

Fifty-fifth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1068

Introduced by

Legislative Council

(Taxation Committee)

(Representatives Keiser, Timm, Wilkie)
(Senator Kringstad)

1 A BILL for an Act to amend and reenact sections 57-06-01, 57-06-02, 57-06-05, 57-06-07,
2 57-06-14, 57-06-18, 57-34-01, 57-34-02, 57-34-03, 57-34-05, 57-34-06, 57-34-10, 57-34-11,
3 and 57-34-12 of the North Dakota Century Code, relating to property taxes and gross receipts
4 taxes for telecommunications carriers and services; to repeal sections 57-06-01.1, 57-34-04,
5 and 57-34-08 of the North Dakota Century Code, relating to assessment of property and gross
6 receipts taxes for telecommunications carriers; to provide a continuing appropriation; and to
7 provide an effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Section 57-06-01 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-06-01. Public utilities subject to provisions of chapter.** ~~The provisions of this~~
12 ~~This chapter govern~~ governs the assessment of the property of any public utility company
13 defined in section 57-06-02, and of any other company used directly or indirectly in carrying or
14 conveying persons, or property, ~~or messages~~, unless the operative property is subject to a lieu
15 tax in place of a general property tax. This chapter does not apply to the property of any
16 railway or street railway company, nor ~~to the property of a company, the only business of which~~
17 ~~is providing signaling, paging, or other domestic public land mobile radio service if that service~~
18 ~~has seven hundred subscribers or less, nor~~ to the fixtures, buildings, and improvements owned
19 by any cooperative or nonprofit corporation organized under the laws of this state and used by it
20 to furnish potable water to its members and customers for uses other than irrigation of
21 agricultural land, and except as otherwise provided in chapter 57-32, does not apply to the
22 property of any express or air transportation company.

23 **SECTION 2. AMENDMENT.** Section 57-06-02 of the North Dakota Century Code is
24 amended and reenacted as follows:

1 **57-06-02. Definitions.** As used in this chapter, unless the context and subject matter
2 otherwise clearly require:

- 3 1. "Company" ~~means and~~ includes any individual, copartnership, business trust,
4 corporation, limited liability company, joint-stock company, or association.
- 5 2. "Gas company" means a company owning, holding, or operating under lease or
6 otherwise, any property in this state for the purpose of furnishing gas, or
7 distributing the same, for public use, by means of pipelines.
- 8 3. "Pipeline company" means a company owning, holding, or operating under a lease
9 or otherwise, any property in this state for the purpose of transporting crude oil,
10 natural gas, processed gas, manufactured gas, refined petroleum products, or coal
11 and related products for public use.
- 12 4. "Power company" means a company owning or holding, under lease or otherwise,
13 any property in this state, and operating the same, for the purpose of furnishing
14 electric light, electric power, or steam heat, or distributing the same, for public use.
- 15 ~~5. "Telecommunications company" means a company engaged in the furnishing of~~
16 ~~telecommunications service within this state.~~
- 17 ~~6. "Telecommunications service" means the offering for hire of telecommunications~~
18 ~~facilities, or transmitting for hire telecommunications by means of such facilities~~
19 ~~whether by wire, radio, lightwave, or other means.~~
- 20 ~~7. "Telegraph company" means a company owning or operating any telegraph or~~
21 ~~eable line in this state with appliances for the transmission of messages, and~~
22 ~~engaged in the business of furnishing telegraph service for compensation as~~
23 ~~owner, lessee, or otherwise.~~

24 **SECTION 3. AMENDMENT.** Section 57-06-05 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **57-06-05. Annual assessment.** The state board of equalization, at its annual meeting
27 in August, shall assess the franchises and all operative property of ~~telephone, telegraph,~~ power,
28 gas, pipeline, and other companies, covered by this chapter, with reference to the value thereof
29 on the first day of January of that year.

30 **SECTION 4. AMENDMENT.** Section 57-06-07 of the North Dakota Century Code is
31 amended and reenacted as follows:

1 **57-06-07. Additional information from ~~telephone, telegraph, and power~~**
2 **~~companies.~~** Each ~~telephone, telegraph, and~~ power company shall report further as follows:

- 3 1. Number of miles [kilometers] of pole line in each taxing district in each county in
4 the state, separated and classified as to location and character, as the tax
5 commissioner may require; and
6 2. Cost of construction of such lines fully equipped, together with the present value
7 per mile [1.61 kilometers] of such lines in each taxing district in each county.

8 **SECTION 5. AMENDMENT.** Section 57-06-14 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **57-06-14. Method of valuation.** The operative property of each company assessed
11 under this chapter must be assessed in the following manner:

- 12 1. For the purpose of determining the value of the property, the tax commissioner and
13 the state board of equalization shall take into consideration the earning power of
14 the property as shown by its gross earnings and net operating income, the market
15 or actual value of its stocks and bonds, the value of its franchises, rights, and
16 privileges granted under the laws of this state to do business in this state, and ~~such~~
17 any other legally established evidences of value as ~~enables~~ enable the board to
18 make a just and equitable assessment.
19 2. In the case of a company ~~which~~ that owns or operates properties or lines partly
20 within and partly without this state, the tax commissioner and state board of
21 equalization shall value only the property within this state.
22 3. In determining the value of the portion within this state of an interconnected, or
23 continuous system, the tax commissioner and state board of equalization may take
24 into consideration the value of the entire system and of the part within this state,
25 the mileage of the whole system and of the part within this state, the total operating
26 earnings within and without this state, together with ~~such~~ any other information,
27 facts, and circumstances as will enable ~~such~~ the officers to make a just and correct
28 assessment.
29 4. ~~Repealed by S.L. 1985, ch. 604, § 22.~~
30 5. ~~In the case of a telephone or telegraph company, the term "mileage" means miles~~
31 ~~[kilometers] of pole line or cable.~~

- 6- The board may take into consideration the reports, annual or otherwise, filed by any company required to be assessed under this chapter with the public service commission, and ~~also~~ shall take into consideration any valuation of such company by the public service commission.

SECTION 6. AMENDMENT. Section 57-06-18 of the North Dakota Century Code is amended and reenacted as follows:

57-06-18. Allocation of assessment of other operative property. All lots and parcels of real estate, not including rights of way, with the buildings, structures, and improvements thereon, ~~telephone exchange buildings,~~ dams and powerhouses, substations, shops, and other buildings, ~~telephone exchange systems,~~ electric power, electric light, gas, or steam distribution systems, and other personal property not a part of any single and continuous property, must be separately assessed and the assessment must be allocated to the taxing district in which ~~such~~ the property is located. The assessment by the state board of equalization covering ~~such~~ the property must give a legal description of the real estate and a general description of other property sufficient for identification. The assessment by ~~such~~ the board of ~~such~~ the operative property must cover the aggregate valuation of the property of any company in any municipality or taxing district of the state as a unit, and need not be made in detail.

SECTION 7. AMENDMENT. Section 57-34-01 of the North Dakota Century Code is amended and reenacted as follows:

57-34-01. Definitions. As used in this chapter, unless the context or subject matter otherwise clearly requires:

1. ~~"Access revenues" means telephone company revenues resulting from charges to individuals, partnerships, corporations, and limited liability companies for their use of telephone company services or facilities to provide a toll service that permits origination or termination of telecommunications between a point or points within one telephone exchange and a point or points within another telephone exchange.~~
2. "Adjusted ~~telephone operating~~ gross receipts" means ~~telephone operating telecommunications carrier gross~~ telecommunications carrier gross receipts less all amounts paid by the reporting ~~telephone company telecommunications carrier on telecommunications service~~ that is taxable under this chapter in state and local sales and use taxes and federal

excise taxes and amounts paid by the reporting telecommunications carrier to an individual, partnership, corporation, or limited liability company another telecommunications carrier for connecting fees, switching charges, access charges, and directory assistance.

3. ~~"Originating revenues factor" means a fraction the numerator of which is the revenues of the telephone company from toll business generated from customer premises equipment in this state, regardless of the location to which the billing notice is sent, and the denominator of which is the total revenues of the telephone company from toll business everywhere.~~

4. ~~"Property factor" means a fraction the numerator of which is the undepreciated original cost as of December thirty first of the property located in this state owned or rented by the telephone company and used in operating its telecommunications business and the denominator of which is the undepreciated original cost as of December thirty first of the property located everywhere owned or rented by the telephone company and used in operating its telecommunications business.~~

2. "Gross receipts" means all telecommunications carrier revenues from telecommunications service charges billed to any station in this state and from charges to another telecommunications carrier for directory assistance.

5. 3. "Station" means a subscriber line service address located in this state with a distinct call number designation or distinct extension number designation. If this is not a defined location, "station" means the location of the primary use of telecommunications equipment as determined by telephone number, authorization code, or billing address.

6. 4. ~~"Telephone company" "Telecommunications carrier" means all mutual associations and cooperative organizations or cooperative corporations engaged in the business of furnishing communication by telephone, and shall further mean all other persons, firms, corporations, limited liability companies, or other organizations which are a person that is engaged in the business of furnishing means of communication by telephone telecommunications service within this state exclusively to rural areas or to rural areas and cities provided that each city~~

1 ~~served has a population of two thousand five hundred persons or less. The term~~
2 ~~includes a reseller of telecommunications service.~~

3 7. 5. ~~"Telephone operating receipts" "Telecommunications service" means transmitting~~
4 ~~for consideration of two-way communication by wire, cable, fiber optics, radio,~~
5 ~~lightwave, microwave, satellite, or other means. The term includes all revenue~~
6 ~~derived from local and rural exchange service, revenues from wide area telephone~~
7 ~~service, access revenues, billing and collection revenues, revenues from~~
8 ~~coin-operated telephones, revenues from directory advertising, revenues from~~
9 ~~directory assistance, recoveries within the year of all telecommunications revenues~~
10 ~~written off in prior years as uncollectible, all other operating revenues from~~
11 ~~telecommunications service as defined in subsection 11 of section 49-21-01~~
12 ~~attributable to this state, and toll business gross revenues as defined in this~~
13 ~~section;~~

14 a. Essential telecommunications service and nonessential telecommunications
15 service as defined in section 49-21-01;

16 b. Telecommunications service that originates and terminates in this state;

17 c. Interstate telecommunications service that originates or terminates in this
18 state and is billed to a station in this state;

19 d. A hospital, hotel, motel, or similar place of temporary accommodation selling
20 telecommunications service to its patients or guests, if there is a separately
21 stated charge for the service;

22 e. Telegraph service; and

23 f. The content of the transmission, to the extent there is any charge for the
24 content.

25 6. "Telecommunications service charges" means the value of all consideration
26 received by a telecommunications carrier for provision of telecommunications
27 service and recovery within the year of telecommunications service charges written
28 off in a prior year as uncollectible. For a telephone company telecommunications
29 carrier operating on any form of mutual basis, "telephone operating receipts" the
30 term includes all amounts assessed against the members for the operation and
31 maintenance of the business. "Telephone operating receipts" The term does not

1 include ~~income~~ revenue from merchandising, jobbing and contract work, ~~charges~~
2 ~~for the~~ maintenance or repair of customer premises equipment; including
3 equipment leased or rented by the customer from any source, ~~revenue from~~
4 ~~commercial and cable television, unless it is used for two way communication,~~
5 ~~radio, one way radio paging, the transmission of messages incidental to transient~~
6 ~~occupancy in hotels, income from nonutility operations~~ not directly related to
7 provision of telecommunications service, amounts charged for billing and collection
8 on behalf of another telecommunications carrier, proceeds from transfer of capital
9 stock, or revenues from the transfer, sale, or lease of property not devoted directly
10 related to telecommunications operation. ~~"Telephone operating receipts" does not~~
11 ~~include excise taxes on telephone service or facilities or uncollectible telephone~~
12 ~~operating revenues actually written off during the year.~~

13 8. ~~"Toll business gross revenues" means gross revenues from toll business~~
14 ~~originating and terminating in this state and toll business gross revenues~~
15 ~~attributable to this state.~~

16 9. ~~"Toll business gross revenues attributable to this state" means the telephone~~
17 ~~company's total gross revenues from interstate toll services everywhere multiplied~~
18 ~~by the amount obtained by dividing the sum of the property factor and the~~
19 ~~originating revenues factor by two~~ service. The term does not include amounts
20 collected for or amounts collected from federal and state mechanisms to preserve
21 and advance universal service.

22 **SECTION 8. AMENDMENT.** Section 57-34-02 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **57-34-02. Reports of ~~telephone companies~~ telecommunications carriers.** Each
25 ~~telephone company required telecommunications carrier~~ subject to be assessed gross receipts
26 taxes ~~under the provisions of this chapter~~ shall annually make and file with the tax
27 commissioner, on or before May first of each year, on ~~such the~~ the form as the tax commissioner
28 may prescribe, a report containing a statement of its ~~telephone operating gross~~ receipts in this
29 state during the preceding calendar year, ~~the number of stations in service on December~~
30 ~~thirty first preceding, the number of miles [kilometers] of telephone line operated in providing~~
31 ~~telephone service,~~ amounts paid by the carrier on telecommunications service that is taxable

1 under this chapter during the preceding calendar year in state and local sales and use taxes
2 and federal excise taxes, amounts received from or paid to another telecommunications carrier
3 for directory assistance, and such any other information as the tax commissioner may require
4 ~~except that any telephone company having thirty telephone stations or less in service on~~
5 ~~December thirty first preceding may not be required to furnish a statement of its telephone~~
6 ~~operating receipts. Each report must contain a statement of the number of stations located in~~
7 ~~each county served and each school district within such counties and the number of stations~~
8 ~~maintained per mile [1.61 kilometers] of telephone line in this state. Each report must be~~
9 ~~signed, subject to the provisions of section 12.1-11-02, by the president, secretary, or other~~
10 ~~official of the telephone company telecommunications carrier. Each telephone company~~
11 ~~subject to the provisions of this chapter, at the time of submitting its report to the tax~~
12 ~~commissioner, shall forward a copy of such report to the county auditor of each county in which~~
13 ~~it maintains a station or stations.~~

14 **SECTION 9. AMENDMENT.** Section 57-34-03 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **57-34-03. Computation of taxes by tax commissioner - Exemption for**
17 **high-volume customers - Credit for real property taxes.**

- 18 1. On or before ~~August first~~ July fifteenth of each year, the tax commissioner shall
19 review the report under section 57-34-02 and compute the tentative total tax to be
20 assessed against each telecommunications carrier in this
21 state in the following manner:
 - 22 a. ~~Telephone companies maintaining an average of one and twenty five~~
23 ~~hundredths telephone stations or less per mile [1.61 kilometers] of telephone~~
24 ~~line operated in this state must be taxed at the rate of one half of one percent~~
25 ~~of their adjusted telephone operating receipts.~~
 - 26 b. ~~Telephone companies maintaining an average of not less than one and~~
27 ~~twenty six hundredths and not more than one and seventy five hundredths~~
28 ~~telephone stations per mile [1.61 kilometers] of telephone line operated in this~~
29 ~~state must be taxed at the rate of one percent of their adjusted telephone~~
30 ~~operating receipts.~~

~~e. Telephone companies maintaining an average of not less than one and seventy six hundredths and not more than two and twenty five hundredths telephone stations per mile [1.61 kilometers] of telephone line operated in this state must be taxed at the rate of one and one half of one percent of their adjusted telephone operating receipts.~~

~~d. Telephone companies maintaining an average of more than two and twenty five hundredths telephone stations per mile [1.61 kilometers] of telephone line operated in this state must be taxed at the rate of two percent of their adjusted telephone operating receipts.~~

~~2. If the tax due from any telephone company as computed under subsection 1 is less than fifty cents per station maintained in this state or if such company had less than thirty one stations in service in this state on the preceding December thirty first, such company is subject to a tax of fifty cents per station.~~

~~3. Notwithstanding the provisions of subsections 1 and 2, any telephone company having twenty telephone stations or less in service on December thirty first preceding the year for which the tax computed under this section is assessed is exempt from the provisions of this chapter at a rate of two percent of adjusted gross receipts. The tax commissioner shall give ten days' notice by mail to each telecommunications carrier of its tentative total tax under this section and of its right to contest the determination before the state board of equalization at its August meeting. The state board of equalization shall assess the tax under this section after consideration of any contest presented.~~

2. After a customer has paid twenty thousand dollars in taxes imposed under this chapter in a calendar year, further telecommunications service charges to that customer are exempt from taxes imposed under this chapter and must be excluded from gross receipts of the providing telecommunications carrier.

3. A telecommunications carrier is entitled to a credit against the tax under this section in the amount of real property taxes paid during the calendar year by the telecommunications carrier on its property in this state which is directly used in its telecommunications operations. The credit under this subsection may be fully or partially transferred between a parent and subsidiary telecommunications carrier.

1 **SECTION 10. AMENDMENT.** Section 57-34-05 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-34-05. ~~Certification of tax~~ Allocation to counties - Continuing appropriation.**

4 ~~The tax commissioner shall certify to the county auditor of each county in which the company~~
5 ~~assessed maintains a telephone station or stations, the gross receipts of the company, the~~
6 ~~number of telephone stations within the county and the number within each school district of the~~
7 ~~county belonging to the said company and the amount of tax to be collected from said~~
8 ~~company.~~

9 The tax commissioner shall allocate ~~the tax to be collected from each telephone~~
10 ~~company, as determined by the state board of equalization, to the counties upon a pro rata~~
11 ~~basis to be determined according to the proportion that each company's stations in a county~~
12 ~~bears to the total number of stations maintained by such company~~ gross receipts tax revenues
13 among counties in the same proportion that taxes paid by telecommunications carriers under
14 chapter 57-06 and this chapter in 1997 and received by taxing districts in the county bears to all
15 taxes paid by telecommunications carriers under chapter 57-06 and this chapter in 1997 and
16 received by taxing districts in the state. Gross receipts tax revenues are appropriated as a
17 standing and continuing appropriation to the tax commissioner for allocation to counties under
18 this section.

19 **SECTION 11. AMENDMENT.** Section 57-34-06 of the North Dakota Century Code is
20 amended and reenacted as follows:

21 **57-34-06. Duties of county auditor treasurer.** ~~It is the duty of the county auditor after~~
22 ~~receiving such statement from the tax commissioner to certify such taxes to the county~~
23 ~~treasurer for collection at the time that real and personal property taxes are required to be~~
24 ~~certified. Such certification must give the amount allocated to each school district in which the~~
25 ~~company maintains a station or stations. The county auditor treasurer shall make such~~
26 ~~allocation and pay such funds~~ allocate taxes received under this chapter to the state, the
27 county, and the various school taxing districts upon a pro rata basis within the county according
28 to the proportion that each company's stations in a school district bears to the total number of
29 stations of such company in the county basis on which the general property tax levy is
30 apportioned and distributed.

1 **SECTION 12. AMENDMENT.** Section 57-34-10 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-34-10. ~~Penalty for failure to furnish statement~~ Penalties - Lien for tax.**

- 4 1. ~~In case any company~~ If a telecommunications carrier refuses or neglects to make
5 the reports required by this chapter, or refuses or neglects to furnish any
6 information requested, the tax commissioner shall ~~inform himself as best he may~~
7 ~~on use the best available facts necessary to be known in order to discharge his~~
8 ~~duties with respect to the~~ and estimates to determine taxation of the property gross
9 receipts of such company, and the that carrier. The tax must be imposed upon the
10 basis of ~~such that~~ information, and the state board of equalization shall add a
11 penalty of one-quarter of the tax due for failure to make the required report; which
12 must be collected as a part of the tax.
- 13 2. Taxes levied under this chapter are due and payable to the tax commissioner on
14 January first following the year in which the taxes were assessed. The unpaid
15 principal balance of taxes on the following March first is subject to a penalty of
16 three percent, on the following May first an additional penalty of three percent, on
17 the following July first an additional penalty of three percent, and on the following
18 October fifteenth an additional penalty of three percent. Beginning January first of
19 the year following the year the taxes became due, simple interest at the rate of
20 twelve percent per annum applies to the unpaid principal balance until the taxes
21 and penalties are paid. Interest penalties must be prorated to the nearest full
22 month for a fractional year of delinquency.
- 23 3. Taxes under this chapter constitute a first and paramount lien in favor of the state
24 upon all property and rights to property of the taxpayer. The lien may be
25 foreclosed in the same manner provided by law for mortgages on real or personal
26 property.

27 **SECTION 13. AMENDMENT.** Section 57-34-11 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **57-34-11. ~~Exemption from other taxation~~ Taxes in lieu of property taxes.** The
30 taxes imposed by this chapter are taxes upon the privilege of doing business in this state and
31 are in lieu of all real and personal property taxes levied by the state or any of its political

1 subdivisions upon ~~real or personal property~~ to the extent the property is directly used by any
2 ~~telephone company subject to the provisions of this chapter~~ the telecommunications carrier in
3 its ~~telephone~~ telecommunications operations and in lieu of real and personal property taxes on
4 property leased or rented to any other person or company when the revenue derived from such
5 leases or rentals is included in the telephone operating receipts of the company deriving the
6 revenue. ~~Real and personal property directly used by a telephone company subject to the~~
7 ~~provisions of this chapter and owned by any other person or company may not be assessed or~~
8 ~~taxed under the provisions of this chapter; provided, that any such property held under a~~
9 ~~contract for the purchase thereof by any telephone company subject to the provisions of this~~
10 ~~chapter must be considered for all purposes of taxation as property owned by that telephone~~
11 ~~company.~~

12 **SECTION 14. AMENDMENT.** Section 57-34-12 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-34-12. Rules and regulations—Appeals.**

- 15 1. The state tax commissioner may ~~promulgate~~ adopt any rules and regulations that
16 are necessary to carry out the provisions of this chapter. ~~The provisions of chapter~~
17 ~~28-32 govern the promulgation of all rules and regulations, the holding of hearings~~
18 ~~thereon, and the appeal therefrom. All such appeals must be taken to the district~~
19 ~~court of Burleigh County.~~
- 20 2. ~~Any person aggrieved by a decision of the state board of equalization may appeal~~
21 ~~to the district court of Burleigh County after the hearing provided for in section~~
22 ~~57-34-04. The tax commissioner shall adopt rules as necessary to avoid double~~
23 ~~taxation of gross receipts and to eliminate the avoidance of taxation of gross~~
24 ~~receipts of telecommunications carriers under this chapter.~~

25 **SECTION 15. REPEAL.** Sections 57-06-01.1, 57-34-04, and 57-34-08 of the North
26 Dakota Century Code are repealed.

27 **SECTION 16. EFFECTIVE DATE.** This Act is effective for taxable years beginning
28 after December 31, 1997.