



NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER GUIDELINE - PROPERTY TAX: PROPERTY NOT ASSESSED BY LOCAL ASSESSORS

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MAY 2017

CENTRALLY ASSESSED PROPERTY

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

- a. The state board of equalization assesses all real and personal property used in the operation and conduct of business as of January 1. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as personal property.
- b. An electric generation distribution or transmission company that is taxable under ch. 57-06 may file an irrevocable election to be taxed under ch. 57-33.2. (See no. 7, Electric Generation, Distribution, and Transmission Taxes.)
- c. A transmission line of 230 kilovolts or larger and its associated transmission substations initially placed in service or substantially expanded on or after October 1, 2002, are exempt for the first year. Taxable value is reduced by 75 percent for the second year, 50 percent for the third year, and 25 percent for the fourth year. After the fourth year, the transmission line and associated substations are exempt from property tax and are subject to a tax of \$300 per mile allocated to the counties' general funds.
- d. A centrally assessed wind turbine electric generation unit with a nameplate capacity of 100 kilowatts or more, on which construction is completed before January 1, 2015, must be valued at 3 percent of assessed value to determine taxable valuation of the property. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is completed after April 30, 2005, and before July 1, 2006, must be valued at 1½ percent of assessed value to determine taxable valuation. This reduced valuation applies for the duration of the initial purchased power agreement for that generation unit. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, on which construction is completed after June 30, 2006, and before January 1, 2015, must be valued at 1½ percent of assessed value to determine taxable valuation of the property. For a company that has elected to be taxed under N.D.C.C. ch. 57-33.2, Electric Generation Distribution, and Transmission Taxes, see No. 7f.
- * e. A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, that completes construction after December 31, 2014, or is twenty years or more from the date of first assessment, is subject to taxes in lieu of property taxes, to be determined as provided in subsection 1 of section 57-33.2-04 and is subject to any associated administrative provisions of ch. 57-33.2.

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2. Pipeline Companies

N.D.C.C. ch. 57-06

- a. The state board of equalization assesses all real and personal property used in the operation and conduct of business as of January 1. All pipelines for the purpose of transporting crude oil, natural gas, processed gas, manufactured gas, refined petroleum products or coal and related products for public use are centrally assessed.
- b. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as personal property.

3. Carbon Dioxide Pipelines

N.D.C.C. §§ 57-06-17.1 and 57-06-17.2

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

4. North Dakota Pipeline Authority

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

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

5. Air Transportation Companies

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

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

6. Railroads

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

- a. The state board of equalization assesses all real property used in the operation of a railroad.
- b. The tax commissioner certifies the valuations to the county auditors for taxation at the same rate and in the same manner as other real property.
- c. Personal property used in the operation of a railroad is not assessable.
- d. All railroad real property leased to others for a term of years is subject to local assessment and valuation as if the lessee were the owner. (N.D.C.C. § 57-02-26)
- e. Documents and information concerning Class II and Class III railroads must be kept confidential by the Office of State Tax Commissioner.

IN LIEU TAXES

7. Electric Generation, Distribution, and Transmission Taxes

N.D.C.C. ch. 57-33.2

- a. "Company" means an individual, partnership, corporation, limited liability company, limited liability partnership, cooperative, or any other organization or association engaged in generation, distribution, or transmission of electricity.
- b. A company subject to taxation under N.D.C.C. ch. 57-06 is not a "company" for purposes of this chapter unless it files an irrevocable election with the tax commissioner to be treated as a company under this chapter. Property owned by a company that is otherwise taxable under ch. 57-06 which files an election under this chapter is exempt from taxation under ch. 57-06.
- c. Land or lots owned and leased sites used by a company taxed under this chapter are subject to local assessment.
- d. Any company property which is not used in connection with electric generation, distribution, or transmission and which, under N.D.C.C. § 57-02-04, is considered real property, e.g., part of a building leased to others, is subject to local assessment.
- * e. A distribution company is subject to a tax of \$.80 per megawatt hour for retail sale of electricity to a consumer in North Dakota during the calendar year. Revenue from the distribution company tax is allocated to counties and other taxing districts based on the location of retail sales and the mileage of distribution lines located within each taxing district.
- f. A wind turbine electric generation unit with a nameplate capacity of 100 kilovolts or more, which is connected to a transmission or distribution system and owned by a company subject to taxation under this chapter is subject to a tax of \$2.50 per kilovolt times the rated capacity of the wind generator plus a tax of one-half of one mill per kilowatt-hour of electricity generated by the wind generator during the taxable period. Revenue from the generation tax is allocated to the county and taxing districts in which the wind farm is located. The kilowatt-hour tax is allocated according to the proportionate share of wind generation capacity within each county or other taxing district.

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- g. Grid-connected generators owned by a company subject to taxation under this chapter that are part of a project with generation capacity of 100 kilowatts or more not produced from coal or wind, or produced from coal and not subject to coal conversion taxes, are subject to a tax of \$.50 per kilowatt times the rated capacity of the generation unit plus one mill per kilowatt-hour of electricity generated by the production unit during the taxable period. Revenue from generation taxes is allocated to the county and taxing districts in which the generator is located.

***8. Transmission Lines**

- a. Transmission lines which operate at 41.6 kilovolts or more and are owned by companies that are required or have elected to be taxed under N.D.C.C. ch. 57-33.2 are subject to a graduated per-mile tax from \$50 to \$600 per year based on their nominal operating voltages.
- b. A transmission line initially placed in service after January 1, 2009 and before December 31, 2013, is exempt for the first taxable year. The taxes are reduced by 75 percent for the second taxable year, 50 percent for the third taxable year, and 25 percent for the fourth taxable year. After the fourth taxable year, such transmission lines are subject to the standard transmission line taxes.
- c. A transmission line of 230 kilovolts or larger initially placed in service after January 1, 2009 is subject to a tax of \$300 per mile or fraction of a mile. A transmission line subject to tax under this subsection is exempt for the first taxable year. The taxes are reduced by 75 percent for the second taxable year, 50 percent for the third taxable year, and 25 percent for the fourth taxable year. After the fourth taxable year, such transmission lines are subject to the standard transmission line taxes.
- d. Transmission line taxes are allocated among the counties and political subdivisions where the lines are located.

9. North Dakota Transmission Authority

N.D.C.C. ch. 17-05

- a. Transmission facilities built under the provisions of N.D.C.C. ch. 17-05, North Dakota transmission authority, are exempt from property taxes for a period to be determined by the authority not to exceed five years.
- b. After the initial period, transmission facilities and associated transmission substations remain exempt from property taxes but are subject to a per mile tax at the full per mile rate and subject to the same manner of imposition and allocation as the per mile tax imposed by section 57-33.2-02 without application of the discounts provided in that section. See No. 8.

10. Coal Conversion Facilities

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

- a. Coal conversion facilities include coal-fired electrical generating plants with at least one single electrical generation unit with a capacity of 10,000 kilowatts or more, coal gasification plants which use or are designed to use over 500,000 tons of coal per year, other plants which use or are designed to use over 500,000 tons of coal per year, coal beneficiation plants, and gas-fired electrical generating facilities which generate electrical power through consumption of gas produced by the conversion of coal from its natural form into gas and have a capacity of 10,000 kilowatts or more.
- b. The coal conversion facility privilege tax is in lieu of all ad valorem taxes except for taxes on the land on which the facility is located.

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- c. The land on which a coal conversion facility is located is subject to assessment by the state board of equalization if it is owned by a company taxable under N.D.C.C. ch. 57-06. The land is subject to local assessment if it is owned by anyone else.
- d. The tax is allocated to the counties in which the plants are located and the state general fund. The county portion is allocated to the cities, school districts, and the county general fund.
- e. A new coal conversion facility or repowered electrical generating plant is exempt from the state's portion of the coal conversion tax for five years. A county may exempt a new coal conversion facility or repowered electrical generating plant from all or part of the county's portion of the tax for up to five years. "Repowering" means an investment of more than \$200 million or \$1 million per megawatt of installed nameplate capacity, whichever is less, in an existing power plant that modifies or replaces the process used for converting coal from its natural form into electrical power.
- f. A coal conversion facility that achieves a 20 percent capture of carbon dioxide emissions during a taxable period after December 31, 2009, is entitled to a 20 percent reduction in the state general fund share of the tax imposed under section 57-60-02 during that taxable period. The facility is entitled to an additional reduction of 1 percent for every additional 2 percentage points of its capture of carbon dioxide emissions, to a maximum of 50 percent reduction for 80 percent or more capture of carbon dioxide emissions. A company may receive the reduction in coal conversion tax for ten years from the date of first capture of carbon dioxide emission or for ten years from the date the coal conversion facility is eligible to receive the credit. The operator of a coal conversion facility that receives a credit shall report annually to the legislative council.

11. Telecommunications Carriers

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

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

* Indicates significant change since last revised.

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