.
- Extended property tax relief enacted by the 2009 legislature through the biennium ending June 30, 2013.
- Provided that for any county that has not fully implemented use of soil type and soil classification data by February 1 of any year after 2011, the Tax Commissioner shall direct the state treasurer to withhold 5 percent of that county's allocation each quarter from the State Aid Distribution Fund. Provided that the amount withheld must be deposited in the agricultural land valuation fund. Directed that all moneys deposited must be allocated to the county from which the withholding was made upon certification from the Tax Commissioner of the implementation of subsection 7 of section 57-02-27.2 by that county.
- Required that land that was assessed as agricultural property at the time the land was put to use for extraction of oil, natural gas, or subsurface minerals as defined in section 38-12-01 must continue to be assessed as agricultural property if the remainder of the surface owner's parcel continues to qualify for assessment as agricultural property.
- Amended section 57-02-27.1 to provide that the governing body of a township, as well the governing body of a city, may establish valuations that recognize the supply of vacant lots available for sale.
- Provided for a city or county to impose crew housing permit fees on crew housing facilities. Provided that a city or county may share revenues from the fees with other taxing districts in which the property is located.
- Required a city, city park district, county, or school district to publish a property tax increase notice and hold a public hearing if it intends to impose a property tax levy in a greater number of mills than would be needed to raise the same amount of property tax revenue as the property tax levy in the prior year. Does not include taxing districts that levied a property tax of less than $100,000 in the prior year and set a budget for the current year calling for a property tax levy of less than $100,000.
- Amended the disabled veterans' property tax credit. Authorized 100 percent credit for a disabled veteran who has an extra-schedular rating to include individual unemployability that brings the total disability rating to 100 percent as determined by the Department of Veterans' Affairs, and for an unremarried surviving spouse who is receiving dependency and indemnity compensation.
- Exempted from property tax the leasehold interest in property leased by a political subdivision from another political subdivision.
- Increased the number of mills that a county may levy for emergency purposes to 4 mills in a county with a population under 30,000 but more than 5,000, and 6 mills in a county with a population of 5,000 or lower. A county with a population of 30,000 or more may levy a tax not exceeding 2 mills.
- Expanded the property tax exemption for property of religious corporations or organizations to include all buildings used for religious services; the residence of the minister in charge of services; land under those buildings; unimproved off-street parking or reasonable landscaping or sidewalk area adjoining the main church building; and a maximum of two additional acres. If the minister's residence is not adjacent to the church, that residence with up to two acres of land is exempt.
- Provides that for purposes of property tax exemption, property is not used wholly or in part for public charity if that property is residential rental units leased to tenants based on income levels that enable the owner to receive a federal low-income housing income tax credit.
- Provides that for purposes of tax increment financing (TIF) districts, "blighted area" does not include any land that has been assessed as agricultural property within the last ten years unless it was located within

the interior boundaries of a city for at least ten years. Limited the number of years the base year for a TIF district may be used without a new base year being established. Allowed surplus funds on hand to be distributed to political subdivisions. Set out requirements for public hearings and annual reports to the Department of Commerce.
- Provided for suspension or revocation of a certificate issued by the State Supervisor of Assessments for probable cause, for a hearing and appeal, and for restoration of the certificate. Set out requirements for property records and their maintenance. Gave authority to the State Board of Equalization to equalize the classification and exemption status of real property. Provided for review by the Tax Commissioner, State Supervisor of Assessments, or their designee of selected properties within each county, and examination of the reviews by the State Board of Equalization. Provided that if any county or county official fails to take action ordered by the State Board of Equalization, the State Board of Equalization may petition any judge of the district court to require the county or county official to comply with the order of the State Board of Equalization. Provided that the county commissioners, Tax Commissioner, or State Board of Equalization may order a new assessment. Provided an appeal process for any owner of property included in a new assessment.

2013 Session

- Amended the base year calculation for school district general funds and reduced the number of special purpose levies available to schools.
- Increased the maximum qualifying income for the homestead credit and renter's refund program from $26,000 to $42,000. Increased maximum assets allowed for homeowners to $500,000, including the market value of the homestead.
- Provided that the governing body of a municipality may revoke or reduce an exemption or revoke or increase payments in lieu of tax for reasons specified in negotiation documents or as provided in N.D.C.C. 40-57.1-03.
- Provided that a property owner may appeal assessment, classification, and exempt status of owner's property to the State Board of Equalization if the property owner was foreclosed from attending the assessment proceedings because of the failure to substantially comply with notice requirements or irregularity of the local assessment proceedings.
- Provided for the State Board of Equalization to add a penalty of $5,000, to be collected as part of the tax, against a public utility company that fails to make the required report for three consecutive years.
- Provided exemption from all taxes and special assessments for property of a housing authority used for authority administration, or other property solely owned by the authority and used to conduct powers granted to the authority by law.
- Repealed provisions for maintaining privacy of sale prices for real estate transactions.
- Increased acreage exempted from taxation for religious purposes to five acres.
- Increased the maximum property tax credit for a disabled veteran to $6,750 taxable value of fixtures, buildings, and improvements to the homestead.
- Amended notice of increase in assessment to include a statement informing the owner that an increase in assessment does not mean that property taxes will increase. Each taxing district must base its tax rate on the number of dollars raised from property taxes in the previous taxable year.
- Provided that the assessor must provide a list of individuals that received a notice of increase of assessment to each city, county, school district, and park district that levied $100,000 or more in the previous year.
- Amended language on property tax statements to include "legislative tax relief" which identifies the dollars of property tax savings provided by the state of North Dakota.
- Provided a 12% credit for property taxes levied against real property or mobile homes and specific centrally assessed property.
- Required a township to provide a response to a building permit application within 60 days of receipt of application.
- Provided that a school district may establish an early childhood program and support it with local tax revenues, gifts, grants, donations, state moneys and federal funds designated for the program.
- Required primary sector certification to be determined prior to municipality extending a new or expanding business exemption.
- Provided that cities or counties with a population of less than 40,000 must first receive voter approval for allowing new or expanding business exemptions to retail sector businesses.
- Reduced tax rate of the distribution tax from $1.00 per megawatt hour to 80 cents per megawatt hour for retail sale of electricity delivered to a consumer in this state.
- Extended time frame for electric company to opt into the irrevocable election to be taxed under N.D.C.C. 57-33.2.
- Provided exemption from taxation for all residential rental property used as affordable housing for the property's period of affordability.
- Provided that neither the state nor any political subdivision may impose any mortgage tax or any sales or transfer taxes on the mortgage or transfer of real property.

North Dakota Property Tax System



All property in North Dakota is subject to property tax unless it is specifically exempted. Except for a one-mill levy for the State Medical Center, property taxes are administered, levied, collected and expended at the local level for the support of schools, counties, cities, townships and other local units of government. The State does not levy a property tax for general government operations.

The property tax is an "ad valorem" tax, that is, it is based on the value of the property subject to tax. The other element of the property tax is the amount of revenue that needs to be raised.

12% State Paid Credit
Levid in 2013 - Payable in 2014

Ad Valorem Taxes	State Paid Tax Credit	Net Tax
$786,233,820.42	$94,348,058.46	$691,885,761.96

General Property Taxes by County
Payable in 2011-2014

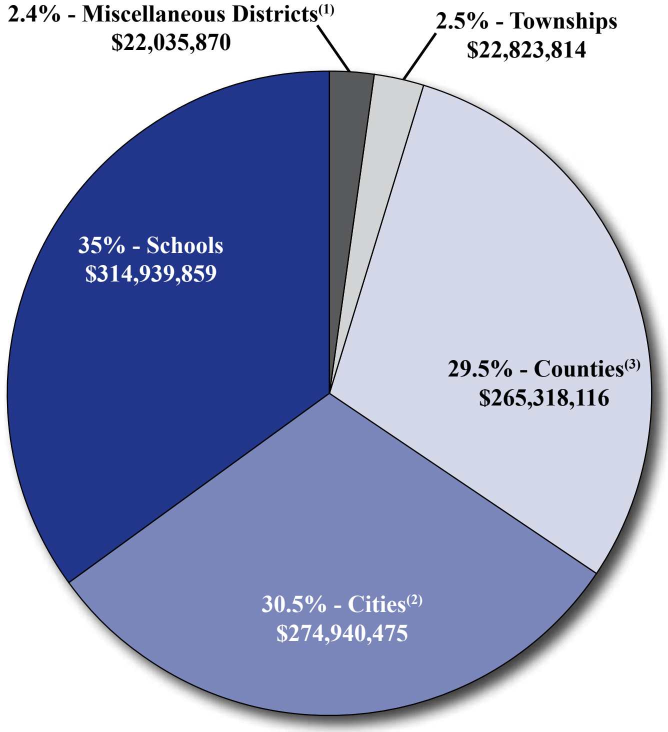
County	2011 Total Ad Valoerm Property Taxes	Percent Change	2012 Total Ad Valoerm Property Taxes	Percent Change	2013 Total Ad Valoerm Property Taxes	Percent Change	2014 Total Ad Valoerm Property Taxes	Percent Change
Adams	2,597,099	-1.1	2,699,061	3.9	3,040,005	12.6	3,145,493	3.5
Barnes	15,418,987	12.3	16,249,392	5.4	16,939,763	4.2	15,426,554	-8.9
Benson	4,565,021	10.8	4,997,257	9.5	5,244,552	4.9	5,108,902	-2.6
Billings	877,030	4.2	921,145	5.0	1,043,266	13.3	1,721,699	65.0
Bottineau	9,059,668	10.6	9,328,708	3.0	10,090,483	8.2	9,402,435	-6.8
Bowman	3,450,355	7.1	3,864,571	12.0	4,385,060	13.5	4,048,843	-7.7
Burke	2,332,258	3.5	2,736,469	17.3	3,171,618	15.9	3,621,460	14.2
Burleigh	81,019,841	3.0	83,866,500	3.5	87,880,694	4.8	83,274,094	-5.2
Cass	174,875,840	5.3	185,642,925	6.2	191,534,773	3.2	172,035,017	-10.2
Cavalier	7,554,484	-2.2	7,755,895	2.7	8,622,146	11.2	8,421,941	-2.3
Dickey	7,419,341	12.2	7,952,125	7.2	8,217,795	3.3	7,915,935	-3.7
Divide	2,766,682	0.7	2,963,037	7.1	3,535,146	19.3	3,929,407	11.2
Dunn	3,693,033	2.9	4,029,511	9.1	4,403,200	9.3	4,885,813	11.0
Eddy	2,432,591	6.5	2,691,379	10.6	2,935,761	9.1	2,723,543	-7.2
Emmons	4,277,439	3.0	4,622,327	8.1	4,998,407	8.1	4,530,549	-9.4
Foster	4,267,796	6.9	4,492,681	5.3	4,718,434	5.0	4,555,697	-3.4
Golden	1,665,445	5.5	1,775,888	6.6	1,899,861	7.0	1,847,968	-2.7
Grand	73,301,944	4.4	76,060,376	3.8	79,763,228	4.9	74,847,935	-6.2
Grant	2,988,930	3.4	3,257,833	9.0	3,533,096	8.4	3,079,428	-12.8
Griggs	3,839,658	18.2	4,210,439	9.7	4,725,873	12.2	4,287,204	-9.3
Hettinger	3,152,197	2.1	3,932,104	24.7	4,708,783	19.8	4,261,384	-9.5
Kidder	3,045,493	0.9	3,120,387	2.5	2,946,328	-5.6	2,874,721	-2.4
LaMoure	5,925,438	8.7	5,996,796	1.2	6,515,873	8.7	6,366,874	-2.3
Logan	2,387,730	6.1	2,680,460	12.3	2,819,296	5.2	2,663,948	-5.5
McHenry	6,468,961	14.9	6,968,402	7.7	7,772,537	11.5	7,092,922	-8.7
McIntosh	3,350,668	6.2	3,591,068	7.2	3,679,627	2.5	3,224,790	-12.4
McKenzie	3,667,889	10.8	4,261,718	16.2	5,681,790	33.3	9,618,269	69.3
McLean	8,458,517	6.7	8,960,803	5.9	9,235,942	3.1	8,233,454	-10.9
Mercer	6,560,294	6.5	6,851,345	4.4	7,380,068	7.7	6,909,050	-6.4
Morton	28,884,442	4.2	29,826,222	3.3	30,743,540	3.1	28,155,390	-8.4
Mountrail	8,042,897	36.8	9,584,234	19.2	10,996,135	14.7	12,014,776	9.3
Nelson	4,863,173	13.0	5,285,887	8.7	5,609,595	6.1	5,096,543	-9.1
Oliver	2,274,853	3.9	2,310,812	1.6	2,411,610	4.4	2,203,417	-8.6
Pembina	10,614,686	13.6	10,863,954	2.3	12,176,848	12.1	11,063,957	-9.1
Pierce	5,083,143	18.5	5,319,483	4.6	5,716,931	7.5	5,692,467	-0.4
Ramsey	11,078,529	5.1	11,756,855	6.1	12,447,069	5.9	11,201,313	-10.0
Ransom	6,635,971	6.5	7,118,967	7.3	7,461,625	4.8	6,903,101	-7.5
Renville	3,055,986	7.8	3,440,200	12.6	3,806,846	10.7	3,681,803	-3.3
Richland	20,284,144	5.4	21,211,761	4.6	22,291,733	5.1	21,130,518	-5.2
Rolette	3,689,278	6.1	3,662,076	-0.7	3,745,751	2.3	3,375,835	-9.9
Sargent	6,559,122	6.6	6,865,012	4.7	7,337,556	6.9	6,971,645	-5.0
Sheridan	1,888,415	5.4	2,056,432	8.9	2,180,058	6.0	2,032,243	-6.8
Sioux	735,538	8.0	748,609	1.8	742,983	-0.8	639,383	-13.9
Slope	894,307	-1.6	1,178,819	31.8	1,332,317	13.0	1,311,685	-1.5
Stark	21,032,219	7.1	22,911,038	8.9	26,481,769	15.6	30,345,625	14.6
Steele	5,193,902	24.1	5,587,701	7.6	5,822,761	4.2	5,784,906	-0.7
Stutsman	22,453,499	4.1	23,520,439	4.8	24,480,683	4.1	22,756,567	-7.0
Towner	4,091,641	5.6	4,125,774	0.8	4,456,802	8.0	4,431,461	-0.6
Traill	10,693,263	9.6	10,596,669	-0.9	11,157,620	5.3	10,607,475	-4.9
Walsh	13,073,530	8.8	13,051,885	-0.2	13,790,821	5.7	13,072,916	-5.2
Ward	54,907,979	8.4	53,901,128	-1.8	65,939,042	22.3	68,124,737	3.3
Wells	5,807,606	7.8	6,379,562	9.8	6,799,723	6.6	6,432,130	-5.4
Williams	18,729,492	8.0	19,984,882	6.7	25,588,681	28.0	33,148,597	29.5
Total	721,988,244	6.4	757,769,003	5.0	814,941,904	7.5	786,233,819	-3.5

SOURCE: North Dakota Office of State Tax Commissioner. Property Tax Division, "Property Tax Statistical Report."

Percent of Property Taxes by Taxing District

Levid in 2013 - Payable in 2014

GRAND TOTAL - $900,058,134*



(1) Includes Garrison Diversion Conservancy District, rural fire protection districts, hospital district, soil conservation districts, rural ambulance districts, recreation service districts, Southwest Water Authority and all special assessments for rural districts. Also including constitutional one mill levy for medical center at the University of North Dakota.

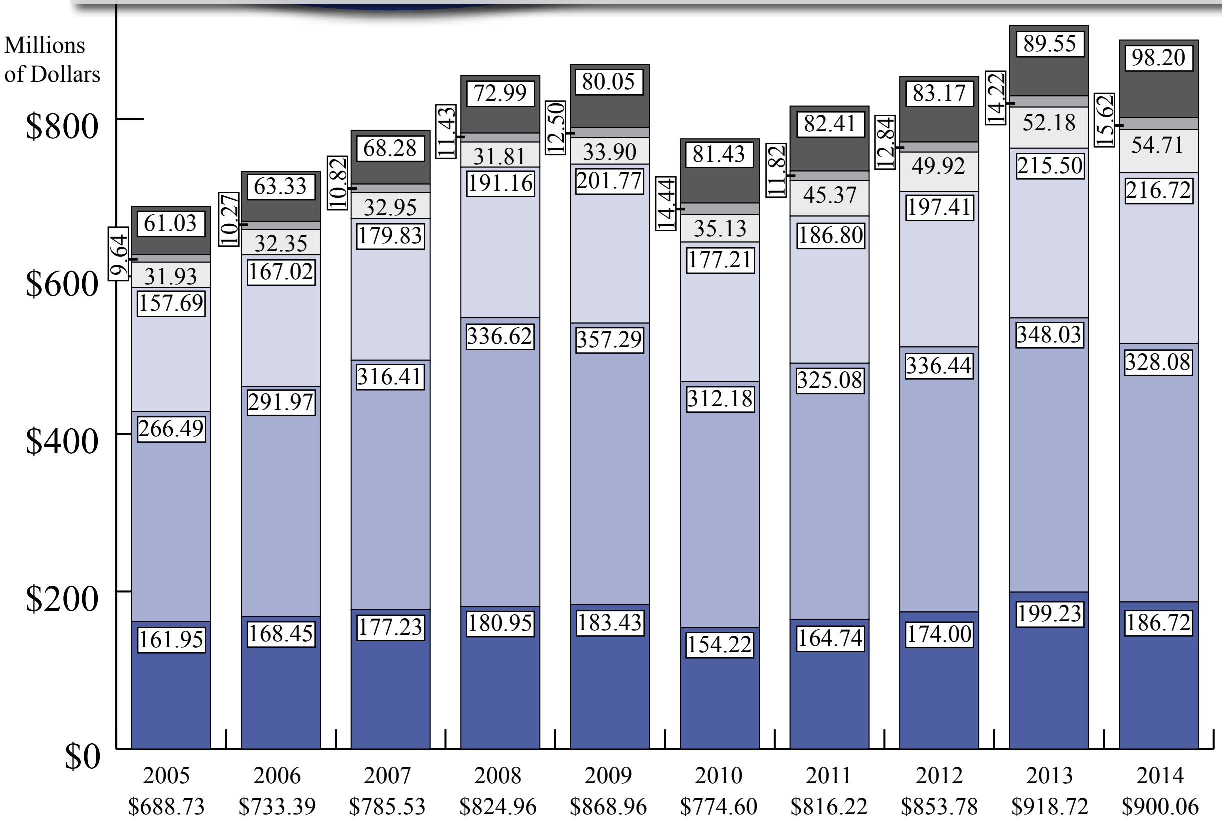
(2) Includes city park districts, special assessments, and tax increments.

(3) Includes county park districts, county library, county airport, water management districts, vector control, irrigation and water districts, unorganized townships and board of county parks.

*Twelve percent of all ad valorem and certain special property taxes were paid by the state to the counties and political subdivisions. This property tax relief was authorized by the 2013 Legislature and signed into law by the Governor. It is currently effective for property taxes due in 2014 and 2015.

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

Ad Valorem and Special Taxes by Property Class
For Taxes Payable in 2005-2014*

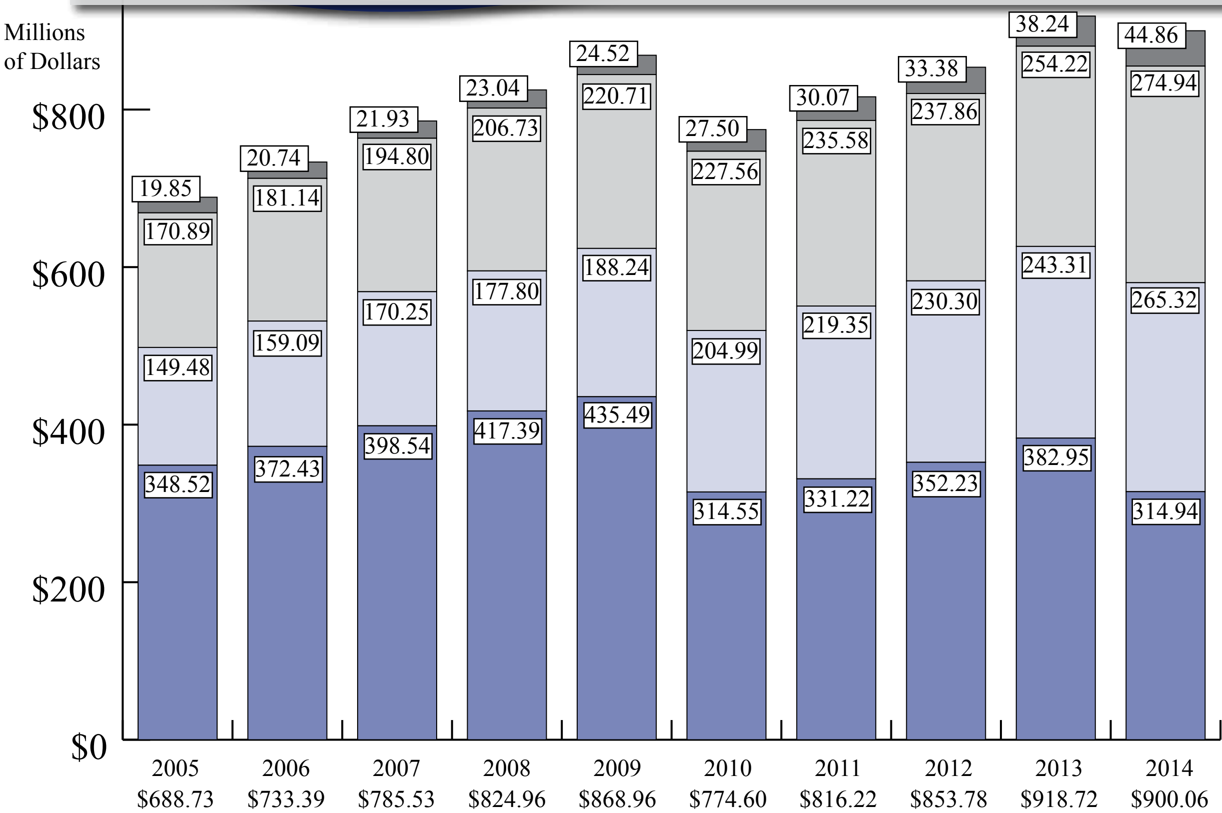


Year	Agricultural	Residential	Commercial	Centrally Assessed	Special Taxes	Special Assessments	Total
2005	161.95	266.49	157.69	31.93	9.64	61.03	$688.73
2006	168.45	291.97	167.02	32.35	10.27	63.33	$733.39
2007	177.23	316.41	179.83	32.95	10.82	68.28	$785.53
2008	180.95	336.62	191.16	31.81	11.43	72.99	$824.96
2009	183.43	357.29	201.77	33.90	12.50	80.05	$868.96
2010	154.22	312.18	177.21	35.13	14.44	81.43	$774.60
2011	164.74	325.08	186.80	45.37	11.82	82.41	$816.22
2012	174.00	336.44	197.41	49.92	12.84	83.17	$853.78
2013	199.23	348.03	215.50	52.18	14.22	89.55	$918.72
2014	186.72	328.08	216.72	54.71	15.62	98.20	$900.06

*See footnote on page 97.

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division.

Ad Valorem and Special Taxes by Taxing District
For Taxes Payable in 2005-2014*

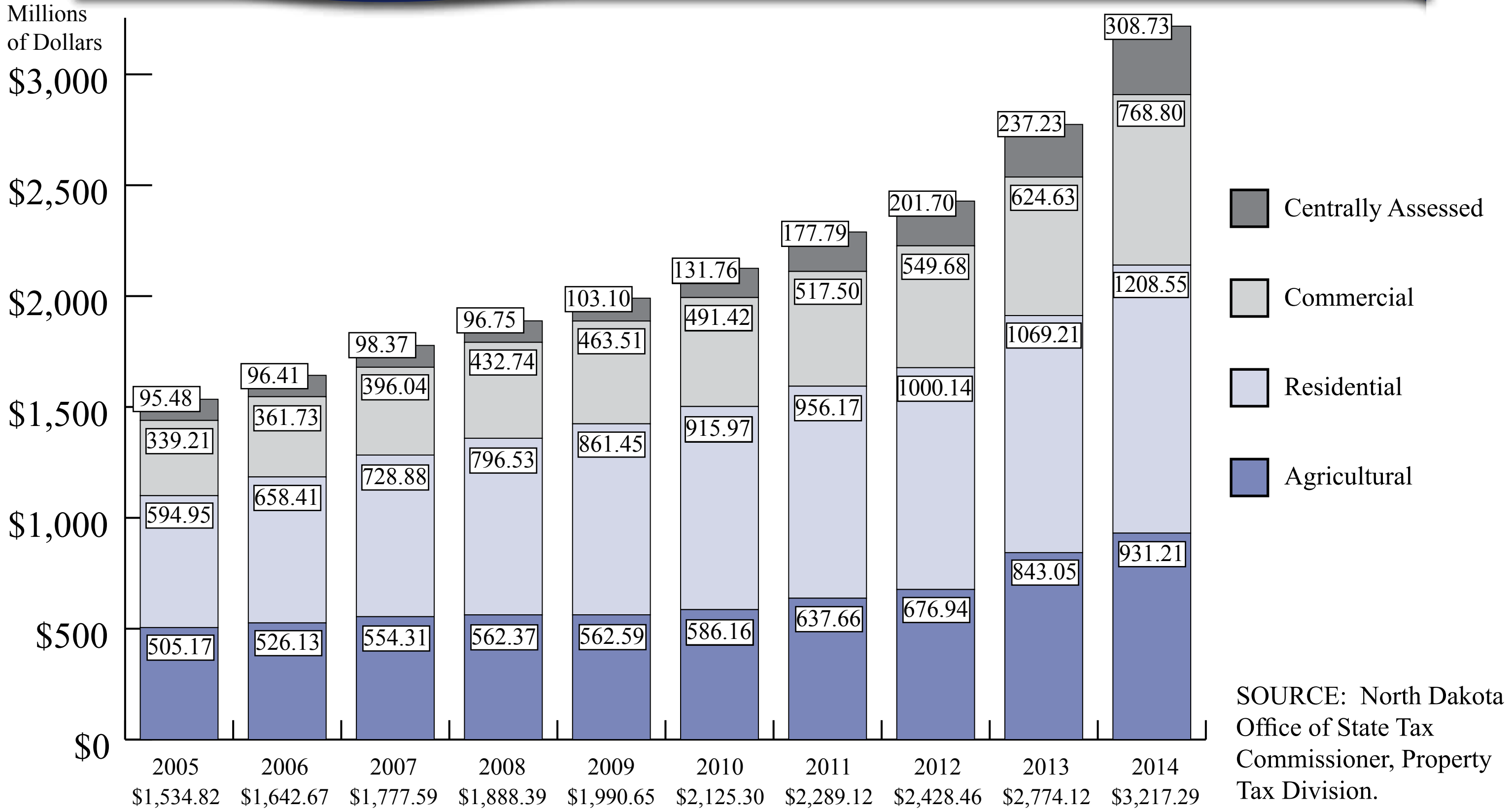


Year	Schools	Counties	Cities	Miscellaneous Districts	Total
2005	348.52	149.48	170.89	19.85	$688.73
2006	372.43	159.09	181.14	20.74	$733.39
2007	398.54	170.25	194.80	21.93	$785.53
2008	417.39	177.80	206.73	23.04	$824.96
2009	435.49	188.24	220.71	24.52	$868.96
2010	314.55	204.99	227.56	27.50	$774.60
2011	331.22	219.35	235.58	30.07	$816.22
2012	352.23	230.30	237.86	33.38	$853.78
2013	382.95	243.31	254.22	38.24	$918.72
2014	314.94	265.32	274.94	44.86	$900.06

*See footnote on page 97.

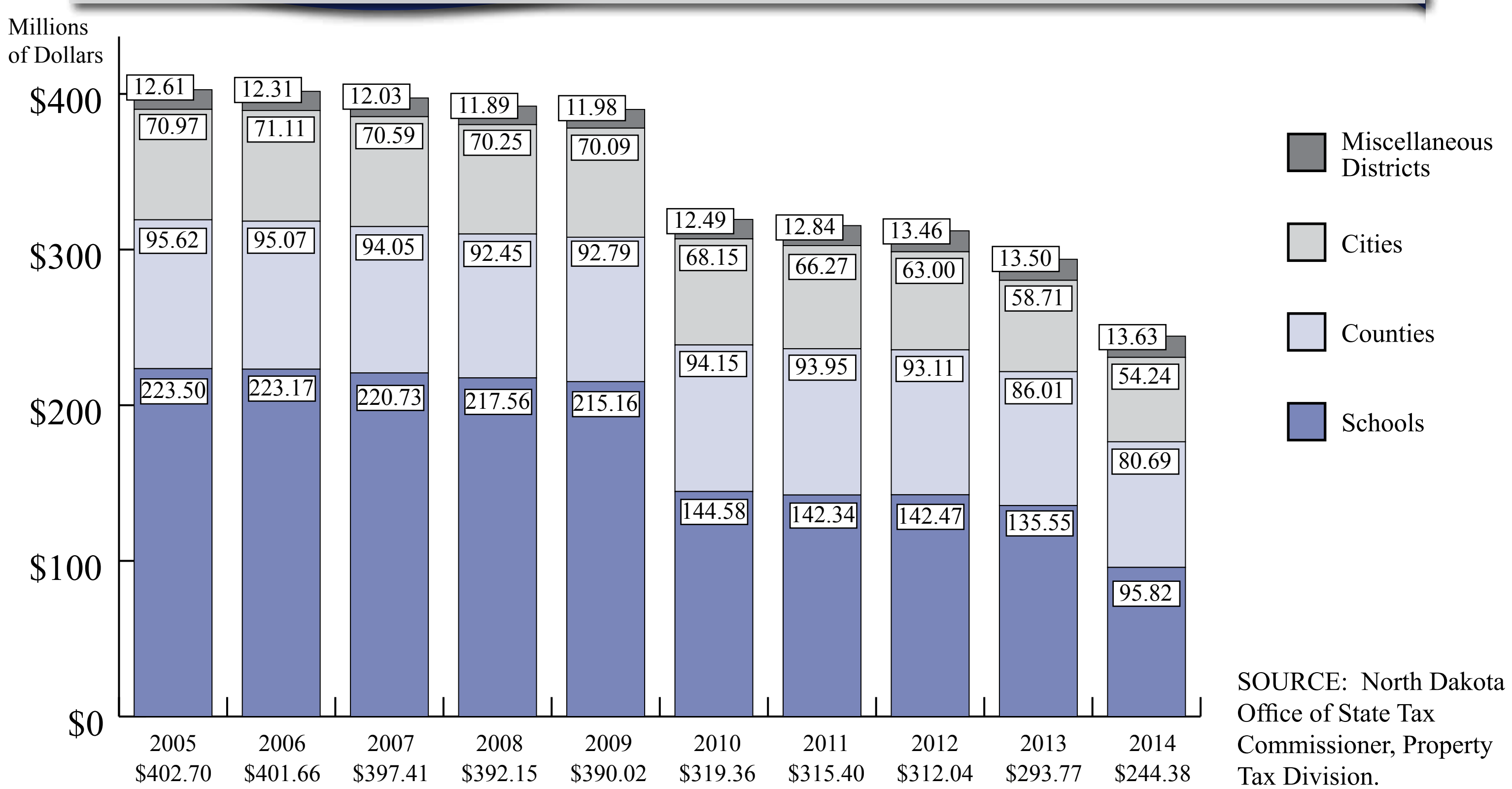
SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division.

Taxable Value by Property Class
For Taxes Payable in 2005-2014



SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division.

Average Mill Levies by Taxing District
For Taxes Payable in 2005-2014



SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division.

Effective Rates by Classification

Payable in 2012, 2013 and 2014

Property Classification	Effective Rate 2012	2013	2014
Residential	1.51%	1.46%	1.22%
Agricultural	1.29%	1.18%	1.00%
Commercial	1.80%	1.73%	1.41%
Centrally Assessed*	1.24%	1.10%	0.89%
Total	**1.49%**	**1.41%**	**1.17%**

*The effective rate on centrally assessed wind turbine electric generation units is understated because of their reduced taxable value percentage. That causes the effective rate on the centrally assessed property to be understated.

Ad Valorem Property Taxes Percent of Total by Classification

Payable in 2012, 2013 and 2014

	2012	2013	2014
Residential	44.4%	42.7%	41.7%
Agricultural	22.9%	24.5%	23.7%
Commercial	26.1%	26.4%	27.7%
Centrally Assessed	6.6%	6.4%	6.9%

Explanation of Terms and Trends

True and full value: For residential and commercial property "true and full value" is the local assessor's estimate of the market value of the property. For agricultural property, true and full value is based on agricultural production and is typically less than its market value or selling price.

Effective Tax Rate: In relation to property tax, the effective tax rate is expressed as the ratio between the property value and the current tax bill. For North Dakota, the rate is calculated by dividing the tax levied by the true and full value. Alternatively, the rate may be calculated by multiplying the mill levy by the taxable value rate. The taxable value rate is 5% for all property, except for residential property the taxable value rate is 4.5% (50% X 9%). Wind generation units subject to ad valorem tax may have a taxable rate of 1.5% or 0.75% depending on the date construction is completed.

Trends: During the first 5 years, mill rates remained relatively level as total taxable valuations were increasing at a steady rate. For taxes payable in 2010 the statewide average mill rate decreased primarily due to the North Dakota Legislature providing additional funding for school districts. This additional state funding continued for taxes payable in 2011 and 2012 and mill rates remained in a narrow range. For taxes payable in 2013, the statewide average mill rate decreased by an amount more than the trend in 7 of the 10 years. This decrease may have been in response to the total taxable valuation increasing by two times the trended valuation of the previous 8 years. The total taxable valuation for taxes payable in 2014 also increased substantially. For taxes payable in 2014, the decrease in mill rates was due again to additional funding for school districts, and as a counterbalance to the increase of total taxable valuation.

STATE COMPARISONS

North Dakota's property taxes are relatively moderate compared to those in other states, whether measured per capita or per $1,000 of personal income. In recent years, property values have increased significantly resulting in a corresponding increase in property tax assessments. In response, many states have implemented various property tax relief initiatives in an effort to reduce the property tax burden. The tables compare the property taxes on equally valued homes in similar size North Dakota cities as well as from neighboring states. Neighboring states' property taxes on similarly valued residences may appear less than North Dakota's because those states provide a homestead credit for all owner-occupied residential property. North Dakota's homestead credit is available only to elderly and disabled persons with limited income.

Rankings (as shown on the following page) based on collections offer insight into overall tax levels. However, further analysis is needed to see the details of how state tax systems differ. Property taxes may vary by property classification and different types of property may be taxed or excluded. Some states, such as Wyoming, use the property tax to tax mineral wealth while states like North Dakota levy separate severance taxes. In Alaska, because of its oil reserves fund, residents receive annual payments of about $1,000 per person.

Property Taxes on an Owner Occupied Home in North Dakota - Payable in 2014

$100,000 Home

City	Tax Amount*
Bowman	$1,034
Carrington	$1,438
Grafton	$1,918
Kenmare	$1,019
Lisbon	$1,437
Rugby	$1,250
Washburn	$800

$200,000 Home

City	Tax Amount*
Bismarck	$2,230
Devils Lake	$2,936
Dickinson	$2,014
Fargo	$2,785
Grand Forks	$3,144
Jamestown	$3,145
Mandan	$2,831
Minot	$2,130
Valley City	$2,831
Wahpeton	$3,532
West Fargo	$2,889
Williston	$1,585

* Calculations assume taxes are paid by February 15th, allowing the taxpayer a 5% discount.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division, October 2014.

Property Taxes on a $200,000 Owner Occupied Home in Neighboring States - Payable in 2014

SOUTH DAKOTA[1]		MONTANA[2]		MINNESOTA[3]	
City	Tax Amount	City	Tax Amount	City	Tax Amount
Aberdeen	$ 3,439	Miles City	$ 2,784	Bemidji	$ 2,468
Rapid City	3,100	Great Falls	1,959	St. Cloud	2,692
Sioux Falls	3,122	Billings	$ 1,953	Minneapolis	2,520

(1) Owner-occupied residences receive a tax reduction of between 23% and 30%.
(2) 44% homestead credit for all residential property and phase in of new values over a 6-year period.
(3) Homestead Market Value Exclusion: Starting with taxes payable in 2014, the maximum exclusion of 40% of value occurs at $76,000 and phases out as home value grows.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division.

Per Capita State & Local Property Taxes
2013

Rank	State	Amount
1	New Jersey	$2,909
2	Connecticut	$2,622
3	New Hampshire	$2,579
4	New York	$2,421
5	Wyoming	$2,264
6	Rhode Island	$2,231
7	Vermont	$2,199
8	Alaska	$2,049
9	Massachusetts	$2,041
10	Illinois	$1,982
11	Maine	$1,789
12	Wisconsin	$1,750
13	Nebraska	$1,580
14	Texas	$1,524
15	Iowa	$1,469
16	Minnesota	$1,450
17	Virginia	$1,373
18	Maryland	$1,359
19	Montana	$1,359
20	Kansas	$1,357
21	California	$1,345
22	Michigan	$1,342
23	Pennsylvania	$1,336
24	Washington	$1,323
25	Colorado	$1,319
26	Oregon	$1,281
27	Florida	$1,258
28	South Dakota	$1,193
29	Ohio	$1,172
30	**North Dakota**	**$1,096**
31	Georgia	$1,037
32	Arizona	$1,033
33	South Carolina	$1,023
34	Nevada	$1,019
35	Indiana	$987
36	Missouri	$953
37	Hawaii	$933
38	Utah	$923
39	North Carolina	$903
40	Mississippi	$867
41	Idaho	$864
42	Tennessee	$790
43	Louisiana	$787
44	Delaware	$751
45	Kentucky	$712
46	New Mexico	$684
47	Arkansas	$659
48	Oklahoma	$595
49	Alabama	$528
50	West Virginia	$79
	US	$1,411

SOURCE: US Census Bureau, 2015
US Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, www.bea.gov/regional.

Per $1,000 of Personal Income State & Local Property Taxes
2013

Rank	State	Amount
1	New Jersey	$52.51
2	New Hampshire	$50.53
3	Vermont	$48.37
4	Rhode Island	$47.49
5	New York	$44.45
6	Maine	$43.71
7	Connecticut	$43.22
8	Wyoming	$42.89
9	Illinois	$42.19
10	Alaska	$40.86
11	Wisconsin	$40.47
12	Massachusetts	$35.65
13	Texas	$34.75
14	Montana	$34.52
15	Michigan	$34.36
16	Nebraska	$33.52
17	Iowa	$32.82
18	Oregon	$32.15
19	Kansas	$30.54
20	Minnesota	$30.53
21	Florida	$30.32
22	Pennsylvania	$28.92
23	Ohio	$28.55
24	South Carolina	$28.54
25	Colorado	$28.13
26	Virginia	$28.11
27	Arizona	$27.94
28	California	$27.77
29	Washington	$27.73
30	Georgia	$27.40
31	Nevada	$25.97
32	South Dakota	$25.92
33	Mississippi	$25.57
34	Indiana	$25.57
35	Maryland	$25.25
36	Utah	$25.20
37	Idaho	$23.91
38	Missouri	$23.44
39	North Carolina	$23.34
40	Hawaii	$20.65
41	**North Dakota**	**$20.59**
42	Tennessee	$19.98
43	Kentucky	$19.67
44	Louisiana	$19.09
45	New Mexico	$19.00
46	Arkansas	$17.95
47	Delaware	$16.77
48	Alabama	$14.48
49	Oklahoma	$14.22
50	West Virginia	$2.22
	US	$31.52

SOURCE: US Census Bureau, 2015
US Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, www.bea.gov/regional.

CURRENT LAW

Sales, Use, and Gross Receipts Tax

Imposition and Rates

Sales Tax North Dakota imposes a sales tax on the gross receipts of retailers. The tax is paid by the purchaser and collected by the retailer.

The sales tax is levied as follows:
- 3% rate on the gross receipts from retail sales of new mobile homes.
- 3% sales tax surcharge on each motor vehicle rental contract for a period of fewer than thirty (30) days, provided the gross vehicle weight of the motor vehicle is ten thousand pounds or less.
- 5% general rate on the gross receipts from retail sales of tangible personal property, communication services, magazines and other periodicals sold over the counter, cigarettes and tobacco products, and admission to recreation activities; from the rental of hotel, motel, and bed and breakfast accommodations for periods of less than 30 consecutive days; from the leasing of tangible personal property; and from the rental of motor vehicles for periods less than 30 days.

Use Tax The purchase price of tangible personal property purchased outside of the state for storage, use or consumption within the state is subject to a use tax. In addition, tangible personal property not originally purchased for use in North Dakota is subject to a use tax based upon its fair market value at the time it was brought into the state. Credits are allowed for sales and use taxes paid to other states.

The use tax is collected by any retailer who maintains in this state, directly or indirectly, an office, distribution house, sales house, warehouse, or other place of business or has a sales representative operating in this state either permanently or temporarily.

Use tax is paid by contractors installing materials in real property, including real property owned by government and tax-exempt entities. North Dakota use tax is also paid by contractors buying materials in North Dakota and installing them in other states, unless the materials are exempt in the state where installed.

Use tax rates are the same as the sales tax rates listed.

Local Sales and Use Taxes Cities or counties that have adopted home rule charters may levy sales and use taxes. North Dakota home rule statutes require the North Dakota Office of State Tax Commissioner to administer the local taxes. The state pays the revenue collected to the local governments on a monthly basis. Cities and counties with a local tax during the 2011-2013 biennium are listed on page 114.

Farm Machinery Gross Receipts Tax North Dakota imposes a 3% gross receipts tax on retail sales of new farm machinery and new irrigation equipment used exclusively for agricultural purposes. A person that receives new farm machinery or new irrigation equipment for storage use, or consumption in North Dakota is also subject to the gross receipts tax. Credits are allowed for similar taxes paid to other states. Used farm machinery and repair parts and used irrigation equipment and repair parts used exclusively for agricultural purposes are exempt from sales, use and gross receipts taxes. New equipment subject to gross receipts tax is not subject to sales tax.

Alcoholic Beverage Gross Receipts Tax North Dakota imposes a 7% gross receipts tax on retail sales of alcoholic beverages sold for consumption either on or off the premises. A person that receives alcoholic beverages for storage use, or consumption in North Dakota is also subject to the gross receipts tax. Credits are allowed for similar taxes paid to other states. Alcoholic beverages are not subject to sales tax.

Exemptions

Receipts from the sale of tangible personal property for the purpose of "resale" or "processing" by the purchaser are not subject to the sales, use, or gross receipts tax. In addition, receipts from the sale of the following items are exempt from sales, use, and gross receipts tax:
- Food and food ingredients for human consumption except for prepared food for immediate consumption, candy, and soft drinks.
- Food used as samples in grocery stores.
- Commercial fertilizers, fungicides, herbicides, adjuvants, feeds, and seeds used for agricultural purposes.
- Agricultural by-products used to produce steam or electricity.

- Interstate communications (telephone calls, etc.).
- Hotel or motel rooms rented and used by the same individual for 30 or more consecutive days.
- Machinery and equipment that a new or expanding plant uses primarily for manufacturing, processing or recycling. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Materials used to construct an agricultural processing plant. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Computer and telecommunications equipment that is an integral part of a new or expanding business (except a manufacturer or recycler) that is certified as a primary sector business by the ND Commerce Department. The company must get pre-approval for the exemption or pay the tax and apply for a refund.
- Production equipment and other tangible personal property used to construct certain defined electrical power generating plants. To qualify, a plant must produce a specified amount of electricity and use certain power sources (coal, wind, and other sources). The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund. The exemption for a wind-powered generation facility applies to plants completed before January 1, 2017.
- Production equipment and other tangible personal property used to repower an existing power plant. Repowering means an investment of more than two hundred million dollars or one million dollars per megawatt of installed nameplate capacity, whichever is less. Environmental upgrade equipment used in power plants, repowering existing power plants, oil refineries, or gas processing plants. The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Tangible personal property used in compressing, processing, gathering, collecting or refining gas recovered from an oil or gas well. The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Tangible personal property used to construct or expand any of the following:
    1. Gas processing facility.
    2. Liquefied natural gas production facility.
    3. Oil refinery with a capacity to process at least five thousand barrels of oil per day.
    4. Coal gasification by-product processing or extraction facility.
    5. Telecommunications service infrastructure owned by a telecommunications company. This is scheduled to expire June 30, 2017.

  The plant operator must get pre-approval for the exemption or pay the tax and apply for a refund.
- Machinery and equipment purchased to produce coal from a new mine. Replacement machinery and equipment qualifies for exemption if the capitalized investment in the new mine exceeds twenty million dollars. The mine operator must pay the tax and apply for a refund. The exemption may not exceed five million dollars of tax paid for each new mine.
- Used mobile homes.
- Used farm machinery, used irrigation equipment, and new and used farm machinery and farm irrigation repair parts.
- Newspapers.
- Newsprint and printer's ink sold to publishers.
- Magazine subscriptions.
- Electricity.
- Water.
- Steam used to process agricultural products.
- Flight simulators or mechanical equipment used with a flight simulator.
- Money.
- Lottery tickets and bingo cards.
- Admissions to, or sales made at, an annual church supper or bazaar held in a publicly-owned building.
- Admission tickets to state or local fairs.
- Performances of community non-profit music or dramatic arts organizations.
- Film rentals if admissions to view the film are subject to sales tax.
- Prescription drugs.
- Artificial medical devices.
- Mobility-enhancing equipment for use by physically disabled persons.
- Oxygen and anesthesia gases for medical purposes.
- Diabetic and bladder dysfunction supplies.
- Ostomy devices and supplies.
- Items sold to federal chartered credit unions.
- Items subject to other taxes such as coal, beneficiated coal, aircraft, motor vehicles, gasoline, and combustible fuels.
- Items sold to private non-profit schools.
- Bibles, hymnals, textbooks, prayerbooks sold to nonprofit religious organizations.
- Items sold to governmental agencies, including public schools.
- Items sold to residents of Montana, including business entities where the individual owners are Montana residents or they are domestic Montana corporations, if the total sales price exceeds $50.
- Items sold to residents of Canada if purchase is over $25 (must apply on-line for a refund of tax paid).
- Items sold to a Commerce Authority for use in the Authority's infrastructure.
- Items sold on an Indian reservation to an enrolled Native American or to the tribal government.
- Goods sold to a hospital or skilled nursing facility, basic care or intermediate care facility, assisted living facility, or emergency medical service provider.

- Items sold at an auction unless the auctioneer is selling retail inventory or consigned goods owned by an undisclosed principal.
- Items sold to a charitable organization to be awarded as a prize in a raffle if the winner is subject to tax upon receipt.
- CO_2 used for enhanced oil recovery.
- Equipment used to sell biodiesel fuel.
- Hydrogen used to power internal combustion engines or fuel cells.
- Natural gas.
- Equipment used to produce and store hydrogen.
- Precious metal bullion with purity not less than .999.
- Memberships and entrance fees to activities and events organized and operated by nonprofit social and recreational clubs exempt from federal income tax.
- Equipment used by licensed special fuel dealers to sell green diesel.
- Gross receipts from coin-operated amusement.

Administration

Every business making taxable retail sales and every business accruing a use tax liability must obtain a North Dakota sales and use tax permit from the North Dakota Office of State Tax Commissioner. A consolidated form is available to register for a sales and use tax permit, income tax withholding, unemployment insurance and workers compensation.

Most businesses pay sales, use, and gross receipts taxes on a quarterly basis. However, businesses reporting taxable sales and purchases of $333,000 or more during the previous calendar year must file monthly returns.

Whether the tax is paid monthly or quarterly, the tax payment and a return reporting all sales and purchases are due the last day of the month following the end of the reporting period.

As compensation for collecting and remitting sales and use taxes, all sales tax permit holders may retain 1.5% percent of the combined state sales, use, and gross receipts tax due with each sales tax return up to $110.

<u>Motor Vehicle Excise Tax</u>

Distribution of Sales, Use, Gross Receipts and Motor Vehicle Excise Tax Revenue

Revenue collected from the sales, use, farm machinery gross receipts, alcoholic beverage gross receipts, and motor vehicle excise taxes is divided between the State General Fund and the State Aid Distribution Fund. The formula to determine the State Aid Distribution Fund portion is designed to keep the amount constant regardless of tax rate changes effective July 1, 2014. The formula is:

43.5% (1% ÷ by general sales tax rate) (net collections)

This formula to determine the State Aid Distribution Fund currently yields 8.7% of the net collections. Before July 1, 2014, 8% of the net collections were deposited in the State Aid Distribution Fund. The distribution of the State Aid Distribution Fund portion is 53.7% to revenue sharing for counties and 46.3% for cities.

Imposition and Rates

The purchase price of any motor vehicle purchased or acquired, either within or outside of North Dakota, for use on the streets or highways of this state is subject to a motor vehicle excise tax if the vehicle is required to be registered in North Dakota.

The motor vehicle excise tax is 5% of the purchase price (the sale price less any trade-in amount). If the vehicle is acquired by means other than purchase, the tax is 5% of the fair market value. When a motor vehicle weighing less than ten thousand pounds is leased for at least one year, the motor vehicle excise tax is 5% of the lease consideration. All other leased vehicles are taxed at 5% of the purchase price. North Dakota excise tax is due on the fair market value of the motor vehicle when it enters North Dakota to be registered for use. North Dakota allows credit for any excise tax paid on a motor vehicle in another state if that state allows a reciprocal credit.

The motor vehicle excise tax is in addition to motor vehicle registration fees for license plates. The registration fees are paid annually to the Department of Transportation.

Exemptions

Discounts and other incentives offered by vehicle manufacturers are exempt from tax when the incentive reduces the amount paid by the purchaser to the seller at the time of purchase. In addition, a motor vehicle is exempt from motor vehicle excise tax if the vehicle is:

- Purchased for resale by a licensed dealer.
- Owned by a person who has a change of name due to marriage, adoption, or court order.
- Subject to a lien change but the registered owner has not changed.
- Inherited.
- A gift between a husband and wife, parent and child, or brother and sister.
- Transferred between joint tenants in whose names

the vehicle was previously titled and the vehicle is transferred without monetary consideration.

- Transferred because of a business reorganization and ownership of the reorganized business remains in the same person or persons and the title transfer is completed within 180 days of the reorganization.
- Transferred from a revocable living trust to the trustor or to the spouse, child, or sibling of the trustor.
- Transferred without consideration into a trust in which the beneficiary is previous vehicle title holder.
- Transferred between a lessee and a lessor if the lessee has been in continuous possession of the vehicle for one year or longer and the lessor has paid tax on its purchase price of the vehicle at the time of titling.
- Purchased or leased by the federal government, the State of North Dakota, or a political subdivision of the state.
- Acquired by a private nonprofit school for the transportation of students.
- A bus purchased by a nonprofit senior citizens' or handicapped persons' organization.
- Acquired by a nonprofit county or local historical society that is exempt from federal income tax.
- An ambulance purchased for use by emergency medical service operators.
- Transferred without consideration to or from a person within 30 days before the person enters into or is discharged from the armed services of the United States or while the person is serving in the armed forces of the United States.
- Purchased by a disabled veteran or by an unremarried surviving spouse of the veteran.
- Specially equipped for a disabled person.
- Purchased by a resident who was a prisoner of war and registers the vehicle with a distinctive license plate.
- Purchased by a charitable organization to be awarded as a prize in a raffle and the vehicle will be subject to tax when registered.
- Purchased by the state lottery to be awarded as a prize.
- Manufactured by persons for their own use.
- A motor carrier vehicle.
- A class six, seven, or eight chassis and purchased for installation or assembly of heavy duty equipment by a person engaged in the business of installing or assembling the equipment.
- Purchased by an enrolled Native American that resides on a North Dakota reservation.

Administration

The motor vehicle excise tax is collected by the Department of Transportation.

Music And Dramatico-Musical Composition Performing Rights Tax

A 5% tax is levied on the gross receipts from all sales, licenses and other dispositions of performing rights in music or dramatico-musical compositions. The tax is administered by the North Dakota Office of State Tax Commissioner and revenue from the tax is placed in the State General Fund.

Provider Assessment for Intermediate Care

A quarterly assessment is billed to each licensed North Dakota intermediate care facility for the mentally retarded (ICFMR). The assessment is charged for each licensed bed at the facility on the first day of each calendar quarter and is payable by the last day of each calendar quarter. The assessment amount, which is effective each July 1, is calculated by the Department of Human Services and may not be greater than the following:

[1.5% times aggregate annual gross revenues of all ICFMR as of December 31] ÷
Number of licensed beds as of December 31

The Provider Assessment is administered by the Office of State Tax Commissioner and is deposited in the Provider Assessment Fund. The quarterly assessment rate as of July 1, 2014 was $2,306 for each licensed bed.

City Lodging, Restaurant and Motor Vehicle Rental Taxes

Imposition and Rates

The governing body of any city may, by ordinance, impose a city tax, not to exceed 2%, upon the receipts from leasing or renting hotel and motel accommodations. Revenue from the tax must be deposited in a city visitors promotion fund to be used for tourism promotion. These funds may not be used for capital construction.

A city may impose an additional 1% tax on lodging accommodations and on receipts from restaurant sales of prepared food or beverages. Revenue from this tax must be deposited in the city visitors promotion capital construction fund.

A city may also impose by ordinance a tax, not to exceed 1%, on the gross receipts of retailers on the rental of motor vehicles for fewer than thirty days if the motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up at an airport. Revenue from the tax must be deposited in a city visitors promotion fund.

Administration

The North Dakota Office of State Tax Commissioner administers and collects all city motor vehicle rental taxes and most city lodging taxes and remits the revenue to the cities on a monthly basis. An administrative fee of 3% of collections is deposited in the State General Fund. Fargo, Grand Forks, Minot, Valley City and West Fargo administer their lodging taxes themselves.

Aircraft Excise Tax

Imposition and Rates

A 5% tax is imposed on the purchase price or market value of aircraft registered in North Dakota. The tax applies whether the aircraft is purchased in North Dakota or outside the state. If the aircraft is purchased for lease or rental, the tax may be imposed on the lease or rental cost of the aircraft.

On aircraft designed exclusively for aerial applications of agricultural fertilizers, pesticides and other agricultural materials, a reduced tax rate of 3% applies to the purchase price or rental cost of the aircraft.

Exemptions

An aircraft is exempt from the aircraft excise tax if the aircraft is:

- A gift between a husband and wife, parent and child, or brother and sister.
- Inherited.
- Purchased for resale by a licensed dealer.
- Purchased by a disabled veteran.
- Purchased or leased by the federal government, the State of North Dakota, or a political subdivision of the state.
- Owned by an individual and transferred to a partnership or corporation.
- Transferred from a partnership without consideration to one of the partners when the partnership dissolves.
- Acquired by a private nonprofit school.
- Transferred between joint tenants in whose names the aircraft was previously titled if the aircraft is transferred without monetary consideration.
- Owned by a person who has a change of name due to marriage, adoption, or court order.
- Subject to a lien change but only if the registered owner has not changed.
- Transferred from a corporation to one of the stockholders when a corporation is dissolved.
- An air ambulance purchased for use by emergency medical service operators.
- Acquired by a nonprofit aviation museum exempt from federal income taxes

Administration

The tax is paid by the purchaser to the Director of Aeronautics when the aircraft is acquired. The purchaser is required to submit the tax with an "aircraft purchaser's certificate" showing a description of the aircraft, the names and addresses of the buyers and sellers, and the full purchase price of the aircraft.

Distribution of Revenue

Revenue from the tax is deposited in the Aeronautics Commission Special Fund.

Prepaid Wireless Emergency 911 Fee

A 2% fee is imposed on the retail sale of all prepaid wireless telecommunication services. The fee, which is administered by the Office of State Tax Commissioner, is collected from the purchaser by the retailer at the time of sale. The fee revenue is deposited in the Prepaid Wireless Emergency 911 Fee Fund and remitted quarterly to the governing joint powers entity responsible for managing emergency communication services. Proceeds from the fee must be used for implementation, maintenance, or operation of the emergency services communication system.

HISTORICAL OVERVIEW

Significant Changes in Law

1935 Session

- The first general sales tax in North Dakota was enacted at a rate of 2%. The tax base generally consisted of all sales to consumers of personal property; sales or service of gas, electricity, water and communication; and sales of tickets to places of amusement.

1939 Session

- A 2% general use tax was enacted.

1963 Session

- The sales and use tax rate increased from 2% to 2.25%.

1965 Referred Measure
- The sales tax law was referred and disapproved. Consequently, during the period July 1, 1965 to April 1, 1967 use tax was collected in place of the disapproved sales tax.

1967 Session
- New sales and use tax laws were enacted imposing a 3% tax on the same sales transactions that were in effect through the 1963 sales tax law.
- The legislature enacted a separate 3% motor vehicle excise tax.

1969 Session
- Sales tax, use tax, and motor vehicle excise tax rates were increased from 3% to 4%. The increase was used to replace revenue lost to local governments by the repeal of the personal property tax.
- The sales tax base was broadened to include tobacco products, alcoholic beverages, and oleomargarine.

1973 Session
- Food purchased for off premises consumption was exempted from the sales and use tax.

1975 Session
- Exemptions were added for sales of artificial devices for handicapped persons, coal, sales to nursing homes and intermediate care facilities, and the sales of certain religious books to nonprofit religious organizations.

1976 Initiated Measure
- An initiated measure reduced the sales and use tax rate and the motor vehicle excise tax rate from 4% to 3%, reduced the rate on farm machinery and irrigation equipment from 4% to 2%, and eliminated the tax on electricity.

1977 Session
- The legislature authorized home rule cities to contract with the Tax Commissioner to collect city sales and use taxes.

1979 Session
- Exemptions to the sales and use tax law were added for sales to hospitals and for ostomy devices and supplies.
- The exemption for devices to aid the handicapped was expanded.

1981 Session
- The sales and use tax on water, used mobile homes, and magazine subscriptions was eliminated.
- The tax rate on new mobile homes was reduced from 3% to 2%.
- Cities were permitted to levy a 2% city lodging tax.

1983 Session
- The general sales and use tax rate and the motor vehicle excise tax rate were increased from 3% to 4% and the rate for farm machinery, irrigation equipment, and new mobile homes was increased from 2% to 3%.
- The legislature increased the rate for alcoholic beverages from 3% to 5%.
- The requirements for remittance of sales and use tax were changed from a quarterly basis to a monthly basis for businesses with taxable sales and purchases greater than $333,000 in the preceding calendar year. Retailers required to file on a monthly basis were given a deduction for administrative expenses.
- The tax on aircraft sales was changed from the sales tax to a separate aircraft excise tax.

1985 Session
- Exemptions for sales of candy, pop and chewing gum were repealed.
- The legislature authorized home rule counties to contract with the Tax Commissioner to collect county sales and use taxes.

1986 Special Session
- The general sales and use tax rate and the motor vehicle excise tax rate was increased from 4% to 5%.
- The rate on farm machinery repair parts was lowered from 4% to 3%, and the rate on alcoholic beverages was increased from 5% to 6%.
- No change was made in the 3% rate for farm machinery, irrigation equipment, and new mobile homes.

1987 Session
- The legislature increased the general sales and use tax rate and the motor vehicle excise tax rate from 5% to 5.5%; the rate on farm machinery, irrigation equipment, farm machinery repair parts and new mobile homes from 3% to 3.5%; and the rate on alcoholic beverages from 6% to 6.5%.
- The legislature added cable TV services to the tax base. [However, in a 1988 referred measure, the cable TV provision was rejected and did not take effect.]
- Exemptions were created for flight simulators, annual church suppers and bazaars, and adjuvants used with farm chemicals. The legislature required use tax collection by those who solicit sales by mail or other communication systems.
- Effective July 1, 1989 a portion of the sales, use, and motor vehicle excise tax collections was allocated to the State Aid Distribution Fund to finance revenue sharing and personal property tax replacement.
- Cities were granted authority to impose a 1% lodging and restaurant tax.

1989 Session

- The general sales and use tax rate and the motor vehicle excise tax rate was increased from 5.5% to 6%.
- The rate on farm machinery, irrigation equipment, farm machinery repair parts, and new mobile homes was increased from 3.5% to 4%; and the rate on alcoholic beverages was increased from 6.5% to 7%.
- The legislature created a new rate of 3% on machinery and equipment used in manufacturing or in processing agricultural products.
- The tax base was broadened to include bingo cards, coffee, tea, cocoa, and certain bottled water. State chartered credit unions lost the sales tax exemption on items purchased for their own use.
- The existing exemption for residents of Montana was modified and the exemption for residents of Canada was replaced with a refund provision.
- An exemption was created for prepared food given away as samples in a grocery store.
- A portion of sales, use and motor vehicle excise tax collections was allocated to the Capital Construction Fund. The legislature enacted a controlled substances tax.

1989 Referral Election

- The general sales and use tax rate and the motor vehicle excise tax rate were reduced from 6% to 5%.
- The rate on farm machinery, irrigation equipment, farm machinery repair parts and new mobile homes was reduced from 4% to 3%.
- The rate on alcoholic beverages remained at 7%.

1991 Session

- The legislature approved a gradual decrease in the rate on natural gas from 5% to 4% on January 1, 1993; to 3% on January 1, 1994; and to 2% on January 1, 1995.
- The 3% special rate for manufacturing equipment was changed to an exemption and an exemption was created for production equipment in coal-burning power plants.
- The legislature approved the Taxpayer Bill of Rights.
- The destination of aircraft excise tax revenue was changed from the State General Fund to the Aeronautics Commission Special Fund.
- A waste collection surcharge was imposed.

1993 Session

- The Capital Construction Fund was repealed.
- The exemption for manufacturing machinery and equipment was clarified and expanded to include recycling machinery and equipment.
- Performances of community non-profit music or dramatic arts organizations held in a public facility were exempted.
- Items purchased by political subdivisions of another state were made taxable if the other state also taxes the items.
- A new highway contract privilege tax was established at 5% of the gross contract amount for contracts bid after July 31, 1993. This tax terminated December 31, 1997.

1994 Special Session

- Further expanded the manufacturing exemption to include machinery and equipment used primarily in manufacturing and research and development equipment.
- A new exemption was created for materials used to construct an agricultural commodity processing facility.

1995 Session

- Tire retreading was made taxable.
- The tax on controlled substances and the waste collection surcharge were repealed.

1997 Session

- The legislature approved a sales and use tax of 6 cents per million British thermal units (MBTU) on all sales of coal, except for coal used for heating buildings or used in agricultural processing or sugar beet refining plants, or coal exempted from the tax imposed by N.D.C.C. ch. 57-61.
- An exemption was provided to a political subdivision of another state provided a sale to a North Dakota political subdivision is treated as an exempt sale in that state.

1999 Session

- The legislature changed the 6 cents per million British thermal units (MBTU) sales tax rate on coal to 75 cents per ton.
- The sales tax rate on used farm machinery, used irrigation equipment, and new and used farm machinery repair parts was reduced from 3% to 1.5%.
- The exemption on manufacturing machinery and equipment was expanded to include crude oil refineries for the period February 1, 1999 through July 1, 2002.
- The legislature provided for corporations and LLCs to post a cash or surety bond in lieu of personal liability of the corporate offices, governors or managers.

2001 Session

- The 75 cents per ton sales tax on out-of-state coal was repealed.
- The sales tax rate on used farm machinery, used irrigation equipment, and new and used farm machinery repair parts was changed from 1.5% to a complete exemption effective July 1, 2002.
- The exemption for new power plants was expanded to include wind-powered electrical generating facilities and a new exemption was created for computer and

telecommunication equipment purchased by new or expanding primary sector businesses other than manufacturers or recyclers.
- Sales tax was imposed on all vehicle rentals of less than 30 days at a rate of 5% and an additional 3% surcharge was imposed on vehicles weighing less than ten thousand pounds.
- The rate of penalty applied to delinquent sales tax returns was changed to 5% per month up to a maximum of 25%.
- The method of imposing motor vehicle excise tax on leased vehicles (cars and light trucks) was changed from paying tax on the lessor's purchase price to paying tax on the total lease consideration.

2003 Session
- The legislature increased the tax rate on the rental of hotel, motel, and tourist court accommodations (excluding bed and breakfast facilities) from 5% to 6% from July 1, 2003 through June 30, 2007.
- New exemptions were created for purchases made by Commerce Authorities, purchases of raffle prizes made by charitable organizations when the prize winner is responsible for the tax, and on sales of lottery tickets.
- The legislature adopted the Streamlined Sales Tax Agreement effective January 1, 2006. The agreement is a cooperative effort between business representatives and state tax and revenue departments to modernize and simplify sales and use taxes across the country. Changes necessary for North Dakota to become compliant with the terms of the agreement were passed with a January 1, 2006 effective date.

2005 Session
- The legislature authorized cities to impose a tax up to 1% on the rental of motor vehicles for less than 30 days.
- The legislature also reduced the sales tax rate on the rental of hotel, motel, and tourist court accommodations (excluding bed and breakfast facilities) from 6% to 5% and imposed through June 30, 2007 a separate 1% gross receipts tax on these accommodations.
- New exemptions were created for purchases made by assisted living facilities and emergency medical service providers, purchases of CO_2 used for enhanced oil recovery, retail purchases of equipment used to sell biodiesel fuel, retail purchases of hydrogen to power internal combustion engines and fuel cells and equipment used to produce and store hydrogen.
- Exemptions were also created for the portion of a bundled telecommunications charge that is attributable to nontaxable services, sales of precious metal bullion, and purchases after June 30, 2007 of equipment used in an environmental upgrade of an oil refinery or gas processing plant.
- The legislature also finalized the changes necessary for North Dakota to be in full compliance with the Streamlined Sales Tax Agreement and moved the effective date of these changes to October 1, 2005. The most significant change was to exempt the sales of farm machinery, farm irrigation equipment, and alcoholic beverages from sales tax and to impose separate gross receipts taxes on these products.

2007 Session
- The legislature exempted coal used for heating purposes and reduced the tax rate on natural gas from 2% to 1% beginning January 1, 2008. Natural gas became exempt from tax effective July 1, 2009.
- The sales tax exemption available to Native Americans was expanded to include members that are enrolled in any federally recognized tribe and that reside on the reservation where the goods are delivered.
- The legislature authorized retailers to voluntarily cap the amount of local tax collected for a city or county that has limited its tax to a maximum amount per transaction.
- New exemptions were authorized for the sale of bingo cards, materials purchased and used to gather, compress, and process gas and materials used to build or expand a gas processing facility or oil refinery.
- An exemption was also authorized for materials used to construct a new category of electrical generating power plants.
- New motor vehicle excise tax exemptions were also approved for ambulances purchased for use by emergency medical service operators, vehicles purchased by the state lottery to be awarded as a prize, and certain purchases of vehicles by disabled veterans. In addition, the exemption from motor vehicle excise tax for Native Americans was expanded to include motor vehicles delivered anywhere within North Dakota to an enrolled member of any federally recognized tribe if the Native American resides on a North Dakota reservation.

2009 Session
- The legislature repealed the requirement for permit holders that reported more than $333,000 of taxable sales or purchases in the previous calendar year to file the May monthly sales and use tax return at the end of each biennium by June 22nd.
- Exemption for farm irrigation repair parts.
- The legislature extended the sales tax exemption on production equipment or tangible personal property used to construct a wind-powered electrical generation facility on construction completed before January 1, 2015.

- Effective July 1, 2009, the initial sale of beneficiated coal became exempt from sales tax.
- Clarified the exemption passed in the 2007 legislature to exempt tangible personal property used to compress, process, gather, or refine gas from both gas and oil wells. The tangible personal property must be incorporated into a new or expanded system.
- Effective July 1, 2009, purchases of tangible personal property purchased to construct or expand a telecommunications service infrastructure is exempt from sales tax. Telecommunications company is defined as a person engaged in furnishing telecommunications service in North Dakota.
- Native American tribal governments will be exempt from sales tax effective July 1, 2009. Qualifying tribal governments are not entities or agencies that exist to primarily operate a business enterprise and are still taxable.
- The legislature passed with an emergency clause to expand the sales tax exemption for residents of Montana to include Montana business entities. Business entities that qualify for the exemption are domestic Montana corporations or other entities where the owners, partners, members are individual Montana residents or Montana corporations.
- Effective July 1, 2009, the legislature approved all changes required for North Dakota to remain in compliance with the streamlined sales use tax agreement.
- The streamlined sales tax definition of specified digital products was adopted by the legislature effective July 1, 2009.
- New motor vehicle excise tax exemptions were also approved to authorize the Department of Transportation to determine the fair market value of a motor vehicle leased for one year or more and with an actual weight of ten thousand pounds or less for the purposes of calculating the amount of motor vehicle excise tax due.

<u>2011 Session</u>

- The legislature created new sales tax exemptions for the purchase of machinery and equipment used to produce coal from a new mine, the gross receipts from memberships and entrance fees to activities and events organized and operated by nonprofit social and recreation clubs organized under section 501(c)(7) of the Internal Revenue code, the purchase of equipment used by licensed special fuel dealers to sell green diesel, and for agrichemical tank cleaners and foam markers used by farmers.
- New motor vehicle excise tax exemptions were also created for vehicles transferred without consideration from a revocable living trust back to the trustor, for vehicles purchased by unremarried surviving spouses of disabled veterans that are receiving Veterans' Affairs dependency and indemnity compensation, and for vehicles transferred back to the original owner if the vehicle was previously exempted from tax under a business reorganization.
- An aircraft excise tax exemption was created for aircraft acquired by a nonprofit aviation museum located in North Dakota and exempt from federal income tax under Internal Revenue Code section 501(c)(3).
- Compensation for sales tax permit holders was expanded to include all retailers that file a sales and use tax return and the maximum compensation allowed on each return was increased from $85 to $93.75.

<u>2013 Session</u>

- The legislature created new sales tax exemptions for tangible personal property used in the construction or expansion of two additional types of processing plants: facilities to produce liquefied natural gas and facilities to extract or process by-products associated with a coal gasification plant. The existing exemption for production equipment and other tangible personal property used to construct or expand a wind-powered electrical generating facility was extended two years to include plants completed before January 1, 2017. In addition, the exemption for tangible personal property used to construct or expand a telecommunication infrastructure was extended from January 1, 2013 through June 30, 2017. The exemption for tangible personal property used to build or expand a gas compressing, gathering, or processing system was also expanded to include a system that "collects" gas from oil or gas wells.
- Effective July 1, 2013, new manufactured homes that are sold with installation are treated as construction contracts. As a result, the dealer is required to pay 3% use tax on its purchase price of the manufactured home and incorporate the tax into the contract price agreed to with the purchaser rather than collect sales tax on the selling price of the home. Installation means any method authorized by the Community Services Division of the Department of Commerce.
- The legislature revised the method of imposing farm machinery gross receipts tax on equipment leases for periods of more than eleven months. Effective July 1, 2013, the lessor must pay sales tax on its purchase price of qualifying farm machinery and farm irrigation equipment or collect tax on three years of lease payments regardless of the lease term. In addition, a farmer may receive a trade-in credit for the value of replacement equipment owned or leased when entering into a new lease.
- The legislature authorized sales tax refunds to victims of 2011 river flooding. Individuals approved to receive

disaster assistance from FEMA were eligible to apply for a refund of state sales tax paid on replacement of major appliances, residential building supply items, and furniture damaged or destroyed by flooding. The deadline to submit refund applications was December 31, 2013 and the maximum refund allowed was $2,500.

- The legislature authorized refunds of motor vehicle excise tax to disabled individuals that qualified for an exemption at the time of purchase but that did not provide required exemption documentation when the vehicle was titled and licensed. Refunds may be obtained for up to three years after the date of purchase.
- Effective January 1, 2014, sales tax permit holders required to file monthly sales tax returns because they reported $333,000 of taxable sales and purchases in the previous calendar year must file the monthly returns electronically.
- Compensation for sales tax permit holders was increased from $93.75 to $110 a return.
- The legislature defined "automated sales suppression device," "zapper," and "phantom-ware" and made it a felony to sell, purchase, possess, install, transfer, manufacture, own or use these products except for legitimate purposes.
- The legislature imposed a 2% fee on prepaid wireless telecommunications services. The fee is collected from the purchaser by the seller at the time of sale. Proceeds from the fee must be used for implementation, maintenance, or operation of the emergency services communication systems.
- The legislature modified the formula that determines the portion of sales, use, farm machinery and alcohol gross receipts, and motor vehicle excise taxes deposited into the State Aid Distribution Fund. Effective July 1, 2014, the formula increased the State Aid Distribution Fund's share from 8% to 8.7% of the total sales, use, gross receipts, and motor vehicle excise taxes collected. The balance of collections is deposited into the General Fund.

Other Revenue Collections

Local Option Taxes, Music and Composition Tax and Provider Assessment collections

Fiscal Year	Local Sales & Use [(1)]	City Lodging [(2)]	City Motor Vehicle Rental [(3)]	City Restaurant and Lodging	Music and Composition	Provider Assessment
2004	68,644,864	958,482		2,393,809	91,113	3,129,863
2005	78,761,154	1,095,595		2,725,275	93,875	3,250,759
2006	87,563,544	1,173,548	13,327	2,887,157	46,749	3,781,260
2007	92,143,032	1,339,278	98,422	3,511,966	170,518	3,700,675
2008	96,566,720	1,474,318	92,014	3,663,163	131,470	3,983,220
2009	108,264,455	1,718,675	100,917	4,075,402	138,342	3,809,126
2010	119,411,810	1,872,368	110,557	4,289,399	155,923	4,094,197
2011	144,237,942	2,443,479	127,952	4,651,722	143,774	4,508,026
2012	191,754,625	3,438,749	192,917	5,478,371	147,883	4,719,614
2013	206,247,609	3,751,242	197,511	5,801,405	132,391	5,482,322
2014	228,776,287	4,373,399	189,413	6,327,731	171,020	5,901,063

(1) Collections by the North Dakota Office of State Tax Commissioner. Collections include Gross Receipts tax.

(2) Amounts are city lodging taxes collected by the North Dakota Office of State Tax Commissioner. Devils Lake, Fargo, Grand Forks, Minot, and Valley City administer city lodging taxes themselves and those collections are not included here.

(3) City motor vehicle rental tax was authorized by the 2005 Legislature. Currently, Bismarck, Minot and Grand Forks impose this 1% tax.

SOURCE: North Dakota Office of State Tax Commissioner.

SALES, USE, GROSS RECEIPTS, AND MOTOR VEHICLE EXCISE TAXES COLLECTIONS AND DISBURSEMENTS

TOTAL (Sales, Use, Gross Receipts, and Motor Vehicle Excise Taxes)

Fiscal Year	All Funds Total	To General Fund	To State Aid Distribution Fund (1)	To Highway Distribution Fund
2004	438,530,207	403,447,790	35,082,417	
2005	480,575,627	442,315,674	38,259,953	
2006	495,565,709	456,024,312	39,541,397	
2007	555,981,644	511,629,001	44,352,463	
2008	611,082,615	554,779,839	48,869,266	7,433,510
2009	683,559,324	621,857,379	54,674,531	7,027,414
2010	684,133,784	609,730,225	55,911,259	18,492,300
2011	870,094,332	781,906,507	69,159,829	19,027,996
2012	1,253,929,914	1,153,615,521	100,314,393	0
2013	1,408,934,591	1,296,087,675	112,846,916	0
2014	1,470,103,954	1,350,402,059	119,701,895	0
2015 est.	1,615,338,000	1,474,276,000	141,062,000	0

	Sales, Use, and Gross Receipts Taxes			Motor Vehicle Excise Tax			
Fiscal Year	Total Sales and Use	General Fund	State Aid Distribution Fund (1)	Total Motor Veh. Taxes	General Fund	State Aid Distribution Fund (1)	Highway Distribution Fund
2004	368,415,222	338,942,004	29,473,218	70,114,985	64,505,786	5,609,199	
2005	411,553,514	378,815,330	32,738,184	69,022,113	63,500,344	5,521,769	
2006	428,906,406	394,697,753	34,208,653	66,659,303	61,326,559	5,332,744	
2007	485,986,114	447,233,113	38,753,001	69,995,530	64,395,888	5,599,642	
2008	530,283,623	487,878,783	42,404,840	80,798,992	66,901,056	6,464,426	7,433,510
2009	607,170,311	558,606,901	48,563,410	76,389,013	63,250,478	6,111,121	7,027,414
2010	603,732,481	554,253,326	49,479,155	80,401,303	55,476,899	6,432,104	18,492,300
2011	774,954,353	712,958,005	61,996,348	95,139,978	68,948,502	7,163,481	19,027,996
2012	1,121,132,626	1,031,442,016	89,690,610	132,797,288	122,173,505	10,623,783	0
2013	1,267,030,354	1,165,535,777	101,494,577	141,904,237	130,551,898	11,352,339	0
2014	1,320,167,042	1,212,460,100	107,706,942	149,936,912	137,941,959	11,994,953	0
2015 est.	1,449,403,000	1,322,902,000	126,501,000	165,935,000	151,374,000	14,561,000	0

(1) The formula to calculate the State Aid Distribution Fund (S.A.D.F.) is: 40% (1% ÷ general sales tax rate) (net collections of sales, use, and motor vehicle excise tax collections). Revenues deposited in the State Aid Distribution Fund are provided as a standing and continuing appropriation.

SOURCE: North Dakota Office of State Tax Commissioner and estimates prepared with the Office of Management and Budget.

Local Sales, Use and Gross Receipts Taxes
Net Collections Remitted 2011-2013 Biennium

City	Start Date*	Tax FY-2012	Tax FY-2013	Biennium Total
Anamoose	1/09	19,553.21	17,018.94	36,572.15
Aneta	1/05	16,774.18	15,711.70	32,485.88
Ashley	4/98	61,970.83	61,582.45	123,553.28
Beach	10/97	171,141.45	172,065.97	343,207.42
Belfield	4/95	702,793.77	958,226.87	1,661,020.64
Berthold	1/96	284,509.73	434,911.59	719,421.32
Beulah	10/03	393,332.83	442,522.15	835,854.98
Bisbee	1/12	13,204.22	34,293.64	47,497.86
Bismarck	4/86	15,003,356.86	16,824,261.41	31,827,618.27
Bottineau	10/93	860,606.09	1,061,510.35	1,922,116.44
Bowman	10/94	326,637.26	369,946.29	696,583.55
Buffalo	1/03	24,430.88	27,388.56	51,819.44
Cando	1/98	154,888.16	157,203.35	312,091.51
Carrington	1/94	428,755.23	429,218.78	857,974.01
Carson	10/02	19,080.25	22,836.01	41,916.26
Casselton	4/98	225,919.15	216,637.52	442,556.67
Cavalier	10/94	373,950.39	377,076.53	751,026.92
Cooperstown	7/96	162,642.41	170,987.19	333,629.60
Crosby	1/93	261,704.69	428,470.01	690,174.70
Devils Lake	7/88	3,035,813.26	3,079,976.61	6,115,789.87
Dickinson	7/90	9,115,655.36	10,813,987.93	19,929,643.29
Drake	7/05	46,413.13	51,615.17	98,028.30
Drayton	10/97	97,354.53	98,989.74	196,344.27
Dunseith	1/05	62,682.59	77,204.63	139,887.22
Edgeley	1/97	164,466.89	156,938.41	321,405.30
Edinburg	4/99	18,773.60	17,116.58	35,890.18
Elgin	4/00	52,874.26	52,385.35	105,259.61
Ellendale	1/95	139,101.95	122,157.64	261,259.59
Enderlin	10/98	166,506.77	190,540.27	357,047.04
Fairmount	4/05	36,531.14	56,227.86	92,759.00
Fargo	4/89	42,701,555.96	40,340,961.76	83,042,517.72
Finley	10/98	65,242.38	92,645.26	157,887.64
Forman	1/09	33,183.90	76,017.03	109,200.93
Fort Ransom	1/00	17,605.05	19,149.87	36,754.92
Gackle	1/06	19,952.12	18,388.19	38,340.31
Garrison	1/96	309,237.52	350,015.13	659,252.65
Glen Ullin	1/07	51,610.68	51,235.14	102,845.82
Glenburn	7/08	33,590.03	53,445.57	87,035.60
Grafton	1/91	809,788.33	1,005,466.80	1,815,255.13
Grand Forks	1/85	18,074,424.91	19,180,870.12	37,255,295.03
Granville	7/10	18,756.79	23,510.44	42,267.23
Grenora	10/02	26,709.20	83,282.48	109,991.68
Gwinner	4/05	363,413.14	429,878.22	793,291.36
Halliday	7/96	56,681.04	144,177.63	200,858.67
Hankinson	10/97	188,394.43	170,679.17	359,073.60
Hannaford	10/04	16,938.56	16,576.49	33,515.05
Harvey	10/91	228,912.68	247,850.99	476,763.67
Harwood	1/09	46,238.57	47,883.76	94,122.33
Hatton	4/98	89,375.52	96,690.50	186,066.02
Hazelton	10/00	22,493.35	26,049.22	48,542.57
Hazen	4/95	239,517.54	250,771.21	490,288.75
Hettinger	7/96	278,389.15	311,832.63	590,221.78
Hillsboro	10/98	275,297.52	342,517.40	617,814.92
Hoople	1/99	18,330.81	16,547.13	34,877.94
Hope	1/01	61,811.46	111,359.76	173,171.22
Jamestown	7/91	4,536,805.68	4,901,178.00	9,437,983.68
Kenmare	1/93	507,959.61	469,098.32	977,057.93
Killdeer	4/95	659,727.55	916,853.15	1,576,580.70
Kindred	4/12	17,406.04	181,510.84	198,916.88
Kulm	4/98	62,623.95	63,036.78	125,660.73
Lakota	1/07	73,862.12	74,879.35	148,741.47
LaMoure	1/97	203,693.98	183,184.78	386,878.76
Langdon	1/94	521,210.17	531,881.47	1,053,091.64
Larimore	1/95	69,589.15	66,728.75	136,317.90
Leonard	4/07	26,034.20	29,309.44	55,343.64
Lidgerwood	10/00	66,873.40	57,757.85	124,631.25
Linton	10/93	177,141.75	163,733.20	340,874.95
Lisbon	7/95	471,128.88	473,930.42	945,059.30
Maddock	10/02	72,189.49	91,845.40	164,034.89
Mandan	4/91	1,820,713.17	2,136,664.03	3,957,377.20
Mapleton	7/07	80,569.45	103,951.64	184,521.09
Max	2/11	17,384.70	29,242.88	46,627.58

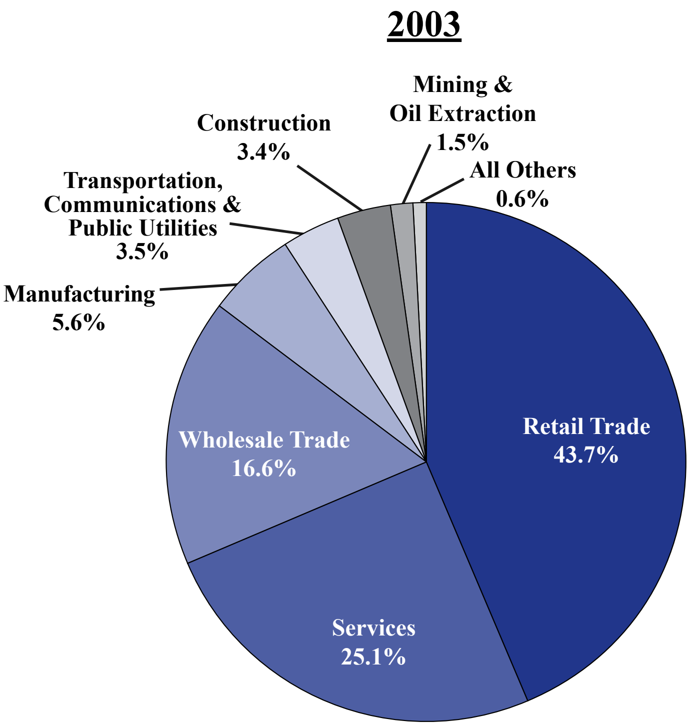
* The Start Date is the original date the local tax was initiated.

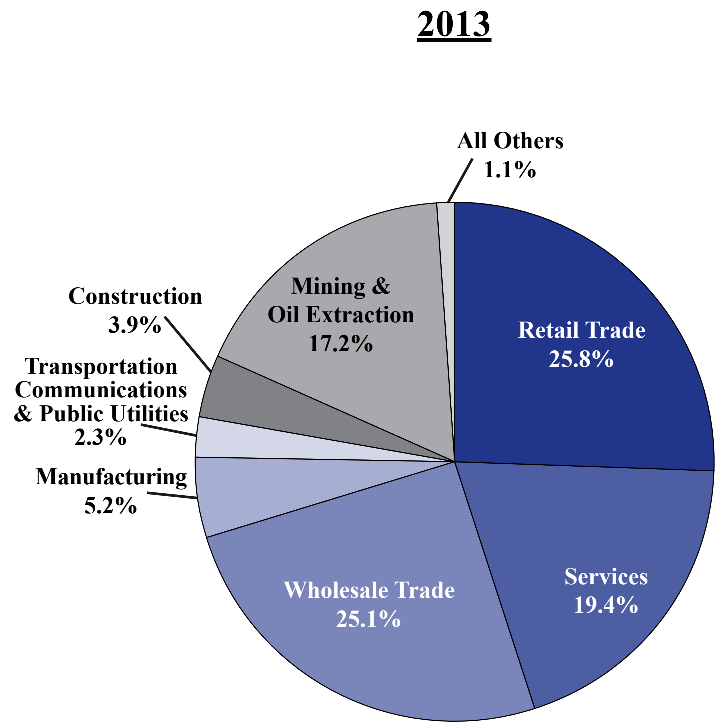
City	Start Date*	Tax FY-2012	Tax FY-2013	Biennium Total
Mayville	1/97	357,030.73	350,053.11	707,083.84
McClusky	1/96	20,150.25	21,751.60	41,901.85
McVille	1/02	34,213.59	38,320.12	72,533.71
Medora	1/00	635,005.73	554,102.04	1,189,107.77
Michigan	10/01	35,363.11	32,263.17	67,626.28
Milnor	10/98	53,865.89	57,210.53	111,076.42
Minnewaukan	1/07	41,872.90	30,934.93	72,807.83
Minot	4/86	25,010,736.41	24,255,443.81	49,266,180.22
Minto	4/07	74,418.66	50,305.28	124,723.94
Mohall	10/92	126,447.66	128,029.11	254,476.77
Mott	4/97	123,071.71	143,065.24	266,136.95
Munich	1/99	15,649.97	15,163.86	30,813.83
Napoleon	10/96	166,380.06	178,705.23	345,085.29
Neche	1/04	61,713.04	52,718.48	114,431.52
New England	10/02	127,461.23	136,894.59	264,355.82
New Leipzig	1/99	14,539.51	17,470.12	32,009.63
New Rockford	10/96	257,731.30	250,494.25	508,225.55
New Salem	4/07	124,215.92	129,589.44	253,805.36
Northwood	1/03	136,879.60	153,189.01	290,068.61
Oakes	10/96	439,599.72	440,873.09	880,472.81
Oxbow	1/02	20,286.45	22,815.76	43,102.21
Page	4/05	18,697.68	19,166.57	37,864.25
Park River	1/95	291,608.37	330,990.91	622,599.28
Pembina	1/93	251,965.57	244,009.01	495,974.58
Portland	1/97	58,459.27	58,775.07	117,234.34
Powers Lake	4/97	81,381.69	117,694.91	199,076.60
Ray	1/13	0	106,524.86	106,524.86
Reeder	1/03	13,617.13	11,665.69	25,282.82
Regent	1/97	38,505.03	56,252.23	94,757.26
Richardton	10/97	183,547.01	142,721.64	326,268.65
Rolette	1/03	51,401.72	45,858.69	97,260.41
Rolla	1/94	479,650.73	481,487.39	961,138.12
Rugby	1/93	676,387.60	715,856.40	1,392,244.00
Scranton	4/02	37,128.54	41,628.42	78,756.96
South Heart	4/13	0	30,731.57	30,731.57
St. John	1/01	16,269.67	19,748.99	36,018.66
Stanley	10/95	1,014,661.26	1,240,979.25	2,255,640.51
Steele	10/96	177,094.80	184,220.28	361,315.08
Strasburg	4/93	68,095.80	70,218.92	138,314.72
Streeter	1/09	11,095.27	16,283.10	27,378.37
Surrey	7/12	0	86,868.37	86,868.37
Tioga	1/95	1,005,262.72	1,678,209.82	2,683,472.54
Tower City	10/02	28,846.60	33,501.70	62,348.30
Towner	10/98	46,170.57	46,075.83	92,246.40
Turtle Lake	10/00	67,888.03	76,641.66	144,529.69
Underwood	10/06	211,387.46	253,294.20	464,681.66
Valley City	1/92	1,899,280.97	1,982,362.68	3,881,643.65
Velva	1/99	212,495.10	194,660.91	407,156.01
Wahpeton	7/91	1,949,199.54	2,111,015.72	4,060,215.26
Walhalla	10/97	180,663.98	143,946.93	324,610.91
Washburn	10/00	286,070.32	187,702.17	473,772.49
Watford City	10/98	1,526,706.71	2,152,880.51	3,679,587.22
West Fargo	10/94	3,079,382.21	3,527,724.73	6,607,106.94
Westhope	7/10	58,387.97	90,098.10	148,486.07
Williston	7/91	14,394,830.58	28,238,661.13	42,633,491.71
Wilton	10/00	163,100.20	81,192.26	244,292.46
Wimbledon	1/05	27,112.47	28,170.83	55,283.30
Wishek	4/97	95,513.73	111,911.76	207,425.49
Woodworth	1/09	6,944.78	9,333.43	16,278.21
Wyndmere	10/12	37,942.33	74,560.10	112,502.43
Totals for Cities		**162,497,175.85**	**183,024,617.21**	**345,521,793.06**
Counties				
Cass County	10/99	13,958,154.09	14,911,257.08	28,869,411.17
Steele County	4/05	123,813.59	156,075.26	279,888.85
Walsh County	4/01	0	285,992.33	285,992.33
Ward County	4/13	246,607.94	908,833.36	1,155,441.30
Williams County	10/06	14,944,179.01	7,068,735.54	22,012,914.55
Totals for Counties		**29,272,754.63**	**23,330,893.57**	**52,603,648.20**
Total Local Option Taxes Paid		**191,769,930.48**	**206,355,510.78**	**398,125,441.26**

SOURCE: North Dakota Office of State Tax Commissioner.

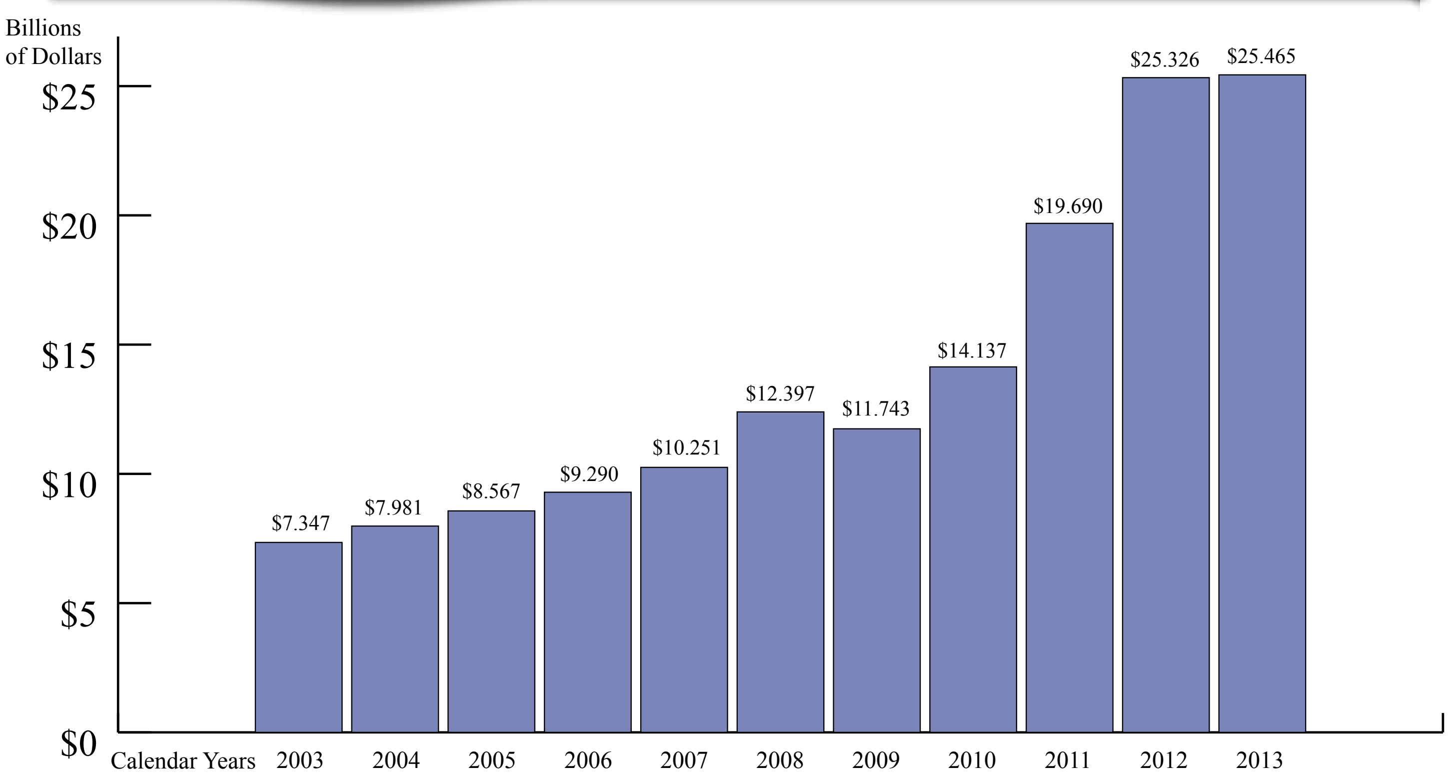
Taxable Sales and Purchases

Percentage by Business Classification - Calendar Years 2003 and 2013





Trends in Taxable Sales and Purchases



STATE COMPARISONS

There are 12 states with general state sales tax rates lower than North Dakota's 5% rate. However, in comparing North Dakota's sales tax to other states, one must also consider the tax base, the goods and services subject to the tax, as well as the level of local sales taxes.

Tax Base Does a state include groceries, electricity, prescription drugs, and services such as legal, business, accounting, architecture, lawn care?

In an effort to lessen the impact of taxes on a family's ability to buy necessities, North Dakota exempts groceries, residential electricity, natural gas and heating fuels, and a few other essentials. States can also make a sales tax somewhat more progressive by taxing goods or services used mostly by upper income purchasers. The charts on the next few pages detail specific items taxed in each state.

Local Sales Taxes In addition to a general state sales tax, most states allow local subdivisions to levy a sales tax as well. In some cases (Colorado, for example), the local rate may actually be higher than the state rate. As of October 2014, 133 cities and 6 counties impose a local tax from .25 to 3%. However, most local taxes have a refund provision that allows the purchaser to obtain a refund of the local tax paid on any portion of a purchase greater than $2,500.

Fifty-two city and county taxes are imposed at a rate of 1% or less and the remaining eighty-seven local taxes have a rate greater than 1%.

Example A comparison of sales taxes in North Dakota and South Dakota provides a good example of the impact of different tax bases and local taxes. Because more goods and services are taxed in South Dakota, that state's 4% state sales tax rate generally results in a higher tax payment than North Dakota's 5% rate.

State Sales Tax Rates Comparison with the Other 45 States (and D.C.) that Levy a Sales Tax - October 1, 2014

	Number of States		
	Rates Lower Than N.D.	Rates the Same As N.D.	Rates Higher Than N.D.
Other States' Rates Compared to ND's	**12**	**1**	**32**

Note: Out of a possible 168 taxable services, North Dakota taxes only 25 services and does not tax groceries or electricity.

Five states do not levy a sales tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.

SOURCE: Survey of states conducted by North Dakota Office of State Tax Commissioner, Sales Tax Section, October 2014.

Total Sales and Gross Receipts Tax Collections Per Capita Fiscal Year 2013

Rank	State	Per Capita Total Sales and Gross Receipts Taxes
1	Hawaii	$2,801
2	**North Dakota**	**$2,439**
3	Washington	$2,101
4	Nevada	$1,960
5	Connecticut	$1,876
6	Vermont	$1,568
7	Indiana	$1,567
8	Minnesota	$1,529
9	Mississippi	$1,528
10	Texas	$1,485
11	Florida	$1,459
12	South Dakota	$1,454
13	Rhode Island	$1,441
14	Wyoming	$1,417
15	Tennessee	$1,405
16	West Virginia	$1,391
17	New Jersey	$1,371
18	Arkansas	$1,358
19	Maine	$1,340
20	Pennsylvania	$1,339
21	Kansas	$1,293
22	New Mexico	$1,272
23	California	$1,254
24	Michigan	$1,240
25	Maryland	$1,239
26	Arizona	$1,238
27	Wisconsin	$1,234
28	New York	$1,181
29	Ohio	$1,178
30	Nebraska	$1,176
31	Iowa	$1,168
32	Kentucky	$1,163
33	Illinois	$1,142
34	Massachusetts	$1,114
35	Idaho	$1,100
36	Louisiana	$1,076
37	Oklahoma	$999
38	North Carolina	$986
39	Alabama	$974
40	Utah	$944
41	South Carolina	$938
42	Colorado	$812
43	Missouri	$793
44	Virginia	$750
45	Georgia	$741
46	New Hampshire	$715
47	Montana	$551
48	Delaware	$526
49	Oregon	$348
50	Alaska	$340
	US Average	$1,242

Total Sales and Gross Receipts Taxes includes taxes on alcoholic beverages, amusements, insurance premiums, motor fuels, pari-mutuels, public utilities, tobacco products and other selective sales.

SOURCE: US Dept. of Commerce, Census Bureau.

General Sales and Gross Receipts Tax Collections Per Capita Fiscal Year 2013

Rank	State	Per Capita General Sales and Gross Receipts Taxes
1	Hawaii	$2,097
2	**North Dakota**	**$1,755**
3	Washington	$1,596
4	Nevada	$1,304
5	Wyoming	$1,205
6	Connecticut	$1,072
7	Mississippi	$1,067
8	Florida	$1,063
9	Indiana	$1,034
10	Tennessee	$1,021
11	South Dakota	$1,010
12	Kansas	$1,001
13	Texas	$988
14	Arizona	$977
15	Arkansas	$959
16	New Jersey	$950
17	New Mexico	$944
18	Minnesota	$924
19	Nebraska	$893
20	California	$885
21	Michigan	$851
22	Rhode Island	$838
23	Idaho	$821
24	Iowa	$816
25	Maine	$807
26	Massachusetts	$775
27	Wisconsin	$768
28	Ohio	$746
29	Pennsylvania	$724
30	Maryland	$694
31	Kentucky	$688
32	West Virginia	$677
33	South Carolina	$670
34	Oklahoma	$654
35	Utah	$649
36	Illinois	$633
37	New York	$617
38	Louisiana	$611
39	North Carolina	$568
40	Vermont	$554
41	Georgia	$528
42	Missouri	$522
43	Alabama	$482
44	Colorado	$459
45	Virginia	$449
46	Alaska	n/a
47	Delaware	n/a
48	Montana	n/a
49	New Hampshire	n/a
50	Oregon	n/a
	US Average	$806

SOURCE: US Dept. of Commerce, Census Bureau.

Comparison of State Sales & Gross Receipts Tax Rates
Tax Rates in Effect October 1, 2014

States	General State Rate	Highest Local Rate	Grocery Foods	Alcohol	Farm Machinery	Electricity (non-mfg. use)	Natural Gas (non-mfg. use)	Water (Utilities)	(12) Taxable Services of 164	DIRECT MANUFACTURING USE: Consumables	Natural Gas	Electricity	Machinery
Alabama	4.0%	5.0%	4.0%	4.0%	1.5%	4.0%	4.0%	4.0%	37	4.0%	4.0% (19)	4.0% (19)	1.5%
Alaska*	N/A	7.0%	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A	N/A	N/A	N/A
Arizona	5.6%	4.0% (52)		5.6%		5.6%	5.6%	5.6%	55	6.5%	5.6%	5.6%	
Arkansas	6.5%	3.5%	1.5%	6.5%	(4)	6.5%	6.5%	6.5%	72		3.25% (59) (60)	3.25% (59) (60)	0.000%
California	7.50%	2.5%		7.50%	2.0%	.00029 cents (5)	Varies		21	7.50%	Varies (5)	.00029 cents (5)	3.3%
Colorado	2.9%	7.25%		2.9%		2.9% (6)	2.9% (6)		15	2.9%	2.9%	2.9%	2.9%
Connecticut	6.35%			6.35%	(4)	6.35% (6) (7)	6.35% (6) (7)	(16)	86	6.35% (1) (15)	(15) (22)	(22)	(1) (22)
District of Columbia	5.75%			10%					73	5.75%			5.75%
Delaware*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	143	N/A	N/A	N/A	N/A
Florida	6.0%	1.5%		6.0%		6.95%	6.0% (6)		63	6.0%			6.0% (14)
Georgia	4.0%	4.0%		4.0%	4.0% (4)	4.0%	4.0%		36	4.0%	4.0% (28) (29)	4.0%	
Hawaii	4.0%	0.5%	4.0%	4.0%	4.0%	4.0%	4.0% (61)	4.0%	160	4.0%	4.0%	4.0% (29)	4.0%
Idaho	6.0%	3.0%	6.0%	6.0%	(4)				29				
Illinois	6.25%	3%	1.0%	6.25%	(39)	(5)	(5)	(5)	17				
Indiana	7.0%			7.0%		7.0%	7.0%	7.0%					
Iowa	6.0%	1.0%		6.0%		6.0% (6)	6.0% (6)	6.0%	94				
Kansas	6.15%	3.0%	6.15%	(34)		6.15% (6) (7)	6.15% (6) (7)	6.15% (6) (7)	74				
Kentucky	6.0%			6.0%	6.0% (27)	6.0% (6)	6.0% (6) (7)	6.0% (6) (7)	28	6.0%	6.0% (20)	6.0% (20)	(14)
Louisiana	4.0%	7.75%		4.0%	4.0% (48)				55	4.0%	4.0%	4.0% (48)	
Maine	5.5%			5.5% (40)	(4)	5.5% (41)	5.5% (6)	5.5% (6)	25	(17)	(49)	(49)	
Maryland	6.0%			9.0%		6% (6)	6.0% (6)	6.0% (6)	39				
Massachusetts	6.25%					6.25% (6)	6.25% (6)		18				
Michigan	6.0%			6.0%	(4)	6.0% (8)	6.0% (8)		26	(18)			(10)
Minnesota	6.875%	1.0%		6.875%/9.375% (24)		6.875% (6) (7)	6.875% (6) (7)	6.875% (6)	66				(14)
Mississippi	7.0%	1.00%	7.0%	7.0%	1.5% (25)	7.0% (6) (32)	7.0% (6) (32)	7.0% (6) (32)	72	7.0%	0.0%	0.0% (21)	1.5%
Missouri	4.225%	6.638%	1.225%	4.225%	(27)	4.225% (6) (11)	4.225% (6) (11)	4.225% (6) (11)	26	(21)	(21)	(15) (23)	(14) (21)
Montana*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	N/A	N/A	N/A	N/A
Nebraska	5.5%	2%	(62)	5.5%		5.5%	5.5%	5.5%	74	5.5%	5.5% (22)	5.5% (22)	5.5% (22)
Nevada	6.85%	1.25%		6.85%	6.85%				18	6.85%			6.85%
New Hampshire*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A	N/A	N/A	N/A
New Jersey	7.0%	9.0% (30)		7.0% (31)		7.0%	7.0%		74	7.0%	7.0%	7.0%	
New Mexico	5.125%	3.5625%	(53)	5.125%	2.5625%	5.125%	5.125%	5.125%	158	3.075% (63)	3.075% (63)	3.075% (63)	
New York	4.0%	4.875%		4.0%		4.0% (6)	4.0% (6)		74				
North Carolina	4.75%	2.25%		4.75% (13)	4.75% (4)	3.0% (7)	4.75% (7) (54)	4.75% (55)	29				
NORTH DAKOTA	5.0%	3%		7.0%	3.0%				26	5.0%			(14)
Ohio	5.75%	2.25%		5.75%	(4)		5.75% (3)		68				
Oklahoma	4.5%	5.0%	4.5%	4.5%		4.5% (64) (7)	4.5% (64) (7)		32	4.5%			
Oregon*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	N/A	N/A	N/A
Pennsylvania	6.0%	2.0%		6.0% (33)	(7)	6.0% (6)	6.0% (6)	6.0% (6)	55				
Rhode Island	7.0%			7.0%	(4)	7.0% (6)	7.0% (6)	7.0% (6)	29				
South Carolina	6.0%	2.5%		6.0%		6.0% (6)	6.0% (6)	(58)	35				
South Dakota	4.0%	2.0%	4.0%	4.0%	4.0% (42)	4.0%	4.0% (7)		146	4.0%	4.0%	4.0%	4.0%
Tennessee	7.0%	2.75%	5.%	7.0%		Varies (9)	Varies (9)	7.0%	67		1.5%	1.5%	
Texas	6.25%	2.0%		6.25%; or 6.7%+8.25(44)		6.25% (6)	6.25% (6)		83				
Utah	4.7%	3.65% (56)	1.75%	4.7% (46)		2.0% (45)	2.0% (45)		58	4.70%			
Vermont	6.0%	1.0%		6.0% (36)		6.0%	6.0%		32				
Virginia	5.3%	1.0%	1.5%	5.3% (57)	(50)	Varies (16) (37)	Varies (16) (37)	(16)	18	5.3%	Varies (16) (37)	Varies (37)	
Washington	6.5%	3.1%		6.5% (2)	6.5%	(38)	(38)	(38)	158	6.5%	(38)	(38)	
West Virginia	6.0%	0%	1.0%	6.0% (35)	(4)				106	6.0%			
Wisconsin	5.0%	0.5%		5.0%	(4)	5.0% (7) (51)	5.0% (7) (51)		79	5.0%			
Wyoming	4.0%	2.0%	(26)	4.0%		4.0% (7)	4.0% (7)		58	4.0% (43)			(47)

* This state does not impose a sales tax.

Comparison of State Sales & Gross Receipts Tax Rates - - - Footnotes

(1) Provides full exemption from manufacturing, Connecticut has a broader overlapping partial (50%) exemption from materials, tools, fuel, machinery and equipment used in fabricating and processing.
(2) Sales of beer, wine, and liquor by the drink are subject to regular state and local retail sales tax. Liquor purchased by the bottle has a higher spirits tax that is included in the price.
(3) If sold by public utility then it is exempt. If sold by non-public utility then taxed at 5.75%.
(4) Farm Machinery is exempt from sales and use taxes if the purchaser is engaged in farming as a business enterprise.
(5) In some states the tax is called a "utility tax" rather than a sales tax. In California the tax is an energy resources surcharge paid by consumers. In the District of Columbia, the tax is a gross receipts tax.
(6) Residential use is exempt.
(7) Agricultural use is exempt.
(8) In Michigan, the tax rate is 4% on electricity and natural gas used for home heating.
(9) Residential use is exempt, commercial is 7%, industrial 1.5%.
(10) Exemption is based on percentage used in manufacturing.
(11) Hotels and motels are exempt.
(12) The number of taxable services is out of a possible 164 services covered in the study, "Sales Taxation of Services," Federation of Tax Administrators, 2007 Includes business tax in Delaware.
(13) Sales of beer, wine, and mixed beverages are subject to the general rate; liquor purchased by the bottle at government operated stores is subject to a 7% State rate. All alcoholic beverages are subject to additional excise taxes.
(14) The exemption is generally for machinery and equipment used for new or expanding production. States have different definitions and qualifications.
(15) Materials, tools and fuel used in the actual fabrication of a product for sale, in an agricultural production process, or in the fishing industry are exempt.
(16) Exempt when delivered to customers through mains, lines, pipes or bottles.
(17) Exempt if consumed within 1 year.
(18) Exempt when used in actual production process.
(19) Exempt if separately metered and used in electrothermal or electrolyc process manufacturing.
(20) Amounts over 3% of production costs are exempt.
(21) If used or consumed in manufacturing, processing, compounding, mining, or producing of any product is exempt from state sales tax, but not local tax.
(22) Exempt if more than 50% is used in manufacturing.
(23) May apply for exemption, if electricity cost is greater than 10% of production costs.
(24) Generally, 3.2 beer and any intoxicating liquor is taxed at 6.875% plus an additional 2.5% gross receipts tax (depending on the type of liquor license, some sales are not subject to the additional 2.5% on 3.2 beer and wine coolers - e.g. sales at grocery stores).
(25) Farm machinery is taxed at 1% for farm tractors, 3% for listed farm implements, and 7% for non-listed farm items.
(26) Food for domestic home consumption is sales/use tax exempt while prepared foods remain taxable.
(27) Exempt if used exclusively for agricultural purposes, used on land that is owned or leased to produce farm products, and used directly in production of farm products.
(28) Natural gas directly used to produce electricity is exempt from the 4% State Tax.
(29) Effective January 1, 2012, there is a 25% exemption and will be totally exempt on January 1, 2016. This phased in exemption does not apply to electricity manufacturers
(30) This is the Atlantic City Luxury Sales Tax which is imposed on specified taxable retail sales within Atlantic City.
(31) Alcoholic beverages are also subject to an additional 3% AC Luxury Sales Tax on sales within Atlantic City.
(32) Church use is exempt.
(33) PA imposes 6% sales tax on alcohol purchased from the Liquor Control Board or beer distributors/ wholesalers. No tax is levied on retail sales of alcohol from eating/drinking establishments.
(34) 8% for off-premise consumption and 10% for on-premise consumption.
(35) There is a local municipal tax imposed by ordinance to collect 5% tax on off-premises retail sales of liquor and wine.
(36) Alcoholic beverages are subject to a 6% sales tax when sold at retail. Alcoholic beverages are subject to a 10% meals and rooms tax if purchased at a bar or restaurant.
(37) Virginia has a three tier tax rate system called a consumption tax for gas & electricity. This is paid by the consumer. The rate goes down as usage goes up.
(38) There is a public utility tax levied on the provider, not a sales tax.
(39) Exempt if used primarily (more than 50% of the time) in production agriculture or for use in state or federal agricultural programs.
(40) Taxed at 8% if served at a restaurant.
(41) First 750 kilowatt hours of residential use are exempt.
(42) Farm machinery tax is a 4% excise tax.
(43) Sales of tangible personal property to a person engaged in the business of manufacturing, processing or compounding when the tangible personal property purchased becomes an ingredient or component of the tangible personal property manufactured, processed or compounded for sale or use and sales of containers, labels or shipping cases used for the tangible personal property so manufactured, processed or compounded. This subparagraph shall apply to chemicals and catalysts used directly in manufacturing, processing or compounding which are consumed or destroyed during that process. W. S. 39-15-105(a)(iii)(A)
(44) As of January 1, 2014, based on the permit held by the seller, the sale of alcohol is subject to a 6.25% sales tax (with additional local sales taxes of up to 2% possible); or a 6.7% mixed beverages gross receipts tax plus an 8.25% mixed beverages sales tax.
(45) Commercial electric and gas utility rate is 4.7%.
(46) Wine and liquor also subject to a markup, of which 10% is used to pay for school lunches. [UC 32B-2-304 (2)(a), (4)]
(47) Machinery must be purchased by a manufacturer classified under NAICS code sector 31-33, does not include non-capitalized machinery except machinery expensed under Section 179 of the IRS Code, and must be executed in the case of a lease and in the case of a sale on or after July 1, 2004.
(48) Exempt if farmer obtains a Manufacturer's Exemption Certificate (R-1071)
(49) 95% is exempt. Remaining 5% is subject to 5.5% tax.
(50) Exempt if used in agricultural production for market.
(51) Residential heating use is exempt in the months of November through April.
(52) The highest general privilege tax rate is 4%. Several cities have higher rates imposed on certain industries.
(53) Sales of qualifying food for home consumption are deductible only at retail food stores as defined under the federal food stamp program.
(54) Piped natural gas is exempt from sales tax and subject to the piped natural gas tax. Sales of natural gas not piped is taxable at the general rate.
(55) Water delivered by or through mainlines or pipes for either commercial or domestic use or consumption is exempt. Sales of water not delivered by or through main lines or pipes is taxable at the general rate.
(56) Includes all combined rate taxes. Other taxes (transient room, prepared food) also apply.
(57) In Virginia, localities do not receive any monies collected from sales made by ABC stores--all such sales deposited into the state's general fund.
(58) Water sold by public utilities is exempt if rates and charges are of the kind determined by the PSC of water sold by non-profit corporations organized pursuant to Chapter 36 of Title 33 South Carolina Code of Laws
(59) Tax rates for manufacturers in NAICS Code 31-33 and Cotton Gins in NAICS Code 115111: The rate for electricity and natural gas is 1.625% thru June 30, 2015. On 7-1-15, it decreases to 0.625%.
(60) Tax rates for eligible Electricity Generators is 3.25% thru December 31,2014. It will decrease to 1.625% on 1-1-15.
(61) Petroleum products refined in Hawaii that will be further refined by another taxpayer are exempt (HRS section 237-37)
(62) Food for human consumption is sales/use tax exempt unless prepared for immediate consumption.
(63) Consumable deduction for manufacturing is phased-in over a 5-year period (40% for 2014 calendar year). 100% deductibility will occur after January 1, 2017.
(64) Residential use is exempt from state sales tax, local taxes apply.

SOURCE: Survey of states conducted by North Dakota Office of State Tax Commissioner, October 2012.

Sales & Gross Receipts Tax Comparison of Surrounding States and Provinces
Rates in Effect October 1, 2014

	NORTH DAKOTA	SOUTH DAKOTA	WYOMING	MINNESOTA	IOWA	MANITOBA	SASKATCHEWAN
GENERAL STATE RATE	5%	4%	4%	6.875%	6%	8% (2)	5% (2)
MAXIMUM LOCAL RATE	3%	2%	3%	1%	1%		
PRODUCTS							
Motor Vehicles (sales or excise tax)	5%	3%	4%	6.5%		8%	5% (6)
Natural Gas (sales or utility)		4% (1)	4% (3) (4)	6.875% (5)	6%	8% (16)	5% (46)
Electricity		4%	4% (3) (4)	6.875% (1) (5)	6%	8% (14) (16)	5% (50)
Coal		4%	4% (1)		6%	8%	
City and Rural Water				6.875% (8)	6%		
Newspapers (retail & subscription)		4%				8%	
Magazines (retail)	5%	4%	4%	6.875%	6%	8%	
Magazines (subscriptions)		4%	4%		6%	8%	
Bibles/Textbooks to Religious Groups		4%	(33)	(15)	6%		
Prescription Drugs							
Agricultural Supplies		4% (7)	4% (7)			(41)	(49)
New Farm Machinery	3%	4%				(41)	
Farm Machinery Parts			4%			(41)	
Alcoholic Beverages	7%	4%	4%	6.875% or 9.375% (12)	6%	8%	(30)
Money (gold & silver coins)					6%	8% (47)	5% (47)
Mobile Homes - - New	3%	3%	4% (10)	6.9	5% (38)	8% (17)	(31)
Mobile Homes - - Used		3%		(20)	(42)	8% (17)	(42)
Grocery Foods		4%	(34)				
Restaurant	5%	4%	4%	6.875%	6%	8%	
MISCELLANEOUS							
Hotel & Motel Accommodation Rental	5% (18)	4%	4%	6.875%	5% (39)	8% (18)	5%
Film Rental to Theaters & TV Stations			4%				
Film Rentals (other than to Theatres/TV)	5%	4%	4% (45)	6.875%	6%	8%	5%
State/Local Fairs/Admission				6.875%			
Inter-State Telephone				6.875%		8%	5%
Cable Television		4%	(21)	6.875%	6%	8%	5%
Receipts from Vending Machines	5%	4%	4%	6.875%	6%	8%	
Sales to Private and Parochial Schools			4% (22)			8%	5%
Sales to Hospitals		4% (11)	4% (22)	6.875% (36)		8% (29)	(43)
Sales to Nursing Homes		4%	4% (22)	6.875% (36)	6%	8% (29)	(43)
SERVICES							
Number of Taxable Services (23)	26	143	58	66	94	N/A	18
Veterinary Services		4%					5%
Financial Services		4% (24)			6%	8% (9)	
Oil & Gas Field Services (non-materials)		4%	4% (32)				
Construction (non-materials)		2% (25)				8% (28)	
Funeral Services		4%					
Miscellaneous Personal Services		4% (26)			6%		
Transportation Services		4% (19)	4% (13)				
Lawn Care Services		4%		6.875%	6%		
Engineering, Architecture & Surveying		4%				8% (48)	(44)
Health Services							
Laundry & Dry Cleaning Service		4%	4%	6.875% (37)	6%	8%	5%
Beauty and Barber Shops		4%			6%	8% (40)	
Farm Machinery Repair			4%		6%	(41)	
Automotive Repair		4%	4%		6%	8%	5%
Miscellaneous Repair		4%	4%		6%	8%	5%
Accounting, Auditing & Bookkeeping		4%				8%	5%
Business Services (consulting, etc.)		4%			(35)		
Legal Services		4%				8%	5%
COMPENSATION TO RETAILERS	Yes (27)	Yes (effective 1/1/15)	Yes	No	No	Yes (27)	Yes

Sales & Gross Receipts Tax Comparison of Surrounding States and Provinces Footnotes

(1) Exempt as a fuel for use as boiler fuel in the production of electricity.
(2) Canada also levies a federal goods and services tax (GST) of 5% in addition to the general provincial sales tax (PST).
(3) Exempt for agricultural use.
(4) Exempt if used directly in manufacturing, processing, or agriculture.
(5) Exempt for agricultural and industrial production of personal property and exempt for residential use during the winter months.
(6) PST no longer applies to the sale of eligible used light vehicles on which PST has previously been paid in full. These include cars, sport utilities, light vans and light trucks (one ton or less).
(7) Exempt if feeds, seeds, roots, bulbs, small plants & fertilizer.
(8) Residential water bills are exempt.
(9) Effective July 15, 2012, sales tax applies on the following types of insurance contracts: property & casualty, group life, trip cancellation, baggage, and land title insurance. Sales tax does not apply to Autopac vehicle premiums or health, accident, sickness, and individual life insurance.
(10) 70% of price.
(11) Exempt if hospital is charitable or non-profit.
(12) 3.2 beer and any intoxicating liquor is taxed at 6.875% plus an additional 2.5% gross receipts tax, however grocery stores are not required to charge the additional 2.5% on 3.2 beer and wine coolers.
(13) Intrastate passenger transportation services are taxable and interstate transportation of freight and passengers are exempt in Wyoming.
(14) Reduced rate for use in manufacturing, mining and oil well operators
(15) Textbooks required for a course of study are exempt.
(16) Exempt for domestic heating and for farm use.
(17) A point-of-sale exemption is available on the residential purchase of a mobile, modular or ready-to-move home. Vendors will apply sales tax, at point of sale, at a rate of 4% of the basic selling prices (excluding furniture, appliances, etc.).
(18) Rooms rented by and for the same individual are exempt if rented for 30 consecutive days in North Dakota, or 31 consecutive days in Iowa. In Manitoba, hotels and motels rented for one continuous month or more are exempt, as well as rooms in a lodging/rooming/boarding house with accommodations for less than four tenants.
(19) Only passenger transportation is taxable in South Dakota.
(20) 65% of dealer's cost of new mobile homes for residential purposes is taxed at 6.875% (effective rate of 4.469%). Used homes for residential purposes are exempt. New and used homes for non-residential purposes are taxed at 6.875% of sales price.
(21) Cable service itself is not enumerated as taxable by statute. Rental of equipment (i.e. cable box, remotes, etc.), video on demand, and pay-per-view are taxable.
(22) Sales to schools, hospitals or nursing homes considered charitable or religious are exempt in Wyoming.
(23) The number of taxable services in the study "Sales Taxation of Services". Federation of Tax Administrators, 2007
(24) Real estate commissions are taxable; other financial services are exempt.
(25) 2% on prime contract.
(26) Most membership fees are exempt.
(27) Maximum compensation to retailer in North Dakota is $93.75 per monthly return or 1.5% ($1,125 per year), and in Manitoba, $58 per return. Vendors with tax reported of greater than $3,000 in one period no longer receive compensation.
(28) Mechanical and/or Electrical (M&E) trades are considered to be working on tangible personal property (TPP). The RST on M&E work applies to the total selling price on all contracts or service/maintenance work. Other construction services are not taxable.
(29) Equipment and supplies designed solely for the use of physically disabled persons or chronic invalids, and drugs dispensed on the prescription of a medical practitioner are exempt in Manitoba.
(30) 10% liquor tax.
(31) New residential at 2.5% and new commercial at 5%.
(32) Oil and gas services rendered at the well site of an oil or gas well in the production casing phase are taxable. Services rendered in the pre-production casing phase and associated with building the location are exempt.
(33) Purchases made by religious and charitable organizations for fund-raising purposes for the conduct of regular religious or charitable functions and activities and not in the course of any regular business are exempt from sales/use tax.
(34) Food for domestic home consumption is sales/use tax exempt while prepared food and foods sold through vending machines remains taxable.
(35) Investment counseling is taxable at 6%.
(36) Sales to non-profit hospitals and nursing homes, as well as to local government hospitals and nursing homes, are exempt.
(37) Coin-operated washers and dryers exempt
(38) All taxable mobile homes or manufactured housing is subject to a 5% use tax in an amount equal to 20 percent of the mobile home's manufactured housing's purchase price (80 percent of the home's or housing's purchase price is exempt from use tax).
(39) 5% excise tax and if applicable an additional hotel/motel tax which cannot exceed 7% and must be imposed in increments of one or more full percentage points.
(40) Effective July 1, 2012, sales tax will apply on the following personal services: spa treatments, non-medical skin and nail services (such as manicures, pedicures and facials), tattooing, piercing, and hair services (including hair removal and augmentation, hairstyling, haircuts and barber services). Haircuts costing less than $50 will continue to be exempt from sales tax.
(41) Agricultural supplies, farm machinery and farm machinery repair parts can be purchased exempt by a farmer in Manitoba by completing a farm-use certificate.
(42) Only residential are exempt if tax was previously paid.
(43) Some exemptions apply.
(44) Only 30% of certain aspects of Engineering and Architecture are taxable. Surveying is not taxable.
(45) Electronically delivered specific digital products, which includes digital audio-video works, digital audio works and digital books, where the customer does not receive permanent possession of the product are no longer subject to Wyoming sales tax. However, these same products are taxable if the customer DOES receive permanent possession of the product.
(46) Natural gas only used to operate stationery internal combustion engines is taxable.
(47) Taxable if sold above face value.
(48) Engineering and architectural design services are taxable in Manitoba. Surveying is exempt.
(49) Some supplies are exempt such as feed and seed, but other agricultural supplies are taxable.
(50) Residential use is exempt.

CURRENT LAW

Imposition

The Unemployment Insurance Program provides temporary income for persons who have lost employment through no fault of their own while they search for new jobs.

The intent of the program is not only to protect an unemployed worker's financial health, but also to help keep main street businesses and a community's economy stable during periods of high unemployment.

Unemployment Insurance taxes are paid by employers under two tax systems, federal and state. Taxes are paid to the federal government under the Federal Unemployment Tax Act (FUTA). These taxes are used to fund the administrative costs of the federal and state programs, to finance a variety of services provided through the network of state employment security agencies, and the federal costs associated with extended benefits. All state premiums go into the North Dakota Unemployment Insurance Trust Fund. The Trust Fund is used solely to pay unemployment insurance benefits to unemployed workers.

Employers subject to North Dakota Unemployment Compensation Law

- Any employer with one or more workers during 20 different weeks in a calendar year or who has paid $1,500 or more in wages in a calendar quarter.
- Any employer who acquires the business of another liable employer.
- Any employer employing workers in North Dakota who is liable under the Federal Unemployment Tax Act (FUTA).
- Political subdivisions and Indian tribes or business enterprises wholly owned by Indian tribes become liable immediately upon employing any non-excluded workers.
- Nonprofit organizations with 501(c)(3) income tax exemptions are liable if they employ four or more workers during 20 different weeks in a calendar year.
- Employers of agricultural labor are covered if they pay $20,000 or more in wages in a calendar quarter or employ ten or more workers in 20 different weeks in a calendar year.
- Employers of domestic labor in a private home, local college club, or local chapter of a college fraternity or sorority are covered if they pay $1,000 or more in wages in a calendar quarter.

Services Excluded From Coverage

Some types of employment are excluded from unemployment insurance taxes. The most notable exclusion is for services performed for a son, daughter, or spouse, or services performed by a child under age 18 for a parent while living in the parents' home.

This exclusion does not apply to corporations or certain limited liability companies (LLC). It applies to partnerships only if the worker has an exempting relationship with each partner.

Corporations and Limited Liability Companies

Corporate officers who perform services for the corporation and receive remuneration for that service are considered employees. The same applies to LLC managers if: 1) the LLC is treated as a corporation for federal income taxation or, 2) the manager(s) is not a member. Employers of certain corporate officers and certain covered LLC managers with 25% or more ownership interest may, with the concurrence of the officer or manager, apply to exclude the officer's or LLC manager's services from employment. The application to do so must be filed within 60 days of formation of the corporation/LLC, or in January of the year in which the exclusion is to begin.

Taxes

Employers pay the entire tax for both federal and state unemployment compensation taxes. Tax rates are calculated each year and will vary based upon a variety of factors such as projected statewide benefits paid, projected income and the condition of the state's unemployment compensation trust fund.

When an employer becomes liable for unemployment insurance, the employer is classified as a "new employer" and is assigned a new employer rate. Tax rates are re-determined for each calendar year based on the employer's history as of the preceding October.

If, prior to October, "non-construction" employers have at least six quarters of coverage and "construction" employers have at least ten quarters of coverage, they are classified as "experience-rated employers" beginning the following calendar year. Experience-rated employers are assigned rates based on their record of unemployment insurance taxes paid and benefits charged.

Employers who acquire an existing business may apply for the experience record of the previous owner. If the experience record is transferred, the new owner is also held accountable for any benefits paid to the previous owner's workers. In certain cases, such as those where common ownership, management or control exist, the transfer of the experience record may be mandatory.

Some entities, such as government, tribal or 501(c) (3) organizations, have the option of financing benefits by reimbursement rather than the payment of taxes. Under this method, the employer reimburses the trust fund each quarter for all benefits paid to the employer's former workers.

Wage Base

For federal tax purposes, the taxable wage base is the first $7,000 of each employee's wages. For state tax purposes, the taxable wage base is 70% of the statewide average annual wage. For 2014, the North Dakota taxable wage base is $33,600.

Rates

Newly liable non-construction employers are assigned a tax rate equal to 90% of the maximum positive rate. For 2014 the new non-construction rate is 1.22%.

Newly liable construction employers are assigned a tax rate equal to the maximum negative rate. For 2014 the new construction rate is 9.76%.

For other than newly liable employers, tax rates are determined by an experience-rating system which establishes the rate on the basis of the employer's experience with the unemployment insurance program.

Rate Schedules

To determine an employer's rate schedule placement the employer's lifetime reserve and 6-year reserve balances are used.

There are two tax rate schedules:

1. Positive Balance Schedule
   a. Employer has a positive lifetime reserve. Employer tax contributions exceed employer benefits charged
   b. For 2014, rates for these employers range from 0.16% to 1.35%
2. Negative Balance Schedule
   a. Employer has a negative lifetime reserve. Employer benefits charged exceed employer tax contributions
   b. For 2014, rates for these employers range from 6.16% to 9.76%

After being placed within the positive or negative rate schedule, the rate an employer is assigned within the respective schedule is determined on the basis of the relationship between the employer's last 6-year reserve balance and the employer's 3-year average taxable payroll.

Payments

Liable employers must file Employer's Contribution and Wage Reports quarterly. Reports must be completed and returned with the tax due by the end of the month following each calendar quarter. Reports and payments not submitted timely are subject to interest and penalty charges.

State law requires employers with 25 or more employees to file quarterly reports electronically via a method approved by Job Service North Dakota, such as UI EASY at www.jobsnd.com.

Tax payments can be made through electronic funds transfer (EFT) via ACH Debit within the UI EASY system. ACH credit is also available. Payers making payments on behalf of another must make the payments electronically.

Benefits

To be eligible for unemployment benefits a claimant must:

- Have been separated from employment through no fault of their own or have had their hours reduced.
- Be able to work.
- Be available for work.
- Be actively seeking employment.

An unemployed worker may file a claim for benefits by either internet at www.jobsnd.com or by telephone at 701-328-4995.

If the claimant has sufficient work history and wage credits in their base period, a claim will be filed and the claimant's most recent employer and all base period employers are notified that a claim for benefits has been filed.

In addition to the notification, employers will be asked for information relating to the separation from employment in order to assist in determining the eligibility of the claimant.

Unemployed workers filing claims may be disqualified for a variety of reasons such as: if they voluntarily quit their last employment without good cause attributable to the employer; were discharged for misconduct connected with their last work; failed to apply for or accept suitable work; lost employment due to participation in a labor dispute; or failed to disclose work and earnings during a period of claim filing.

Weekly Benefit Amount (WBA)

The WBA table is recalculated each year and is based upon the average statewide annual wage and a comparison of the North Dakota average tax rate to the national average tax rate. The maximum WBA cannot exceed 65% of the average statewide weekly wage of all covered workers. The yearly calculated WBA table takes effect on all claims filed with an effective date on or after July 1 of each year.

- The minimum WBA for the period July 6, 2014 through July 4, 2015 is $43.
- The maximum WBA for the period July 6, 2014 through July 4, 2015 is $594.

Administration

Job Service North Dakota (JSND) administers the state's unemployment insurance programs. For further information write to Job Service North Dakota, PO Box 5507, Bismarck, ND 58506-5507. You can also contact the Unemployment Insurance Tax Unit of Job Service North Dakota through e-mail at jsuits@nd.gov or telephone at 701-328-2814. Or visit the website www.jobsnd.com.

HISTORICAL OVERVIEW

Significant Changes in Law

2005 session

- Provided that Job Service is to receive notice of school district dissolution and reorganization; and that reorganizing or dissolving districts are to set aside funds with the county auditor or the North Dakota School Boards Association to cover the amount calculated by JSND as potential liability for claims of the terminating school district.
- Ended the requirement to deduct a portion of Social Security retirement benefits from Unemployment Insurance weekly benefits, effective August 1, 2005.
- Amended current law to provide that base period employers' Unemployment Insurance accounts would not be charged if the claimant had quit or been discharged by that employer either during or after the base period.
- Amended subsection 1 of section 52-06-02 to provide that if a claimant left employment due to illness or injury and pursuant to a doctor's orders, with certain other prerequisites, the account of the separating employer is not to be charged with the benefits paid in that circumstance, UNLESS that employer is a reimbursing employer.

2007 session

- Enacted legislation requiring employers with more than 99 employees to file contribution and wage reports via an electronic method approved by Job Service North Dakota. This section also requires payers making payments on behalf of more than one employer to make those payments electronically.
- Enacted legislation that provided for a minimum multiplier of 100% for all rates within the negative tax rate structure. The statute impacts negative balance employers (those whose benefit charges have exceeded their contributions). It does not allow these employers to share in the benefit of a reduction in tax rates made for the purpose of reducing the amount of money retained in the UI Trust Fund.
- Enacted legislation concerning the calculation of tax rates for positive balance employers. This law provides for the assignment of employers paying 60% of the wages within the lowest rate category. Also impacted were the calculations to determine the gap between the highest positive rate category and the lowest negative rate category as well as the calculation to determine the tax rates for new employers.

2009 session

- Amended subsection 2 of 52-04-11 of the North Dakota Century Code to increase penalties assessed due to late submission of wage and contribution reports. The minimum penalty was increased from $25 to $50. The maximum penalty for any single report was increased from $250 to $500. The minimum penalty was doubled for any subsequent delinquent reports that occur in the same calendar year.

- Amended subsections 1 and 2 of 52-06-02 of the North Dakota Century Code to establish that wages used to overcome a monetary penalty associated with a disqualifying separation must be earned after the date of filing the claim in which the monetary penalty was assessed.
- Amended 52-04-01.1 of the North Dakota Century Code to require electronic filing of contribution wage reports for employers with more than 24 employees.

2011 session

- Amended subdivision b of subsection 2 of section 52-04-07 and subdivision j of subsection 1 of section 52-06-02 of the North Dakota Century Code to provide eligibility for unemployment insurance benefits to individuals having to separate from employment when the separation from employment is directly attributable to domestic violence or sexual assault.

2013 session

- Amended 52-06-33 to impose a monetary penalty upon individuals who provide a false statement in order to obtain unemployment insurance benefits. The penalty amount is 15% of the overpaid benefit amount. The monetary penalty created by this bill is a federally mandated requirement that was passed into law as part of the amendments made to the Trade Adjustment Assistance Extension Act of 2011 (TAAEA). Failure to enact the minimum 15% penalty would result in North Dakota employers no longer being eligible to receive the 5.4% Federal Unemployment Tax Act (FUTA) tax credit.
- Amended subsection 2 of 52-04-12 to provide Job Service the ability to file liens through the Secretary of State's office.
- Amended subsection 3 of 52-04-07 to prohibit relieving employers from charges resulting from the improper payment of benefits to past employees when the employer is found to be at fault for the improper payment. The prohibition on non-charging became effective October 21, 2013 as outlined in federal law. The prohibition on the relief of charges is a federally mandated requirement that was passed into law as part of the amendments made to the Trade Adjustment Assistance Extension Act of 2011 (TAAEA). Failure to enact this requirement would result in North Dakota employers no longer being eligible to receive the 5.4% FUTA tax credit.
- Amended subsection 4 of 52-06-02 to identify employer lock outs as disqualifying events in the same manner as a strike or other labor dispute.
- Amended 52-01-03 to allow Job Service North Dakota to share certain information collected in the administration of the unemployment insurance program with the North Dakota attorney general for the purpose of monitoring individuals who are required to register as sexual offenders or offenders against children.

Unemployment Insurance Benefit Payments

FOR A CALENDAR YEAR
$ MILLIONS

Calendar Year	Benefit Payments
2004	38.3
2005	38.5
2006	40.2
2007	43.1
2008	47.3
2009	96.5
2010	78.2
2011	66.4
2012	66.1
2013	99.8
2014 est.	96.2

Average North Dakota Employer Tax Rate and Unemployment Insurance Tax Revenue

Calendar Year	Average Employer Tax Rates		Tax Revenue
	Percent of Total Wages	Percent of Taxable Wages	
2004	0.88%	1.63%	57,502,415
2005	0.82%	1.51%	57,096,849
2006	0.73%	1.35%	55,035,648
2007	0.65%	1.19%	52,373,337
2008	0.53%	0.99%	47,470,370
2009	0.58%	1.05%	52,245,056
2010	0.78%	1.42%	77,761,246
2011	0.76%	1.40%	90,040,301
2012	0.69%	1.29%	101,612,013
2013	0.67%	1.17%	106,499,527
2014 est.	0.69%	1.19%	121,829,000

SOURCE: Job Service North Dakota.

CURRENT LAW

Imposition

The intent of the workers' compensation program is to take care of injured workers' medical bills; provide wage-loss, impairment and rehabilitation payments; and in the case of death, provide monthly payments to spouses and dependents. A properly insured employer is immune from lawsuits for an on-the-job injury of an employee. Employers must include all employees, except those specifically exempted by law, in the workers' compensation insurance program. Exclusions include farm and ranch workers, domestic workers, clergy, federal employees, railroad employees, newspaper delivery people, and real estate brokers and salespeople who operate under a signed contract as an independent contractor. Coverage is optional for employers, resident family members under the age of 22, the spouse of an employer, and self-employed individuals.

Premiums

In North Dakota, workers' compensation insurance is financed through premiums paid by employers. These premiums are among the lowest in the nation. Premiums for each employer are calculated using payrolls, industry-based premium rates, and loss history. Employers report their payroll to Workforce Safety & Insurance (WSI) on an annual basis, according to the effective date on the employer's account. The amount of payroll used to calculate the premium for each worker is limited to 70% of the state's average annual wage. This "wage cap" was $33,600 as of July 1, 2014. Premium rates are set for 142 industry classifications based on industry loss experience. Premium costs up to the cap per employee range from 37 cents per $100 of payroll for radio and television workers, banks, Savings and Loans and credit unions to $45.32 per $100 of payroll for caisson workers, which is the highest classification.

There are several new safety initiatives that North Dakota employers can utilize to help offset the potential loss of premium dividends. "Putting Safety to Work" programs reduce the number of claims and result in lower premiums. These programs can reduce a qualifying employer's premiums by up to 25%. Employers who successfully take part in WSI's "Safety Management Program" can receive a discount of 10% off their premiums. In addition, employers can also receive an additional 15% premium reduction by choosing to participate in a variety of safety "menu items" that can each provide 5% discounts up to a maximum of 15%. Those menu items include: 1) Drug Free Workplace Program, 2) Safety Committee Program, 3) Certified Safety Management Program, 4) Learning Management System (LMS), 5) Safe Driving Program and 6) Safe Lift Program. In addition, through the Safety Training & Education Program (STEP), qualifying North Dakota associations and employee organizations can receive financial assistance to promote safety training and education. STEP grants are available to qualifying associations and organizations in amounts ranging from $5,000 to $150,000. Information about the safety discount programs and STEP grant programs are available on the WSI web site http://www.WorkforceSafety.com. Certain conditions and qualifications pertain to all the safety discounts and grants. Employers can also call WSI at 1-800-777-5033 for more information.

Benefits

An injured worker is responsible for filing a claim. They must do so within one year of the date of the injury to be eligible to receive disability benefits for the time they are unable to work because of the injury and medical benefits for the life of the injury. Any injury/disability must be substantiated by medical evidence. An injured worker's medical treatment is monitored through a managed care program and is subject to a medical fee schedule. WSI reimburses the injured worker for "reasonable and necessary" medical treatment. Wage-loss benefits for a worker disabled for at least five days are based on 66.67% of the worker's gross weekly wage, not to exceed 125% of the state's average weekly wage. On July 1, 2014 the state's maximum weekly benefit was $1,143. Additional weekly allowances of $15 are paid on each child under age 18 or incapable of self-support, or age 18 to 22 if a full-time student. Workers with medical restrictions are evaluated through a workability assessment to determine ability to return to work and eligibility for rehabilitation benefits, which may include formalized training. Workers who suffer permanent loss of use of a body part may qualify for a lump sum "permanent partial impairment" payment. WSI pays death benefits to the survivors of workers killed in work-related accidents. Benefits are paid to the eligible spouse of the dependents of the deceased worker at a rate of two-thirds of a deceased worker's gross weekly wage, up to 125% of the state's average weekly wage. They will also be paid $15 per week for each dependent child. Additionally, the surviving spouse receives a one-time death benefit of $2,500, plus $800 for each dependent child. There are also scholarships available for dependents and spouses. WSI pays all medical bills related to the compensable injury and death of a worker, including up to $10,000 for funeral expenses. Total benefits may not exceed $300,000 over the lifetime of a claim.

Dispute Resolution

The Decision Review Office (DRO) helps workers and employers on claims issues and serves as a litigation alternative. Injured workers may appeal WSI decisions of benefit claims by requesting an administrative hearing. Subsequent appeals may be made to District Court and then on to the Supreme Court. WSI pays the injured worker's attorney fees only if the worker wins the appeal and only if the worker sought assistance from the Decision Review Office before appealing. Additionally, injured workers may elect to have an attorney of their choice review their claim upon completion of their Decision Review Office process. Reimbursement is available for attorney fees and costs related to this review. Attorney fees are capped at $500 and costs are capped at $150.

Fraud

A Special Investigations Unit within WSI investigates workers, employers, and medical providers suspected of committing fraud. Anonymous tips about suspected fraud can be made through a toll-free telephone number, 1-800-243-3331 or by completing a form through the WSI web site at www.WorkforceSafety.com.

Administration

WSI administers the state's workers compensation program. For more information on Workforce Safety & Insurance, write to Workforce Safety & Insurance, 1600 East Century Avenue, Suite 1, Bismarck, ND 58503 0649, call 701-328-3800, or 1-800-777-5033. Or visit the website at www.WorkforceSafety.com.

HISTORICAL OVERVIEW

Significant Changes in Law

1991 Session

- The legislature created binding arbitration as an alternative dispute resolution process, mandated a managed care program and use of a third party administrator to monitor injured workers' medical care, and mandated that North Dakota Workers' Compensation (NDWC) adopt a hospital and medical fee schedule.
- Employers were required to reimburse NDWC up to the first $250 of medical expenses for each claim.
- The wage base for computing the premium was changed from $3,600 to 70% of the state's average annual wage.

1993 Session

- The legislature created a system of binding dispute resolution for disputes arising out of NDWC's managed care program.
- The legislature approved a risk management program which allowed employers a 5% discount on annual premiums if they designed and implemented a NDWC approved safety program.
- Suspension of benefits was allowed if an employee applied for benefits in another state for the same injury.
- An "other states" coverage program was established regarding payments of benefits to North Dakota-covered workers whose injury, disease, or death occurred in another state.

1995 Session

- Workers were required to report injuries to their employers within seven days.
- NDWC was allowed to use failure to report an injury as a factor in determining claims.
- Employers with approved risk management programs were allowed to choose medical providers. If a worker wants to choose the provider, the worker must notify the employer in writing before an injury occurs.
- The legislature revoked wage-loss and rehabilitation benefits for workers who do not comply with rehabilitation plans.
- Wage-loss benefits were stopped when injured workers become eligible for Social Security Retirement benefits.
- Permanent Partial Impairment (PPI) compensation was limited to workers with over 15% whole body impairments.
- A workers' adviser program was set up to serve as a litigation alternative and to help injured workers' compensation process.

- NDWC was authorized to set up a special fraud unit. Fraud involving over $500 was changed from a class A misdemeanor to a class C felony. Attorney fees may no longer exceed 20% of the amount a claimant receives nor may they be paid by NDWC if the claimant loses.

1996 Referred and Initiated Measures
- Voters in the June 1996 primary election upheld the changes made by the 1995 legislature.

1997 Session
- The 1997 legislature changed the law to increase certain benefits, streamline claims processes, enhance system efficiency, further restrict the potential for fraud, reduce litigation and adjust earlier reforms.
- The legislature also placed NDWC within the oversight of a board of directors made up of NDWC constituents appointed by the Governor. NDWC continues to be managed by an executive director who reports directly to the board. This law also mandated that independent, qualitative performance audits be conducted by workers' compensation industry experts every two years with the results being presented to the legislature.

1999 Session
- The 1999 legislature substantially increased cash benefits for the severely impaired, increased the maximum disability benefit (making North Dakota's maximum benefit rate one of the highest in the country), shortened the eligibility period for supplemental benefits, and increased the size of scholarships available to dependents of workplace fatality victims.
- Another major piece of 1999 legislation provides authority for NDWC to issue grants to high risk industries for prevention of workplace accidents.
- Additionally, the bill allows NDWC to offer dividends, deductibles, group insurance and other products that give employers direct financial incentives for protecting the safety of their workers.

2001 Session
- Authorized the construction of a new building in north Bismarck to house NDWC and required NDWC to include rental space for other state agencies.
- Provided incentives for employers to hire previously injured workers in positions that will accommodate the worker's restrictions resulting from a work injury (the program was subsequently named, "The Preferred Worker Program").
- 2001 legislation also prohibited an employer from requiring an employee to use accrued personal leave for time off work for a work-related disability; increased awards for certain impairment; provided that an employee may be found guilty of fraud for making false statements to get a claim or benefit paid; and repealed the sunset clause on the scholarship fund for children of workers killed on the job.

2003 Session
- Legislation changed the organization's name to Workforce Safety & Insurance (WSI); increased lifetime death benefits from $197,000 to $250,000; and allowed for the limited release of information on the status of an employer's account.
- Legislation also changed the make-up of the WSI Board of Directors, shortened the terms from 6 to 4 years and made the medical member a voting member and added an at-large member.
- Other legislative changes included removing the re-marriage penalty for death benefit recipients; and increasing the amount of money to $50,000 for WSI to spend on home and vehicle modifications for the catastrophically injured.

2005 Session
- Legislation provided additional safety incentives and established continuing appropriation authority to fund safety education, grant and incentive programs from the fund's surplus.
- Also, provided employers an incentive for early claim filing by waiving the first $250 of medical costs if the claim is filed by midnight on the following WSI business day; dedicated $15 million of WSI's fund surplus to establish an educational revolving loan fund to help injured workers take out college loans for an approved education plan when they don't qualify for a WSI vocational retraining program.
- Legislation also increased the amount of the non-dependency death benefit from $2,000 to 5% of the cap on death benefits ($12,500), the cap is currently $250,000; provides the option for an injured worker to choose to pursue a retraining program or opt for up to five years of partial disability benefits.
- In addition, legislation changed the definition of what constitutes when a worker is declared to be Permanently and Totally Disabled, thus, moving from a subjective definition to an objective standard in the law.
- Legislative changes increased the maximum dollar amount for Guardian Scholarships from $3,000 to $4,000 per year for up to 5 years for spouses and dependent children of a worker who died as a result of a compensable work-related injury, and increased the maximum amount of scholarships that can be awarded annually from $150,000 to $300,000.

2007 Session
- Legislation provided funds for the purchase or adaptation of specially equipped motor vehicles for the catastrophically injured, not to exceed $100,000 for the life of the claim; provided an alternative Additional

Benefit Payable (ABP) calculation for a select group of permanent total disability recipients whose injuries occurred prior to August 1, 1995.

- Legislation expanded the population that is potentially eligible for death benefits to include the surviving spouse of the catastrophically injured if the disability has continued until the time of death; the death occurs more than six years after the date of the injury and the death was the direct result of the work injury.
- Also, expanded the eligibility pool of WSI's revolving loan fund to include surviving spouses and dependent children of an injured worker whose death resulted from a compensable injury and sets a maximum interest rate of 1% below the Bank of North Dakota's prime interest rate.
- Legislation shortened the period for supplementary benefit eligibility from 7 years to 3 years for Permanent Total Disability claims subject to 2005 HB 1171 (Claims filed after December 31, 2005); and clarified the definition of Permanent Partial Impairment Awards to attempt to prohibit an offset by Social Security and makes the award schedule based on a multiplier amount rather than weeks.
- An annual lump-sum inflationary adjustment was provided for long-term temporary partial disability cases.
- Legislation also provided that a coordinating committee appointed by the Governor and composed of representatives of business associations would submit a list of three potential candidates for the six employer Board positions when there are vacancies. The Governor may reject the list of three candidates names. Board members may serve no more than two consecutive four-year terms.
- Other legislative changes were passed that allowed WSI to reveal those employers who are in a delinquent or uninsured status; replaced the existing 75% experience rate surcharge cap with an unlimited cap; and clarified language to accommodate the move from documentation-based to results-based risk management programs.

2009 Session

- Raised the maximum disability benefit from 110% to 125% of the state's average weekly wage (SAWW).
- Increased the lifetime death benefit cap from $250,000 to $300,000; burial expenses increased from $6,500 to $10,000, one-time payments for spouse and dependent children increased from $1,200 to $2,500 for spouses and from $400 to $800 per dependent child.
- Raised the child dependency allowance from $10 to $15 per week per child.
- Shortened the waiting period for eligible injured workers of supplementary benefits (COLAs) for pre-1/1/2006 total disability claims from 7 to 3 years.
- Provided injured workers payment for "artificial members" such as eyeglasses, contact lenses, dental braces and orthopedic braces if an injury occurs and damages those prescriptive devices.
- Allowed WSI to extend an additional 20 weeks to the current 104-week limit for those injured workers in vocational retraining programs.
- Expanded the categories for injured workers within the vocational rehabilitation hierarchy that would be eligible for up to two months of job search benefits.
- Added a permanent partial impairment schedule award for the partial loss of an injured worker's eyesight.
- Provided an injured worker with attorney fees and costs for a review of their claim after successfully completing their review at the newly named Decision Review Office (formerly the Office of Independent Review). Attorney fees are capped at $500 and costs are capped at $150.
- Transparency in grant program—allowed for disclosure of employer grant information and reporting of grant information.
- Established parameters for when the reserves and surpluses fall outside of the 120%-140% range.
- Established that premium rates will be determined actuarially.
- The selected statewide average premium rate level change may not deviate by more than 5 percentage points from the statewide actuarial indicated rate.
- Changed the WSI Office of Independent Review (OIR) to Decision Review Office (DRO).
- Provided that a surviving spouse would be eligible to receive, for up to 6 months, a decedent's permanent total disability, supplementary or additional benefits payable benefits if the injured employee was permanently and totally disabled for at least 10 years and was married to the surviving spouse for at least 10 years and provided WSI approved home health care for the decedent.
- Required the WSI Board to make formal recommendations to the Governor regarding premium rates, dividends, investment allocations, and legislation.
- Allowed an injured worker to request a change in medical providers after 30 days instead of 60 days from date of injury.

2011 Session

- Expands eligibility for the scholarship program to include spouses and children of the catastrophically injured and to include those who have successfully completed a retraining program.
- Increases the annual cap that the organization can award in scholarships from $300,000 to $500,000.
- Increases the maximum scholarship amount payable per applicant from $4,000 per year to $10,000 per year.

- Expands eligibility for the educational revolving loan fund to include spouses and children of the catastrophically injured and to include spouses and children of those deemed permanently and totally disabled.
- Allows for the establishment of a vocational rehabilitation grant program to provide grants to organizations assisting injured workers with skill upgrades and educational opportunities.
- Limits total grant awards to no more than $100,000 per year.
- Provides up to two years of benefits for those workers injured within two years of their presumed retirement date.
- Reduces the threshold for percentage of whole body impairment to qualify for a Permanent Partial Impairment (PPI) award from 16% to 14%.
- Increases permanent partial impairment awards (multipliers) within the 14% through 25% impairment levels.
- Increases PPI benefit rate from 33.33% to 35% of State's Average Weekly Wage (SAWW).
- Requires the independent performance evaluation conducted by workers' compensation industry experts to be conducted every four years rather than every two years.
- Provides for background checks for certain, potential WSI employees and contractors who may have access to confidential information.
- Increases the maximum amount payable for real estate modifications from $50,000 to $75,000.

2013 Session

- Allows WSI to consider federal wages when determining the average weekly wage of a National Guard member injured while serving on state active duty.
- Enables WSI to consider non-covered wages received post-injury by an injured worker when WSI is determining vocational rehabilitation options or entitlement to disability benefits.
- Allows WSI to recoup any benefits paid should a person seeking benefits because of the death of an employee receive benefits from another state for the same injury.
- Provides for a discontinuation of benefits for those incarcerated in excess of 180 consecutive days and a suspension of benefits for those incarcerated between 3 and 180 days.
- Provides for the advance collection of premiums from accounts with a higher risk of default.
- Increases penalties for noncomplying employers.
- Provides for the recovery of delinquent premiums, penalties, and interest from compensation payments in the event the injured worker was also the employer in default.
- Clarifies the determination of benefits and premiums for emergency volunteer health practitioners.
- Increases the maximum amount payable for vehicles and vehicle adaptation expenses from $100,000 to $150,000.

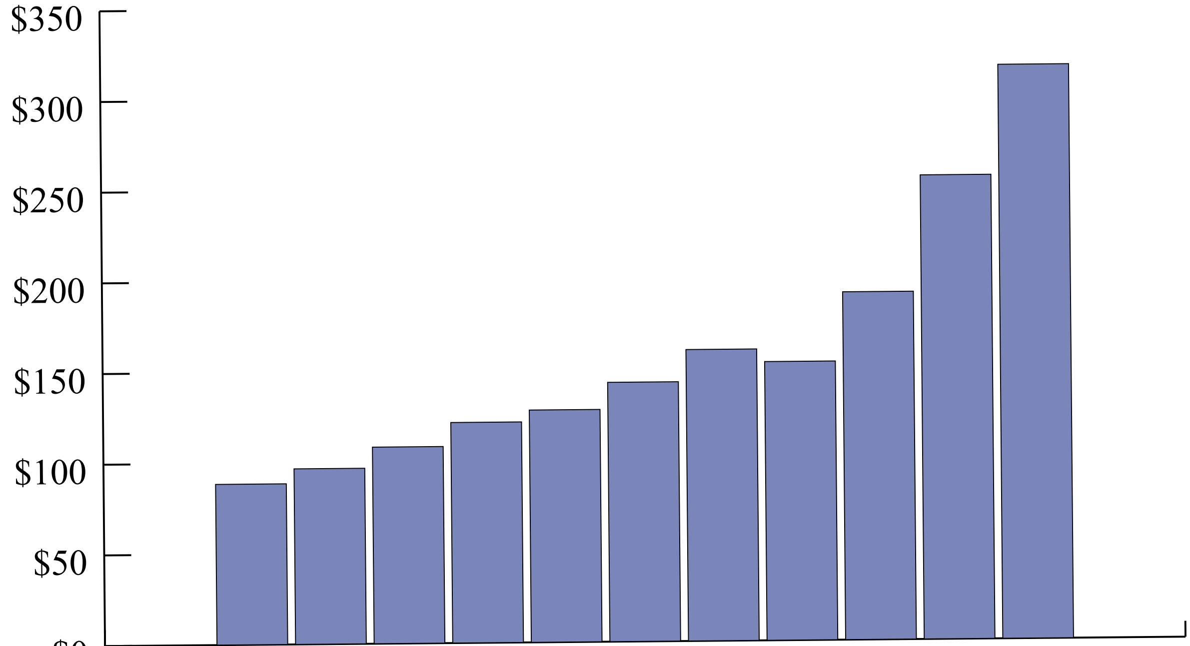
North Dakota Workers Compensation Premiums
Example of Low (Clerical) & High (Iron or Steel Construction)

Maximum Per Employee Charge

Year	Clerical	Iron or Steel Construction
2004	62.90	3,984.90
2005	75.66	4,386.34
2006	89.32	4,624.34
2007	95.85	4,076.82
2008	112.71	3,940.43
2009	111.39	3,455.46
2010	116.09	3,131.96
2011	117.30	2,700.45
2012	128.34	2,603.07
2013	130.38	2,404.80
2014	124.32	2,543.52

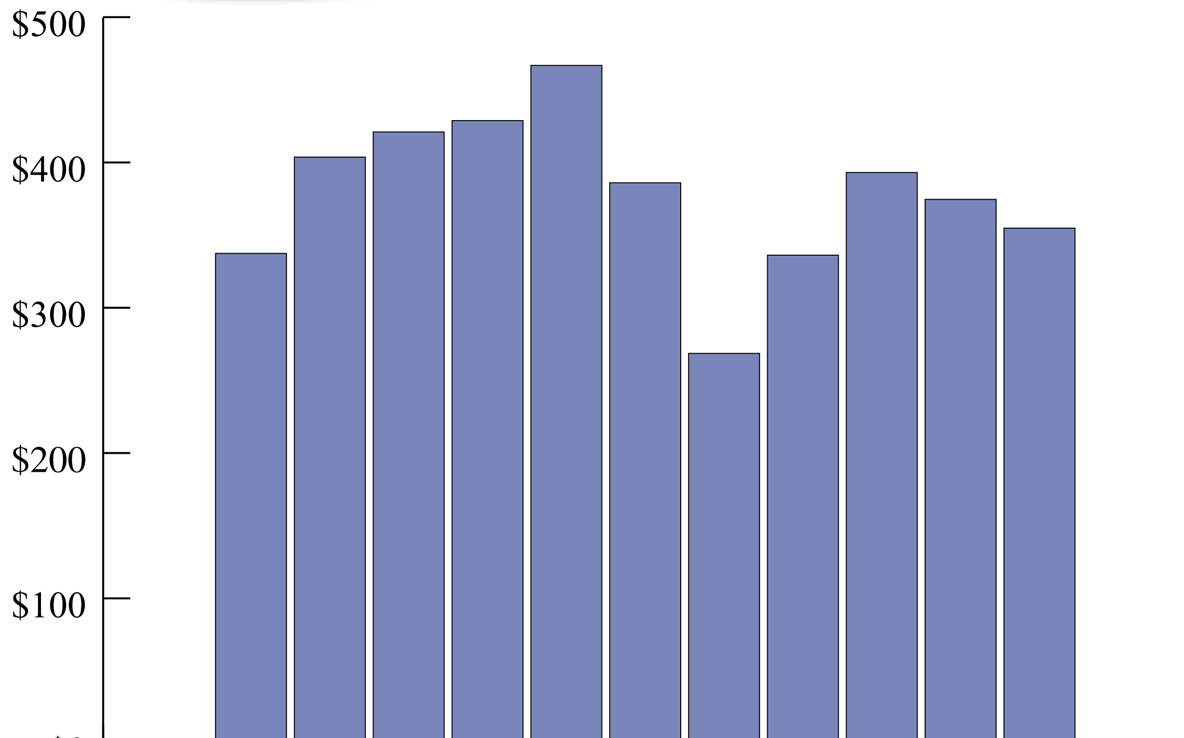
SOURCE: Workforce Safety & Insurance.

Earned Premium
Workforce Safety & Insurance



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	$88.6	$96.8	$108.4	$121.6	$128.1	$143	$160.7	$153.7	$191.8	$255.9	$316.5

Workforce Safety & Insurance Fund Surplus



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	$337.4	$403.7	$421.0	$428.8	$466.8	$386.0	$265.5	$336.2	$191.8	$374.6	$354.8

SOURCE: Workforce Safety & Insurance

Workers' Compensation Premium Rate Per $100 of Payroll

Rank	State	Index Rate
1	California	3.48%
2	Connecticut	2.87%
3	New Jersey	2.82%
4	New York	2.75%
5	Alaska	2.68%
6	Oklahoma	2.55%
7	Illinois	2.35%
8	Vermont	2.33%
9	Delaware	2.31%
10	Louisiana	2.23%
11	Montana	2.21%
12	New Hampshire	2.18%
13	Maine	2.15%
14	Idaho	2.01%
17	Washington	2.00%
17	South Carolina	2.00%
17	Pennsylvania	2.00%
20	New Mexico	1.99%
20	Rhode Island	1.99%
20	Minnesota	1.99%
21	Missouri	1.98%
22	Tennessee	1.95%
23	Wisconsin	1.92%
24	Iowa	1.88%
25	South Dakota	1.86%
27	Hawaii	1.85%
27	North Carolina	1.85%
28	Florida	1.82%
29	Alabama	1.81%
30	Nebraska	1.78%
31	Wyoming	1.76%
32	Georgia	1.75%
33	Ohio	1.74%
34	Michigan	1.68%
35	Maryland	1.64%
36	Texas	1.61%
37	Arizona	1.60%
38	Mississippi	1.59%
39	Kansas	1.55%
40	Kentucky	1.51%
41	Colorado	1.50%
43	West Virginia	1.37%
43	Oregon	1.37%
45	Utah	1.31%
45	District of Columbia	1.31%
46	Nevada	1.26%
48	Massachusetts	1.17%
48	Virginia	1.17%
49	Arkansas	1.08%
50	Indiana	1.06%
51	**North Dakota**	**0.88%**

Notes: When two or more states' index rate values are the same, they are assigned the same ranking. Index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state, and actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. Nevada's index rate dropped significantly since the 2010 study, due in part to inclusion of a payroll cap adjustment in 2014.

SOURCE: Research and Analysis Section, Oregon Department of Consumer & Business Services 2014.

NDTax

NORTH DAKOTA

Fair, efficient tax administration for North Dakota

Office of State Tax Commissioner

600 East Boulevard Avenue, Dept. 127

Bismarck, ND 58505

701.328.7088

taxinfo@nd.gov

www.nd.gov/tax