North Dakota Tax Incentives

For Business

OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Tax Commissioner

A Message from Tax Commissioner Cory Fong

Tax Commissioner Cory Fong

Greetings!

Thank you for your interest in doing business in North Dakota. I know you will find this is a great state in which to live and do business. In addition to a tax climate that encourages growth and opportunity, it is a well known fact that North Dakota offers one of the nation's best educated and most reliable workforces.

Whether you are looking for traditional tax incentives or innovative opportunities like the Renaissance Zones, you will find North Dakota has a lot to offer. This brochure will help you learn more about these opportunities and discover which incentives are best suited for you and your business.

If you are already doing business in North Dakota or are new to the state, you will find that our state's tax climate is competitive with any in the nation.

I encourage you to call us with your questions about North Dakota's taxes. We would like the chance to help you any way we can.

Sincerely,

Cory Fong
North Dakota Tax Commissioner

  

Property Tax Exemption

Parameters

Any 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 located on property leased from a government 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

To qualify, a project must be a new or expanded revenue-producing enterprise. All buildings, structures or improvements used in, or necessary to, the operation of the project qualify. The structure might be the project's buildings or the project's quarters within a larger building. Land does not qualify for an exemption.

A project is not eligible for an exemption if:

- a tax exemption was received under tax increment financing, or
- 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, or the county commission if the project is located outside city boundaries.
- The application for exemption must be made and approved before construction of a new structure begins. If an existing structure will be occupied, application must be made and approved before the structure is occupied.
- Payments in lieu of taxes may be approved after construction or occupancy of a structure.
- Nonvoting representation of affected school districts and townships must be included in the negotiation and deliberation of granting a property tax exemption or payment in lieu of taxes for new or expanding businesses.
- The project operator must publish two notices in the official newspaper of the city or county at least one week apart if the appropriate governing body determines there are local competitors. The last notice must be published at least 15 days, but not more than 30 days, before the application is considered.
- A public hearing on the application must be held. After the public hearing, the appropriate governing body acts on the application.

[Reference: North Dakota Century Code ch. 40-57.1]



Payment In Lieu of Property Tax

Coal Conversion Facilities

The coal conversion facilities privilege tax is imposed monthly on electrical generating plants that have at least one generating unit with a capacity of 10,000 kilowatts or more, other coal conversion facilities that consume 500,000 tons or more of coal per year, and coal beneficiation plants. It is in lieu of property taxes on the plant itself, but the land on which the plant is located remains subject to property tax.

Electrical generating plants are subject to a tax of .65 mill times 60% of the installed capacity of the unit times the number of hours in the taxable period, plus a separate tax of .25 mill on each kilowatt hour of electricity produced for the purpose of sale. A new or repowered electrical generating plant is exempt from the state’s share of the tax for the first five years of operation, and the board of county commissioners of the county in which the plant is located may exempt the plant from all or part of the county’s share for up to five years.

All coal conversion facilities other than electrical generating plants are exempt from 85% of the tax for the first five years of operation. The board of commissioners of the county in which the plant is located may exempt the plant from all or part of the remaining 15% for up to five years.



For coal gasification plants, the tax is the greater of 4.1% of gross receipts or 13½ cents on each 1,000 cubic feet of synthetic natural gas produced for the purpose of sale, but not including any amount of synthetic natural gas in excess of 110 million cubic feet per day.

For coal beneficiation plants, the tax is 20 cents on each ton of beneficiated coal produced for the purpose of sale, or 1¼% of gross receipts, whichever is greater.

For all other coal conversion facilities, the tax is 4½% of gross receipts.

Personal Property Tax Exemption

North Dakota exempts all personal property from property taxation *except* that of certain oil and gas refineries and utilities.

[Reference: N.D.C.C. §§ 57-02-04 and 57-02-08]

Property Tax Reduction

Wind Turbine Electric Generation

The taxable value of a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more on which construction is completed before January 1, 2011, is calculated at 3% of assessed value instead of 10% (which applies to other property). A centrally assessed wind turbine electric generation unit is a unit that produces electric power for public use.



The taxable value of 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 calculated at 1½% of assessed value. The reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, on which construction is completed after June 30, 2006, and before January 1, 2011, must be valued at 1½% of assessed value to determine taxable valuation of the property.

Oil Tax Incentives

North Dakota offers oil tax incentives, many of which are currently unavailable because oil prices exceed the statutory level at which the incentives apply. For details about these, contact the Office of State Tax Commissioner at 701.328.2770.



Sales Tax Exemptions

Agricultural Commodity Processing Plant Construction Materials

Construction materials used to construct an agricultural commodity processing facility are exempt from sales and use taxes.

[Reference: N.D.C.C. § 57-39.2-04.4]

Computer and Telecommunications Equipment

For primary sector businesses other than manufacturers and recyclers, a sales and use tax exemption is allowed for purchases of computer and telecommunications equipment. To qualify for exemption, the equipment must be an integral part of a new primary sector business or create an economic expansion of an existing business, and the primary sector business must be certified by the Department of Commerce Division of Economic Development and Finance. The exemption does not extend to the purchase of replacement equipment.

[Reference: N.D.C.C. § 57-39.2-04.3]

Electrical Generating Facilities--Coal-Powered

A sales and use tax exemption may be granted for purchasing building materials, production equipment and other tangible personal property used in the construction of coal-powered electrical generating facilities. To qualify, the facility must convert coal from its



natural form into electrical power and have at least one single electrical generation unit with a capacity of 50,000 kilowatts or more.

[Reference: N.D.C.C. §§ 57-39.2-04.2 and 57-40.2-04.2]

Electrical Generating Facilities--Wind-Powered

A sales and use tax exemption is allowed for purchasing building materials, production equipment, and other tangible personal property used in the construction of wind-powered electrical generating facilities between July 2001 and January 2011. To be eligible, a facility must have at least one single electrical energy generation unit with a nameplate capacity of 100 kilowatts or more.

[Reference: N.D.C.C. §§ 57-39.2-04.2 and 57-40.2-04.2]

Electrical Generating Facilities--Other

A sales and use tax exemption may be granted for purchasing building materials, production equipment and other tangible personal property used in the construction of an electrical generating facility other than a coal- or wind-powered facility. To qualify, the facility must produce electricity for resale or for consumption in a business activity and have at least one single electrical generation unit with a capacity of 100 kilowatts or more.

[Reference: N.D.C.C. §§ 57-39.2-04.2 and 57-40.2-04.2]



Gas Processing Facilities

A sales and use tax exemption may be granted for purchasing building materials, equipment, and other tangible personal property used in the expansion or construction of a gas processing facility. Also, tangible personal property used in compressing, processing, or gathering of gas recovered from a gas well may qualify for an exemption. In addition, purchases of machinery, equipment, and related facilities for environmental upgrades that exceed $100,000 and that reduce emissions, increase efficiency, or enhance reliability of equipment may also qualify for an exemption.

[Reference: N.D.C.C. §§ 57-39.2-04.2 and 57-39.2-04.5]

Manufacturing Equipment

A new or expanding plant may exempt machinery or equipment from sales and use taxes if it is:

- used primarily for manufacturing or agricultural processing, or
- used solely for recycling.

The expansion must increase production volume, employment, or the types of products that can be manufactured or processed.

[Reference: N.D.C.C. § 57-39.2-04.3]

Oil Refineries

A sales and use tax exemption may be granted for building materials, equipment, and other tangible personal property used to expand or



construct an oil refinery in North Dakota. To qualify, the facility must have a nameplate capacity of processing at least 5,000 barrels of oil per day. In addition, purchases for environmental upgrades that exceed $100,000 and that reduce emissions, increase efficiency, or enhance reliability of equipment may also qualify for an exemption.

[Reference: N.D.C.C. §§ 57-39.2-04.2 and 57-39.2-04.6]

Sales Tax Exemption Approval Process

For the preceding sales tax exemptions, *prior* approval must be obtained from the State Tax Commissioner to qualify for the exemption at the time of purchase. If prior approval is not received, the purchaser must pay the tax and the project owner may apply for a refund of the tax paid on any property ultimately approved for exemption.

Contractors that purchase and install or consume tangible personal property eligible for exemption are required to pay sales or use tax on all property used in an exempt project unless the project owner provides an exemption letter issued by the Tax Commissioner stating that contractors are not liable for sales or use tax. Project owners may apply for a refund of tax paid by contractors on property qualifying for exemption.

[Reference: N.D.C.C. §§ 57-39.2-04.2, 57-39.2-04.3, and 57-40.2-04.2]



Biodiesel Equipment

The sale of equipment not installed by the seller to a facility licensed under N.D.C.C. § 57-43.2-05 to enable the facility to sell diesel fuel containing at least 2% biodiesel fuel by volume is exempt from sales tax.

[Reference: N.D.C.C. § 57-39.2-04(51)]

Carbon Dioxide for Enhanced Oil and Gas Recovery

The sale of carbon dioxide to be used for enhanced recovery of oil or natural gas is exempt from sales and use tax.

[Reference: N.D.C.C. §§ 57-39.2-04(49), and 57-40.2-04(24)]

Hydrogen Generation Facility

Sales of hydrogen used to power an internal combustion engine or fuel cell are exempt from sales tax. Equipment used directly and exclusively in the production and storage of this hydrogen by a hydrogen generation facility is also exempt from sales tax.

[Reference: N.D.C.C. § 57-39.2-04(50)]

Income Tax Exemption

Qualifications

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 new wealth in North Dakota. "Tourism" refers to a tourism-related business that is a destination attraction.



Eligibility is limited to a new business or to an existing business that expands its operations in North Dakota.

A business is not eligible for the 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 business, or
- the exemption fosters unfair competition or endangers existing business.

Application Procedures

- The business must apply to the State Board of Equalization, c/o State Tax Commissioner.
- The application must be filed no later than one year after the commencement of operations within the new business or expansion.
- The Department of Commerce Division of Economic Development and Finance reviews the application for primary sector or tourism eligibility.
- The business must provide notice to competitors as prescribed by the State Board.
- At a public meeting, the State Board considers the application and any testimony, and grants or denies the exemption.

[Reference: N.D.C.C. ch. 40-57.1]



Income Tax Incentives

Agricultural Commodity Processing Facility Investment Tax Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for investing in an agricultural commodity processing facility in North Dakota certified by the Department of Commerce Division of Economic Development and Finance.

An agricultural commodity processing facility includes a livestock feeding, handling, milking, or holding operation that uses as part of its operation a by-product produced at a biofuels production facility. A biofuels production facility is a North Dakota business that produces diesel fuel containing at least 5% biodiesel, produces corn-based or cellulose-based ethanol, or crushes soybeans or canola.

For purposes of this credit, an investment may consist of (1) a direct cash payment, (2) a transfer of a fee simple interest in North Dakota real property, or (3) a direct transfer of cash from a retirement plan in which the taxpayer is a participant and the taxpayer controls where the plan's assets are invested.

The credit is equal to 30% of the investment. No more than $50,000 of the credit may be used in any year. An unused credit may be carried forward up to ten years. A taxpayer is allowed no more than $250,000 in credits for all years. In the case of a passthrough



entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their respective interests in the entity.

[Reference: N.D.C.C. ch. 57-38.6]

Angel Fund Investment Credit

An individual, estate, trust, or corporation is allowed an income tax credit for investing in an angel fund. The angel fund must be incorporated in North Dakota and be in compliance with North Dakota's securities laws.

The credit is equal to 45% of the investment, up to a maximum credit of $45,000 per year. An investment must be at risk in the angel fund for at least 3 years to be eligible for the credit. An unused credit in the year of investment may be carried forward up to 4 years. A taxpayer claiming this credit may not claim an income tax credit passed through to the taxpayer by the angel fund resulting from the angel fund's investment in a qualified business for purposes of the seed capital or agricultural commodity processing facility investment tax credit programs.

[Reference: N.D.C.C. § 57-38-01.26]

Biodiesel Tax Credits

For tax years beginning after December 31, 2002, a corporation is allowed an income tax credit equal to 10% per year for five years of the direct costs incurred after December 31, 2002, to establish, adapt, or retrofit a facility



to produce or blend at least 2% biodiesel fuel. The credit is first allowed in the year the facility begins producing or blending biodiesel fuel. An unused credit may be carried forward five taxable years. A corporation is limited to a cumulative credit of $250,000 for all taxable years.

[Reference: N.D.C.C. § 57-38-30.6]

For tax years beginning after December 31, 2004, a licensed fuel supplier who blends at least 5% biodiesel fuel is allowed an income tax credit of five cents per gallon of blended fuel. An unused credit may be carried forward five taxable years.

For tax years beginning after December 31, 2004, a seller of biodiesel fuel having at least a 2% blend is allowed an income tax credit equal to 10% per year for five years of the seller's direct costs incurred to adapt or add equipment to their facility to enable them to sell the biodiesel blend. The credit is first allowed in the year the facility begins selling the biodiesel fuel. An unused credit may be carried forward five taxable years. A seller is allowed no more than $50,000 of credits for all years.

For passthrough entities, such as a partnership or S corporation, the biodiesel supplier and seller credits are determined at the entity level and passed through to the entity's owners in proportion to their respective interests in the entity.

[Reference: N.D.C.C. §§ 57-38-01.22 and 57-38-01.23]

  

Biomass, Geothermal, Solar, or Wind Energy Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for installing a biomass, geothermal, solar, or wind energy device in a building or on property owned or leased in North Dakota.

The credit is equal to 3% of the cost of acquisition and installation and is allowed in each of the first five tax years (for a total of 15%) starting with the year in which installation is completed.

For taxable years beginning after December 31, 2004, any credit in excess of the year's tax liability may be carried forward to the five succeeding tax years. For passthrough entities, such as a partnership or S corporation, the credit is determined at the entity level and passed through to the entity's owners in proportion to their interests in the entity. This credit expires on January 1, 2011.

Note: In the case of an individual, estate, or trust, for which there are two methods of calculating an income tax, this credit may or may not be beneficial because it is only allowed under the method found on Form ND-2 (for an individual) or Schedule 2 of Form 38 (for an estate or trust). Comparing the tax result under both methods is the only way to know if the credit will be beneficial.

For tax years beginning after December 31, 2004, the credit allowed to any corporation



included in a consolidated North Dakota corporation return may be used to reduce the aggregate tax liability of all corporations in the return.

For devices installed on or after January 1, 2007, an eligible taxpayer may sell, transfer, or assign an unused credit to another taxpayer if the taxpayer purchasing the credit either (1) purchases electrical power generated by the energy device (as part of the consideration in a power purchase agreement) or (2) constructs or expands electrical transmission lines in North Dakota after August 1, 2007. The total credits that can be sold by all taxpayers during a biennium is $3 million.

For devices installed on or after January 1, 2007, if ownership of an energy device is sold immediately upon completion of installation, and the device is fully operational, the credit transfers to and may be claimed by the purchaser of the device.

[Reference: N.D.C.C. § 57-38-01.8]

Certified Nonprofit Development Corporation Investment Credit

An income tax credit is allowed to an individual, estate, trust, or corporation for buying membership in, paying dues to, or contributing to a certified nonprofit development corporation. The credit is equal to 25% of the qualifying payments, up to a maximum credit of $2,000. The unused credit may be carried forward seven years.

Note: In the case of an individual, estate, or trust, for which there are two methods of



calculating an income tax, this credit may or may not be beneficial because it is only allowed under the method found on Form ND-2 (for an individual) or Schedule 2 of Form 38 (for an estate or trust). Comparing the tax result under both methods is the only way to know if the credit will be beneficial.

[Reference: N.D.C.C. §§ 10-33-124 and 57-38-01.17]

Internship Employment Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for employing an individual under an internship program located in North Dakota. The credit is equal to 10% of the compensation paid to an intern. The compensation paid to up to five interns is eligible for the credit. An employer is allowed a maximum of $3,000 of credits for all taxable years combined.

To be eligible, an intern must be a college student majoring in a field related to the work to be performed and must be supervised and evaluated by the employer, and the internship must qualify for academic credit. Participation in a vocational technical education program meets the college requirement. In the case of a passthrough entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

[Reference: N.D.C.C. § 57-38-01.24]



Microbusiness Investment and Employment Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for new investment and new employment in a microbusiness in North Dakota that creates new income or jobs. A microbusiness is a business with up to 5 employees that is located in a community of 100 to 2,000 people having an active economic development organization, a relationship with a regional or urban economic development organization, or a city sales tax of which part or all is dedicated to economic development. The business may not compete with other established businesses within 15 miles of the business, and may not be located within 15 miles of a city with a population of 2,000 or more. The business must be certified by the Commerce Department's Division of Economic Development and Finance, and no more than 200 businesses may be certified as a microbusiness.

The credit is equal to 20% of the amount of new investment and new employment during the tax year. "New investment" means an increase in the buildings and depreciable personal property (except vehicles registered for road use) acquired through purchase or lease in the current year as compared to the previous year. "New employment" means the increase in compensation paid to North Dakota resident employees in the current year as compared to the previous year. It does not include merit- or equity-based salary increases,



cost of living adjustments, or any increase in compensation unrelated to the hiring of new employees in the current year.

A taxpayer is allowed no more than $10,000 of credits for all years. An unused credit may be carried forward up to 5 years. In the case of a passthrough entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

[Reference: N.D.C.C. § 57-38-01.27]

Research Expense Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for conducting research in North Dakota. The credit is equal to a percentage of the excess of qualified research expenses in North Dakota over the base period research expenses in North Dakota.

"Qualified research expenses" and "base period research expenses" have the same meaning as defined under federal income tax law (I.R.C. § 41). The applicable percentage is equal to 25% on the first $100,000 of excess expenses in a year. For excess expenses over $100,000 in a year, the applicable percentage for tax years 2007 through 2016 is equal to:

- 20%, if qualified research in North Dakota first begins in 2007 through 2010, or
- 7½% for 2007, 11% for 2008, 14½% for 2009, and 18% for 2010 through 2016, if qualified research in North Dakota began before 2007, or



- 8%, if qualified research in North Dakota first begins after 2010.

For tax years after 2016, the applicable percentage of excess expenses over $100,000 in a year is equal to 8% for all taxpayers, regardless of when qualified research first begins. For taxpayers who began qualified research in North Dakota before January 1, 2007, the maximum credit allowed in any year is $2 million, and any credit over this amount is not allowed in any year. In the case of a passthrough entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

For tax years beginning after December 31, 2006, the credit allowed to any corporation included in a consolidated North Dakota corporation return may be used to reduce the aggregate tax liability of all corporations in the return. This does not apply to tax credits received or purchased from other taxpayers.

Subject to certain conditions, a taxpayer may sell, transfer, or assign up to $100,000 of its unused tax credit to another taxpayer if the taxpayer selling the credit is certified by the Department of Commerce Division of Economic Development and Finance to be a primary sector business with annual gross revenues of less than $750,000 that conducts research after December 31, 2006 and has not previously earned or claimed the credit in North Dakota.

[Reference: N.D.C.C. § 57-38-30.5]



Seed Capital Investment Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for investing in a business certified by the Department of Commerce Division of Economic Development and Finance. A real estate investment trust is not eligible for the credit.

In the case of a passthrough entity, such as a partnership or S corporation, or in the case of an angel fund, the credit is passed through to the entity's owners, or the fund's investors, in proportion to their respective interests. For purposes of this credit, an investment may consist of (1) a direct cash payment, or (2) a direct transfer of cash from a retirement plan in which the taxpayer is a participant and the taxpayer controls where the plan's assets are invested. The credit is equal to 45% of the investment. No more than $112,500 of the credit may be used in any year. An unused credit may be carried forward up to four years.

For businesses first certified on or after January 1, 2005, or recertified on or after January 1, 2007, only the first $500,000 of eligible investments in a certified business are eligible for the tax credit. The total amount of tax credits allowed for investments made in all certified businesses in any calendar year is limited to $3.5 million.

[Reference: N.D.C.C. ch. 57-38.5]



Wage and Salary Credit

A corporation doing business in North Dakota for the first time is allowed an income tax credit equal to:

- 1% of wages and salaries paid during the tax year for each of the first three years of operation, and
- ½% of wages and salaries paid during the tax year for the fourth and fifth years.

A corporation qualifies for the credit if it:

- did not receive a property or income tax exemption under N.D.C.C. ch. 40-57.1,
- was not created from a reorganization or acquisition of an existing North Dakota business, and
- is engaged in assembling, fabricating, manufacturing, mixing or processing of an agricultural, mineral or manufactured product.

[Reference: N.D.C.C. § 57-38-30.1]

Workforce Recruitment Credit

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for employing extraordinary recruitment methods to recruit and hire 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 to an employee hired to fill a hard-to-fill employment position, and is allowed in the first year following the year in which the employee completes the



12 consecutive month employment period. An unused credit may be carried forward up to four years. In the case of a passthrough entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

To be eligible for the credit, the employer must pay an annual salary that is at least 125% of North Dakota’s average wage and must have employed all of the following recruitment methods for at least six months to fill a position for which the credit is claimed: (1) Contracted with a professional recruiter for a fee; (2) Advertised in a professional trade journal, magazine, or other publication directed at a particular trade or profession; (3) Provided employment information on a web site for a fee; and (4) Paid a signing bonus, moving expenses, or atypical fringe benefits.

In addition, if an employer claims the credit, an employee hired in a hard-to-fill position is allowed a deduction for a signing bonus, moving expenses, or atypical fringe benefits paid by the employer.

[Reference: N.D.C.C. §§ 57-38-01.2(1), 57-38-01.25, and 57-38-30.3(2)]



Renaissance Zones

Businesses and individuals may qualify for one or more tax incentives for purchasing, leasing, or making improvements to real property located in a North Dakota renaissance zone. A renaissance zone is a designated area within a city that is approved by the Department of Commerce Division of Community Services. The tax incentives consist of a variety of state income and financial institution tax exemptions and credits, and local property tax exemptions.

For more information, contact the local zone authority, the Department of Commerce Division of Community Services, or the Office of State Tax Commissioner.

[Reference: N.D.C.C. ch. 40-63]

Jobs Training Assistance

A program is available that assists a new or expanding primary sector business with training new employees. The cost of the training under the program is paid for in whole or in part with the income tax withheld from the new employees. For more information about this program, contact Job Service North Dakota, PO Box 5507, Bismarck, ND 58506-5507, 701.328.3358.

[Reference: N.D.C.C. ch. 52-02.1]

Want to know more about doing business in North Dakota? Contact the Department of Commerce at:

www.growingnd.com

701.328.5300



Contact Information

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Bismarck ND 58505-0599
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E-mail: taxinfo@nd.gov
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Tax Facts

You'll find plenty of reasons why North Dakota is a great place to do business. Here are just a few:

- *Our low individual income tax rates are competitive with other states that have an income tax. The rates—ranging from 2.1% to 5.54%—are applied to federal taxable income plus or minus certain state adjustments.*
- *Our corporation income tax rates range from 2.6% to 6½% of North Dakota taxable income. The state income is determined using an equally weighted three-factor apportionment formula. Partnerships, S corporations, and LLCs (treated like passthrough entities) do not pay income tax at the entity level; instead, the entity profit or loss is passed through to the entity's owners.*
- *In North Dakota, many items that other states tax are exempt from sales tax. For example, electricity, most professional services, and groceries are not taxed. The cost of doing business is lower in North Dakota.*
- *North Dakota exempts all personal property from taxation (except certain oil and gas refineries and utilities). That means no property tax on items like your office equipment, inventory, accounts receivable, or materials in process.*
- *We have some of the most affordable workers compensation and unemployment insurance tax rates in the nation.*

Office of State Tax Commissioner

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