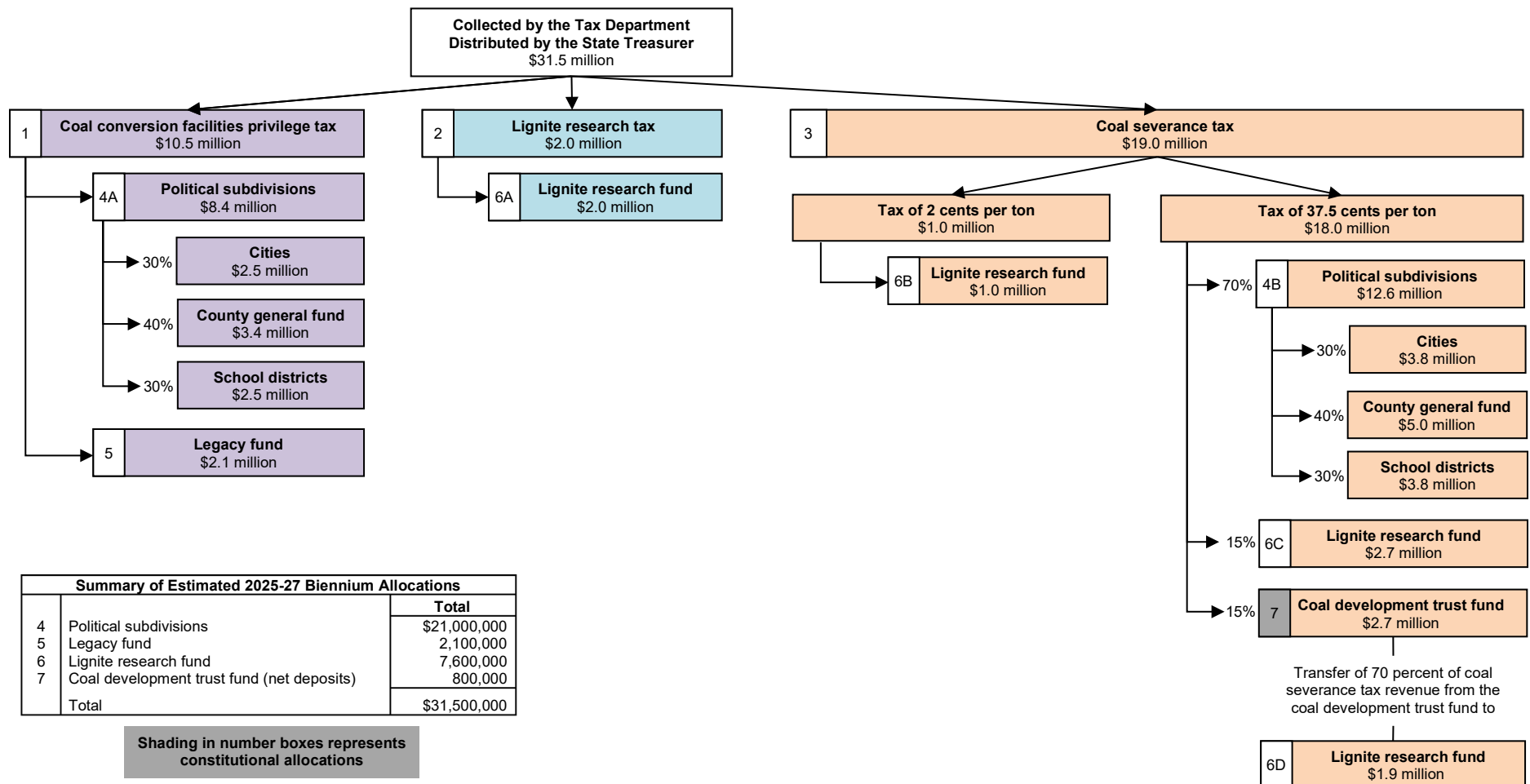




2025-27 BIENNIUM ESTIMATED COAL TAXES - ALLOCATION FLOWCHART

This memorandum provides information on the estimated coal-related tax collections and allocations for the 2025-27 biennium. A summary of the taxes and funds are included on the second page.



NOTE: The amounts reflected in these schedules are preliminary estimates. **The actual amounts allocated for the 2025-27 biennium may differ significantly from these amounts** based on actual coal production and electricity generation.

SUMMARY OF TAXES AND FUNDS

The table below provides a brief description of the taxes and funds included in the flowchart on the previous page.

Box	Tax/Fund	Description
1	Coal conversion facilities privilege tax	North Dakota Century Code Section 57-60-02 provides for a tax on coal conversion facilities. The tax is in lieu of property taxes. For electrical generating plants, the tax is calculated by applying one mill rate to the capacity of the facility and by applying another mill rate to the electrical production. Coal gasification plants are subject to a tax on the natural gas produced from the facility. Coal beneficiation plants are subject to a tax on the beneficiated coal or on the gross receipts from the sale of beneficiated coal products. For all other coal conversion facilities, a tax is applied to the gross receipts from the facility. House Bill No. 1412 (2021) exempted coal conversion facilities from 85 percent of the coal conversion tax, eliminating the state's share of the collections, through June 30, 2026. House Bill No. 1279 (2025) continues a partial exemption from the state's 85 percent share of the collections with the exemption decreasing from 90 percent in fiscal year 2027 to 35 percent in fiscal year 2031, after which the partial exemption expires.
2	Lignite research tax	House Bill No. 1412 imposed a lignite research tax of 5 percent based on 85 percent of the coal conversion tax to maintain the same level of allocations prior to the implementation of the coal conversion tax exemption, through June 30, 2026. House Bill No. 1279 continues the lignite research tax through June 31, 2031, after which the tax expires and 5 percent of the state's share of coal conversion facilities privilege tax is allocated to the lignite research fund.
3	Coal severance tax	Section 57-61-01 provides for a tax of 37.5 cents per ton of coal mined in the state, and the tax collections are deposited in the coal development fund for allocations by the State Treasurer. Section 57-61-01.5 provides for a separate tax of 2 cents per ton of coal mined in the state, and the tax collections are deposited in the lignite research fund.
4	Political subdivisions	The coal conversion facilities privilege tax collections are distributed to political subdivisions pursuant to Section 57-60-15, and the coal severance tax collections are distributed to political subdivisions pursuant to Section 57-62-02.
5	Legacy fund	House Bill No. 1279 changes the allocation of the state's share of the coal conversion facilities privilege tax from the general fund to the legacy fund to become part of the principal of the fund. Section 26 of Article X of the Constitution of North Dakota establishes the legacy fund and provides a distribution each biennium for purposes determined by the Legislative Assembly.
6	Lignite research fund	The lignite research fund is established under Section 57-61-01.6 for research, development projects, and marketing activities related to the lignite industry.
7	Coal development trust fund	The coal development trust fund is established in Section 21 of Article X of the Constitution of North Dakota. The fund is used to provide loans to coal-impacted counties, cities, and school districts and to provide loans to any school district for school construction.