

Introduced by

1 A BILL for an Act to create and enact chapter 57-33.2 of the North Dakota Century Code,
2 relating to taxation of generation, distribution, and transmission of electric power; to amend and
3 reenact section 57-06-03 of the North Dakota Century Code, relating to assessment and
4 imposition of taxes against centrally assessed electric power companies; to repeal chapters
5 57-33 and 57-33.1 of the North Dakota Century Code, relating to taxation of rural electric
6 cooperatives and cooperative electrical generating plants; to provide a penalty; to provide a
7 continuing appropriation; and to provide an effective date.

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

9 **SECTION 1. AMENDMENT.** Section 57-06-03 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-06-03. Operative property defined.** The term "operative property" means any and
12 all property that is not exempt under this chapter by reason of an election filed under chapter
13 57-33.2 and which is reasonably necessary for use by any company mentioned in section
14 57-06-02 exclusively in the operation and conduct of the particular kind of business engaged in
15 by it. Any such property held under a contract for the purchase thereof must be considered for
16 all purposes of taxation as the property of the company holding the same. Any such property,
17 real or personal, held by any company under a rental lease must be assessed by the state
18 board of equalization in the name of such company, if an agreement in writing between the
19 owner thereof and such company is filed with the tax commissioner requesting that such leased
20 property be so assessed. Whenever any property of a public utility company required to be
21 assessed by the state board of equalization under the provisions of this chapter is used partly
22 for operative purposes and partly for other purposes, either by the company or by others, all
23 such property that is not exempt under this chapter by reason of an election filed under chapter

1 57-33.2 must be assessed by the state board of equalization as operative property of the
2 company.

3 **SECTION 2.** Chapter 57-33.2 of the North Dakota Century Code is created and
4 enacted as follows:

5 **57-33.2-01. Definitions.** As used in this chapter:

- 6 1. "Commissioner" means the state tax commissioner.
- 7 2. "Company" means an individual, partnership, corporation, limited liability company,
8 limited liability partnership, cooperative, or any other organization or association
9 engaged in generation, distribution, or transmission of electricity. An
10 investor-owned utility is not a "company" for purposes of this chapter unless it files
11 an irrevocable election with the commissioner to be treated as a company under
12 this chapter by October 1, 2010, for taxable periods after December 31, 2010, or
13 by October 1, 2011, for taxable periods after December 31, 2011. Property subject
14 to taxation under this chapter which is owned by an investor-owned utility that files
15 an election under this chapter is exempt from taxation under chapter 57-06.
- 16 3. "Distribution company" means a company engaged in distribution of electricity for
17 retail sale to consumers in this state through distribution lines. The term does not
18 include a municipal electric utility operated under chapter 40-33 and that utility is
19 not subject to taxes under section 57-33.2-03.
- 20 4. "Distribution line" means a line to transmit electricity which operates at a voltage of
21 less than forty-one and six-tenths kilovolts.
- 22 5. "Retail sale" means transfer of electricity to the end-use consumer for
23 consideration.
- 24 6. "Transmission company" means a company engaged in transmission of electricity
25 through transmission lines.
- 26 7. "Transmission line" means a line to transmit electrical energy which operates at a
27 voltage of forty-one and six-tenths kilovolts or more but does not include a line
28 owned or operated by an agency or instrumentality of the United States
29 government.

1 **57-33.2-02. Transmission line mile tax - Exemption.** Transmission lines are subject
2 to annual taxes per mile [1.61 kilometers] or fraction of a mile based on their nominal operating
3 voltages on January first of each year, as follows:

- 4 1. For transmission lines that operate at a nominal operating voltage of less than fifty
5 kilovolts, a tax of fifty dollars.
- 6 2. For transmission lines that operate at a nominal operating voltage of fifty kilovolts
7 or more, but less than one hundred kilovolts, a tax of one hundred dollars.
- 8 3. For transmission lines that operate at a nominal operating voltage of one hundred
9 kilovolts or more, but less than two hundred kilovolts, a tax of two hundred dollars.
- 10 4. For transmission lines that operate at a nominal operating voltage of two hundred
11 kilovolts or more, but less than three hundred kilovolts, a tax of four hundred
12 dollars.
- 13 5. For transmission lines that operate at a nominal operating voltage of three hundred
14 kilovolts or more, a tax of six hundred dollars.
- 15 6. A transmission line of two hundred thirty kilovolts or larger which is initially placed
16 in service after September 30, 2009, is exempt from transmission line taxes under
17 this section for the first taxable year after the line is initially placed in service, and
18 transmission line taxes under this section must be reduced by:
 - 19 a. Seventy-five percent for the second taxable year of operation of the
20 transmission line.
 - 21 b. Fifty percent for the third taxable year of operation of the transmission line.
 - 22 c. Twenty-five percent for the fourth taxable year of operation of the
23 transmission line.

24 After the fourth year, such transmission lines are subject to the standard
25 transmission line taxes under this section.

26 **57-33.2-03. Distribution taxes.** A distribution company is subject to a tax at the rate of
27 one dollar per megawatt-hour for retail sale of electricity delivered to a consumer in this state
28 during the calendar year. Distribution taxes under this section do not apply to the sale of
29 electricity to any coal conversion facility subject to taxation under chapter 57-60.

30 **57-33.2-04. Wind generation taxation and taxation of generation from sources**
31 **other than coal.** Wind generators and generators of electricity from sources other than coal

1 owned by a company subject to taxation under this chapter are subject to taxes under this
2 section.

3 1. Grid-connected wind generators that are part of a project with generation capacity
4 of one hundred kilowatts or more are subject to taxes consisting of the following
5 two components:

6 a. A tax of two dollars per kilowatt-hour times the rated capacity of the wind
7 generator.

8 b. A tax of one-half of one mill per kilowatt-hour of electricity generated by the
9 wind generator during the taxable period.

10 2. Grid-connected generators that are part of a project with generation capacity of
11 one hundred kilowatts or more not produced from coal or wind are subject to taxes
12 consisting of the following two components:

13 a. Fifty cents per kilowatt-hour times the rated capacity of the generation unit.

14 b. One mill per kilowatt-hour of electricity generated by the production unit during
15 the taxable period.

16 **57-33.2-05. Delinquent taxes.** Taxes under this chapter are due January first for the
17 preceding calendar year and are delinquent if not received by the commissioner by March first
18 following the due date.

19 **57-33.2-06. Taxes in lieu of property taxes.** Taxes imposed by this chapter are taxes
20 upon the privilege of doing business in this state and are in lieu of all real or personal property
21 taxes levied by the state or any of its political subdivisions upon real or personal property to the
22 extent the property is owned and used directly by a company in the operation and conduct of
23 the business of generation or delivery of electricity through distribution or transmission lines.

24 Taxes under this chapter are not in lieu of property taxes on the following:

25 1. Taxes on a coal-powered electrical generating plant that is not subject to coal
26 conversion facility privilege taxes under chapter 57-60.

27 2. Property taxes on land on which generation, transmission, or distribution buildings,
28 structures, or improvements are located, including buildings, structures, or
29 improvements used for administrative purposes relating to generation,
30 transmission, or distribution of electricity.

31 3. City franchise fees on public utilities.

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

3 **57-33.2-07. Taxes paid on worthless accounts.** Distribution taxes paid from retail
4 sales to accounts found to be worthless and charged off in accordance with generally accepted
5 accounting principles may be credited against subsequent payment of taxes under section
6 57-33.2-03. If accounts that have been claimed as a credit under this section are later
7 collected, a tax under section 57-33.2-03 must be paid on the amount collected.

8 **57-33.2-08. Powers of commissioner.** The commissioner may require any company
9 subject to taxes imposed by this chapter to furnish any information the commissioner
10 determines necessary to compute correctly the amount of the tax under this chapter. The
11 commissioner may examine the books, records, and files of a company. The commissioner
12 may conduct hearings and compel the attendance of witnesses and the production of books,
13 records, and papers of any company or person and may make any investigation deemed
14 necessary to full and complete disclosure of facts necessary to administer the tax under this
15 chapter.

16 **57-33.2-09. Commissioner to audit reports and state board of equalization to**
17 **assess tax.** The commissioner may audit reports of distribution companies and transmission
18 companies not later than three years after the due date of the report, or three years after the
19 report was filed, whichever period expires later. The state board of equalization shall assess
20 the tax and, if any additional tax is found due, the commissioner shall notify the taxpayer in
21 detail as to the reason for the increase.

22 **57-33.2-10. Transmission line location reports and maps to county auditors.** By
23 May first of each year, each transmission company shall file with the county auditor of each
24 county in which any of its transmission line is located a report showing the length and nominal
25 operating voltage of its transmission line within the county and within each taxing district within
26 the county. A transmission company shall file with the report a map showing all of its
27 transmission line within the county and showing the length and nominal operating voltage of its
28 transmission line within each taxing district in the county. Reports and maps under this section
29 must be based upon nominal operating voltage, ownership, and location of transmission lines
30 as of January first of each year. By April first of each year, the county auditor shall provide

1 each transmission company having a transmission line in the county with an accurate map of
2 the county showing the boundaries of each taxing district in the county.

3 **57-33.2-11. Filing of reports and maps with commissioner.** By May first of each
4 year, each transmission company, distribution company, and each company that is both a
5 transmission company and a distribution company shall file with the commissioner:

- 6 1. Information about the company, including:
 - 7 a. The company name.
 - 8 b. Whether the company is an individual, partnership, association, cooperative,
9 corporation, limited liability company, or other legal entity and the state or
10 country and date of original organization and any reorganization,
11 consolidation, or merger with references to specific laws authorizing such
12 actions.
 - 13 c. The location of its principal office.
 - 14 d. The place where the company's books, papers, and accounts are kept.
 - 15 e. The name and mailing address of the president, secretary, treasurer, auditor,
16 superintendent, general manager, and all other general officers.
 - 17 f. The name and mailing address of the chief officer or managing agent and any
18 general officers of the company who reside in this state.
- 19 2. A copy of each report and map filed with any county auditor under section
20 57-33.2-10.
- 21 3. A report on the megawatt-hours of electricity produced by wind generators and
22 generators of electricity from sources other than coal in each county in the state
23 and a map showing the location of each generator and its rated capacity.
- 24 4. A report on the megawatt-hours of electricity delivered for retail sale to consumers
25 in each county during the most recently completed calendar year.
- 26 5. A report on the company's gross revenue from retail sale of electricity delivered
27 through a distribution line to consumers in each county in this state during the most
28 recently completed calendar year.
- 29 6. Any other information the commissioner requires.

30 **57-33.2-12. Deficiency, protest, and appeal.**

- 1 1. When the amount of taxes due is understated on a return because of a
2 mathematical or clerical error, the commissioner shall notify the company of the
3 error and the amount of additional taxes due. This notice is not a notice of
4 deficiency and the company has no right to protest.
- 5 2. If upon an audit the commissioner finds additional taxes due, the commissioner
6 shall notify the company and the state board of equalization of the deficiency in the
7 tax amount. A notice of deficiency must be sent to the company by first-class mail
8 and must state the amount of additional taxes due and set forth the reasons for the
9 increase.
- 10 3. A company has thirty days from the date of mailing of the notice of deficiency to file
11 a written protest with the state board of equalization objecting to the assessment of
12 additional taxes due. The protest must set forth the basis for the protest and any
13 other information that may be required by the state board of equalization. If a
14 company fails to file a written protest within the time provided, the amount of
15 additional taxes stated in the notice of deficiency becomes finally and irrevocably
16 fixed. If a company protests only a portion of the commissioner's finding, the
17 portion that is not protested becomes finally and irrevocably fixed.
- 18 4. If a protest is filed, the state board of equalization shall reconsider the assessment
19 of additional taxes due.
- 20 5. Within six months after the protest is filed, the state board of equalization shall mail
21 to the company a notice of reconsideration and assessment which must respond to
22 the company's protest and assess the amount of any additional taxes due. The
23 amount set forth in that notice becomes finally and irrevocably fixed unless the
24 company brings an action against the state in district court within six months of the
25 mailing of the notice of reconsideration and assessment.

26 **57-33.2-13. Claims for credit or refund.**

- 27 1. A company may file a claim for credit or refund of an overpayment of any tax
28 imposed by this chapter within six years after the due date of the return or within
29 six years after the return was filed, whichever period expires later.
- 30 2. A claim for credit or refund must be made by filing with the commissioner an
31 amended return, or other report as prescribed by the commissioner, accompanied

1 by a statement outlining the specific grounds upon which the claim for credit or
2 refund is based.

3 3. The commissioner shall notify the company if the state board of equalization
4 disallows all or part of a claim for credit or refund. The decision of the state board
5 of equalization denying a claim for credit or refund is final and irrevocable unless
6 the company brings an action against the state in district court within six months of
7 the mailing of the notice denying the claim for credit or refund.

8 **57-33.2-14. Preservation of records.** Every company required to make a return and
9 pay any taxes under this chapter shall preserve records of retail sales as the commissioner may
10 require. Every company shall preserve for a period of six years and three months all invoices
11 and other records of electricity delivered to a consumer in this state. All of these books,
12 invoices, and other records must be open to examination at any time by the commissioner or
13 any duly authorized agent of the commissioner.

14 **57-33.2-15. Lien for tax.** The tax under this chapter constitutes a first and paramount
15 lien in favor of the state of North Dakota upon all property and rights to property, whether real or
16 personal, belonging to the taxpayer. The lien is subject to collection, indexing, and other action
17 in the manner provided in section 57-39.2-13 for sales tax liens.

18 **57-33.2-16. Corporate officer and limited liability company governor or manager**
19 **liability.** If a corporation or limited liability company taxable under this chapter fails for any
20 reason to file the required returns or pay the tax due, any of its officers, governors, or managers
21 having control or supervision of, or charged with the responsibility for making, the returns and
22 payments, are personally liable for the failure. The dissolution of a corporation or limited liability
23 company does not discharge an officer's, a governor's, or a manager's liability for a prior failure
24 of the corporation or limited liability company to make a return or remit the tax due. The sum
25 due for such a liability may be assessed and collected under this chapter for the assessment
26 and collection of other liabilities.

27 **57-33.2-17. Bond.** The commissioner may require a sufficient bond from any company
28 charged with making and filing reports and payment of taxes under this chapter. Any required
29 bond must run to the state of North Dakota and be conditioned upon making and filing of
30 reports as required by law or rule and for prompt payment of all taxes justly due to the state
31 under this chapter.

1 **57-33.2-18. Deposit of revenue - Report to treasurer.** The commissioner shall
2 transfer revenue collected under this chapter to the state treasurer for deposit in the electric
3 generation, transmission, and distribution tax fund. With each transfer under this section, the
4 commissioner shall provide a report showing the information necessary for the state treasurer
5 to allocate the revenue under section 57-33.2-19.

6 **57-33.2-19. Allocation - Continuing appropriation.** The electric generation,
7 transmission, and distribution tax fund is appropriated as a continuing appropriation to the state
8 treasurer for allocation and distribution to counties by April first of each year as provided in this
9 section.

10 1. Revenue from the tax on transmission lines under section 57-33.2-02 must be
11 allocated among counties based on the mileage of transmission lines and the rates
12 of tax on those lines within each county. Revenue received by a county for each
13 size of transmission line under this subsection must be allocated among taxing
14 districts in the county based on the mileage of that transmission line and the rates
15 of tax that apply to the land on which that line is located within each taxing district.
16 Revenue from that portion of a transmission line located in more than one taxing
17 district must be allocated among those taxing districts in proportion to their
18 respective most recent property tax mill rates that apply to the land on which the
19 transmission line is located.

20 2. Revenue from the distribution company tax under section 57-33.2-03 must be
21 allocated to the county in which the retail sale to which the tax applied was made.
22 Revenue received by the county under this subsection must be allocated among
23 taxing districts in the county in proportion to their most recent respective property
24 tax levies in dollars on property within the county. A city that operates a municipal
25 electric utility under chapter 40-33 must be excluded from allocations and
26 computations under this subsection.

27 3. Revenue from the generation taxes under section 57-33.2-04 must be allocated to
28 the county in which the generator is located. Revenue received by the county
29 under this subsection must be allocated among taxing districts in which the
30 generator is located in proportion to their most recent respective property tax levies
31 in dollars on property within the county.

1 4. For purposes of this section, "taxing district" means the state, county, and that
2 portion of any political subdivision with authority to levy property taxes which is
3 located within the county.

4 **57-33.2-20. Penalty.** A person who willfully violates any provision of this chapter is
5 guilty of a class A misdemeanor.

6 **SECTION 3. REPEAL.** Chapters 57-33 and 57-33.1 of the North Dakota Century Code
7 are repealed.

8 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
9 December 31, 2009.