

**CHAPTER 57-33.2**  
**ELECTRIC GENERATION, DISTRIBUTION, AND TRANSMISSION TAXES**

**57-33.2-01. Definitions.**

As used in this chapter:

1. "Collector system" means all property used or constructed to interconnect individual wind turbines within a wind farm into a common project, including step-up transformers, electrical collection equipment, collector substation transformers, and communication systems.
2. "Commissioner" means the state tax commissioner.
3. "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. A company subject to taxation under chapter 57-06, is not a "company" for purposes of this chapter unless it files an irrevocable election with the commissioner to be treated as a company under this chapter by October 1, 2013, for taxable periods after December 31, 2013; by October 1, 2014, for taxable periods after December 31, 2014; by October 1, 2015, for taxable periods after December 31, 2015; or by October 1, 2016, for taxable periods after December 31, 2016. Property subject to taxation under this chapter which is owned by a company that is otherwise taxable under chapter 57-06 which files an election under this chapter is exempt from taxation under chapter 57-06.
4. "Distribution company" means a company engaged in distribution of electricity for retail sale to consumers in this state through distribution lines. The term does not include a municipal electric utility operated under chapter 40-33 and that utility is not subject to taxes under section 57-33.2-03.
5. "Distribution line" means a line to transmit electricity which operates at a voltage of less than forty-one and six-tenths kilovolts.
6. "Retail sale" means transfer of electricity to the end-use consumer for consideration. The term does not include the sale of electricity to a coal conversion facility that became operational before January 1, 2009, and which is subject to taxation under chapter 57-60.
7. "Transmission company" means a company engaged in transmission of electricity through transmission lines.
8. "Transmission line" means a line to transmit electrical energy which operates at a voltage of forty-one and six-tenths kilovolts or more but does not include a line owned or operated by an agency or instrumentality of the United States government.
9. "Wind farm" means all property used or constructed for the purpose of producing electricity for commercial purposes utilizing the wind as an energy source and with a nameplate capacity of at least two thousand five hundred kilowatts. The term includes the collector system.
10. "Wind generator" means an individual wind turbine with a generation capacity of one hundred kilowatts or more which is connected to a transmission or distribution system.

**57-33.2-02. Transmission line mile tax - Exemption.**

Transmission lines are subject to annual taxes per mile [1.61 kilometers] or fraction of a mile based on their nominal operating voltages on January first of each year, as follows:

1. For transmission lines that operate at a nominal operating voltage of less than fifty kilovolts, a tax of fifty dollars.
2. For transmission lines that operate at a nominal operating voltage of fifty kilovolts or more, but less than one hundred kilovolts, a tax of one hundred dollars.
3. For transmission lines that operate at a nominal operating voltage of one hundred kilovolts or more, but less than two hundred kilovolts, a tax of two hundred dollars.
4. For transmission lines that operate at a nominal operating voltage of two hundred kilovolts or more, but less than three hundred kilovolts, a tax of four hundred dollars.
5. For transmission lines that operate at a nominal operating voltage of three hundred kilovolts or more, a tax of six hundred dollars.

6. A transmission line initially placed in service after January 1, 2009, and before December 31, 2013, is exempt from transmission line taxes under this section for the first taxable year after the line is initially placed in service, and transmission line taxes under this section must be reduced by:
  - a. Seventy-five percent for the second taxable year of operation of the transmission line.
  - b. Fifty percent for the third taxable year of operation of the transmission line.
  - c. Twenty-five percent for the fourth taxable year of operation of the transmission line.
  - d. After the fourth taxable year of operation, such transmission lines are subject to the standard transmission line taxes under this section.
7. A transmission line of two hundred thirty kilovolts or larger initially placed in service after January 1, 2009, is subject to a tax at the rate of three hundred dollars per mile [1.61 kilometers] or fraction of a mile. A transmission line subject to tax under this subsection is exempt for the first taxable year after the line is initially placed in service, and transmission line taxes under this subsection must be reduced by:
  - a. Seventy-five percent for the second taxable year of operation of the transmission line.
  - b. Fifty percent for the third taxable year of operation of the transmission line.
  - c. Twenty-five percent for the fourth taxable year of operation of the transmission line.
  - d. After the fourth taxable year of operation, such transmission lines are subject to the standard transmission line taxes under this subsection.
8. For purposes of this section, "initially placed in service" includes both new construction and substantial expansion of the carrying capacity of a pre-existing line, and "substantial expansion" means an increase in carrying capacity of fifty percent or more.

**57-33.2-03. Distribution taxes.**

A distribution company is subject to a tax at the rate of eighty cents per megawatt-hour for retail sale of electricity delivered to a consumer in this state during the calendar year. Distribution taxes under this section do not apply to the sale of electricity to any coal conversion facility that became operational before January 1, 2009, and which is subject to taxation under chapter 57-60.

**57-33.2-04. Wind generation taxation - Taxation of generation from sources other than coal - Taxation of coal generation not subject to coal conversion taxes.**

Wind generators, including wind farms and associated collector systems, generators of electricity from sources other than coal owned by a company subject to taxation under this chapter, and generators of electricity from coal which are not subject to coal conversion taxes under chapter 57-60 are subject to taxes under this section.

1. Wind generators, wind farms, and associated collector systems are subject to taxes consisting of the following two components:
  - a. A tax of two dollars and fifty cents per kilowatt times the rated capacity of the wind generator.
  - b. A tax of one-half of one mill per kilowatt-hour of electricity generated by the wind generator during the taxable period.
2. Grid-connected generators that are part of a project with generation capacity of one hundred kilowatts or more not produced from coal or wind, or produced from coal and not subject to coal conversion taxes under chapter 57-60, are subject to taxes consisting of the following two components:
  - a. Fifty cents per kilowatt times the rated capacity of the generation unit.
  - b. One mill per kilowatt-hour of electricity generated by the production unit during the taxable period.

**57-33.2-05. Taxes in lieu of property taxes.**

Taxes imposed by the state board of equalization under this chapter are taxes upon the privilege of doing business in this state and are in lieu of all real or personal property taxes levied by the state or any of its political subdivisions upon real or personal property to the extent the property is 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. Taxes under this chapter are not in lieu of property taxes on the following:

1. Property taxes on land on which generation, transmission, or distribution buildings, structures, or improvements are located, including buildings, structures, or improvements used for administrative purposes relating to generation, transmission, or distribution of electricity.
2. City franchise fees on public utilities.

This chapter does not abridge the power of a governing board of a city to franchise the construction and operation of a public utility.

**57-33.2-06. Maps - Transmission and distribution line and electric generation property location reports to county auditors.**

1. By February first of each year, the county auditor shall provide each company subject to taxation under this chapter an accurate map of the county showing the boundaries of each taxing district in the county.
2. By April fifteenth of each year, each company subject to taxation under this chapter shall file, with the county auditor of each county in which any of its electric generation, transmission, or distribution line property is located the following information:
  - a. Each transmission or distribution company shall file a report showing the length and nominal operating voltage of its transmission and distribution line within the county and within each taxing district within the county. Reports under this subsection must be based upon nominal operating voltage, ownership, and location of transmission and distribution lines as of January first of each year. Reports under this subsection must be prepared to distinguish transmission lines from distribution lines.
  - b. Each electric generation company shall file a report containing a copy of the information required in subsection 3 of section 57-33.2-07 and the location and rated capacity of each wind generator or grid-connected generator within the county and each taxing district in the county. Reports under this subsection must be based upon the rated capacity, ownership, and location as of January first of each year.

**57-33.2-06.1. Verification by county auditor of reports.**

By June thirtieth of each year, the county auditor shall verify to the tax commissioner, in the manner and detail prescribed by the tax commissioner, the accuracy of the information filed with the county auditor under subsection 2 of section 57-33.2-06.

**57-33.2-07. Filing of reports with tax commissioner.**

By June first of each year, each wind farm, wind generator, and generator of electricity from sources other than coal subject to the coal conversion tax and each transmission company, distribution company, and each company that is both a transmission company and a distribution company shall file with the tax commissioner, in a manner prescribed by the tax commissioner, a report containing the information required by the tax commissioner. The report must include a notice of a company's right to appeal its assessment to the state board of equalization before or at the July meeting of the state board of equalization. Required information includes:

1.
  - a. The company name.
  - b. Whether the company is an individual, partnership, association, cooperative, corporation, limited liability company, or other legal entity and the state or country

- and date of original organization and any reorganization, consolidation, or merger with references to specific laws authorizing those actions.
- c. The location of its principal office.
  - d. The place where the company's books, papers, and accounts are kept.
  - e. The name and mailing address of the president, secretary, treasurer, auditor, general manager, and all other general officers.
  - f. The name and mailing address of the chief officer or managing agent and any general officers of the company who reside in this state.
2. A copy of each report filed with any county auditor under section 57-33.2-06.
  3. A report on the megawatt-hours of electricity produced by wind generators and generators of electricity from sources other than coal in each county in the state and a map showing the location of each generator and its rated capacity, and all components of the collector system, if any.
  4. A report on the megawatt-hours of electricity delivered for retail sale to consumers in each taxing district in each county during the most recently completed calendar year.

**57-33.2-08. Delinquent taxes - Penalty.**

Taxes under this chapter are due January first for the preceding taxable year and are delinquent if not received by the commissioner by March first following the due date. If any amount of tax imposed by this chapter is not paid on or before March first, or if upon an additional audit an additional tax is found to be due, there must be added to the tax due a penalty at the rate of one percent of the tax due for each month or fraction of a month during the first year during which the tax remains unpaid, computed from March first. From and after January first of the year following the year in which the taxes become due and payable, simple interest at the rate of twelve percent per annum upon the principal of the unpaid taxes must be charged until the taxes and penalties are paid, with the interest charges to be prorated to the nearest full month for a fractional year of delinquency.

**57-33.2-09. Taxes paid on worthless accounts.**

Distribution taxes paid from retail sales to accounts found to be worthless and charged off in accordance with generally accepted accounting principles may be credited against subsequent payment of taxes under section 57-33.2-03. If accounts that have been claimed as a credit under this section are later collected, a tax under section 57-33.2-03 must be paid on the amount collected.

**57-33.2-10. Powers of commissioner.**

The commissioner may require any company subject to taxes imposed by this chapter to furnish any information the commissioner determines necessary to compute correctly the amount of the tax under this chapter. The commissioner may examine the books, records, and files of a company. The commissioner may conduct hearings and compel the attendance of witnesses and the production of books, records, and papers of any company or person and may make any investigation deemed necessary to obtain a full and complete disclosure of facts necessary to administer the tax under this chapter.

**57-33.2-11. Commissioner to audit reports and state board of equalization to assess tax.**

The commissioner may audit reports of distribution companies and transmission companies not later than three years after the due date of the report, or three years after the report was filed, whichever period expires later. The state board of equalization shall assess the tax and, if any additional tax is found due, the commissioner shall notify the taxpayer in detail as to the reason for the increase.

**57-33.2-12. Deficiency, protest, and appeal.**

1. When the amount of taxes due is understated on a return because of a mathematical or clerical error, the commissioner shall notify the company of the error and the

amount of additional taxes due. This notice is not a notice of deficiency and the company has no right to protest.

2. If upon an audit the commissioner finds additional taxes due, the commissioner shall notify the company and the state board of equalization of the deficiency in the tax amount. A notice of deficiency must be sent to the company by first-class mail and must state the amount of additional taxes due and set forth the reasons for the increase.
3. A company has thirty days from the date of mailing of the notice of deficiency to file a written protest with the state board of equalization objecting to the assessment of additional taxes due. The protest must set forth the basis for the protest and any other information that may be required by the state board of equalization. If a company fails to file a written protest within the time provided, the amount of additional taxes stated in the notice of deficiency becomes finally and irrevocably fixed. If a company protests only a portion of the commissioner's finding, the portion that is not protested becomes finally and irrevocably fixed.
4. If a protest is filed, the state board of equalization shall reconsider the assessment of additional taxes due.
5. Within six months after the protest is filed, the state board of equalization shall mail to the company a notice of reconsideration and assessment which must respond to the company's protest and assess the amount of any additional taxes due. The amount set forth in that notice becomes finally and irrevocably fixed unless the company brings an action against the state in district court within six months of the mailing of the notice of reconsideration and assessment.

**57-33.2-13. Claims for credit or refund.**

1. A company may file a claim for credit or refund of an overpayment of any tax imposed by this chapter within six months after the due date of the return or within six months after the return was filed, whichever period expires later.
2. A claim for credit or refund must be made by filing with the commissioner an amended return, or other report as prescribed by the commissioner, accompanied by a statement outlining the specific grounds upon which the claim for credit or refund is based.
3. The commissioner shall notify the company if the state board of equalization disallows all or part of a claim for credit or refund. The decision of the state board of equalization denying a claim for credit or refund is final and irrevocable unless the company brings an action against the state in district court within six months of the mailing of the notice denying the claim for credit or refund.

**57-33.2-14. Preservation of records.**

Every company required to make a return and pay any taxes under this chapter shall preserve records of retail sales as the commissioner may require. Every company shall preserve for a period of three years and three months all invoices and other records of electricity delivered to a consumer in this state. All of these books, invoices, and other records must be open to examination at any time by the commissioner or any duly authorized agent of the commissioner.

**57-33.2-15. Lien for tax.**

The tax under this chapter constitutes a first and paramount lien in favor of the state of North Dakota upon all property and rights to property, whether real or personal, belonging to the taxpayer. The lien is subject to collection, indexing, and other action in the manner provided in section 57-39.2-13 for sales tax liens.

**57-33.2-16. Corporate officer and limited liability company governor or manager liability.**

If a corporation or limited liability company taxable under this chapter fails for any reason to file the required returns or pay the tax due, any of its officers, governors, or managers having control or supervision of, or charged with the responsibility for making, the returns and payments, are personally liable for the failure. The dissolution of a corporation or limited liability company does not discharge an officer's, a governor's, or a manager's liability for a prior failure of the corporation or limited liability company to make a return or remit the tax due. The sum due for such a liability may be assessed and collected under this chapter for the assessment and collection of other liabilities. If the officers, governors, or managers elect not to be personally liable for the failure to file the required returns or to pay the tax due, the corporation or limited liability company must make a cash deposit or post with the commissioner a bond or undertaking executed by a surety company authorized to do business in this state. The cash deposit, bond, or undertaking must be in an amount equal to the estimated annual tax liability of the corporation or limited liability company.

**57-33.2-16.1. General partner in a limited liability limited partnership liability.**

If a limited liability limited partnership taxable under this chapter fails for any reason to file the required returns or to pay the tax due, the general partners, jointly or severally, charged with the responsibility for the preparation of the returns and payment of the tax are personally liable for the partnership's failure. The dissolution of a limited liability limited partnership does not discharge a general partner's liability for a prior failure of the partnership to file a return or remit the tax due. The taxes, penalty, and interest may be assessed and collected pursuant to the provisions of this chapter. If the general partners elect not to be personally liable for the failure to file the required returns or to pay the tax due, the limited liability limited partnership must make a cash deposit or post with the commissioner a bond or undertaking executed by a surety company authorized to do business in this state. The cash deposit, bond, or undertaking must be in an amount equal to the estimated annual tax liability of the limited liability limited partnership.

**57-33.2-17. Bond.**

The commissioner may require a sufficient bond from any company charged with making and filing reports and payment of taxes under this chapter. Any required bond must run to the state of North Dakota and be conditioned upon making and filing of reports as required by law or rule and for prompt payment of all taxes justly due to the state under this chapter.

**57-33.2-18. Deposit of revenue - Report to treasurer.**

1. The commissioner shall transfer to the state treasurer, for deposit in the general fund, thirty-three percent of the revenue collected under subsection 1 of section 57-33.2-04 for wind projects that:
  - a. Begin initial construction after December 31, 2020.
  - b. Have been in operation for twenty years or more from the date of first assessment, whether initially taxed under section 57-06-14.1 or 57-33.2-04.
2. The commissioner shall transfer the remaining revenue collected under this chapter to the state treasurer for deposit in the electric generation, transmission, and distribution tax fund. With each transfer under this section, the commissioner shall provide a report showing the information necessary for the state treasurer to allocate the revenue under section 57-33.2-19.

**57-33.2-19. Allocation - Continuing appropriation.**

The electric generation, transmission, and distribution tax fund is appropriated as a continuing appropriation to the state treasurer for allocation and distribution to counties by April first of each year as provided in this section. The commissioner shall make the necessary allocations to the counties. The county auditors shall make the necessary allocations to the taxing districts.

1. Revenue from the tax on transmission lines under section 57-33.2-02 must be allocated among counties based on the mileage of transmission lines and the rates of tax on those lines within each county. Revenue received by a county for each size of transmission line under this subsection must be allocated one-third to the county and two-thirds among the county and other taxing districts in the county based on the mileage of that transmission line and the rates of tax that apply where that line is located within each taxing district. Revenue from that portion of a transmission line located in more than one taxing district must be allocated among those taxing districts in proportion to their respective most recent property tax mill rates that apply where the transmission line is located.
2. Revenue from the distribution company tax under section 57-33.2-03 must be allocated fifty percent to the county in which the retail sale to which the tax applied was made and fifty percent among counties based on the mileage of the distribution company's distribution lines and the rate of tax on those lines within each county. Revenue received by the county under this subsection based on the location of retail sales must be allocated among taxing districts in the county based on the location of the retail sale and the most recent respective property tax levies in dollars within the taxing districts in which the retail sales occurred. Revenue received by a county under this subsection based on mileage of distribution lines must be allocated among the county and other taxing districts in the county based on the mileage of that distribution line and the rates of tax that apply to the land on which that line is located within each taxing district. Revenue from that portion of a distribution line located in more than one taxing district must be allocated among those taxing districts in proportion to their respective most recent property tax mill rates that apply to the land on which the distribution line is located.
3.
  - a. Revenue from the generation taxes under section 57-33.2-04 must be allocated to the county in which a generator is located. Revenue received by the county under this subsection must be allocated among taxing districts in which the generator is located in proportion to their respective most recent property tax mill rates that apply to the land on which the generator is located.
  - b. Revenue from the generation taxes under section 57-33.2-04 from wind farms must be allocated to the county and among taxing districts in which the wind farm is located in proportion to their respective most recent property tax mill rates that apply to the land on which the wind farm is located. For purposes of revenue allocation when generation turbines are located in more than one county or other taxing district, the capacity tax in subdivision a of subsection 1 of section 57-33.2-04 must be based on the capacity of the turbines within each county or taxing district. The electricity output for the kilowatt-hour tax in subdivision b of subsection 1 of section 57-33.2-04 must be allocated according to the proportionate share of wind generation capacity within each county or other taxing district in relation to the total capacity of the wind farm.
4. For purposes of this section, "taxing district" means the state, county, and that portion of any political subdivision with authority to levy property taxes which is located within the county.

**57-33.2-20. Penalty.**

If any company refuses or neglects to make the reports required by this chapter, or refuses or neglects to furnish any information requested, the commissioner shall use the best facts and estimates available to determine the tax due. The tax must be imposed upon the basis of that information. If any company fails to make the report required under this chapter on or before the first day of June of any year, the state board of equalization shall add a penalty of ten percent of the tax due for failure to make the required report which must be collected as a part of the tax, but the commissioner, upon application, may grant extensions of time within which the returns must be filed. For good cause shown, the commissioner may waive all or any part of the penalty that attached under this section.