



FARM TAX SEMINAR – NDSU

- LEGISLATIVE RECAP
- HOUSE BILL 1158 ANALYSIS
- TAX INCENTIVES FOR AGRICULTURE BUSINESSES
- MOTOR FUEL REFUND

Tax Commissioner Brian Kroshus



LEGISLATIVE RECAP

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LEGISLATIVE CHANGES

SALES & USE TAX

- RENEWABLE FEEDSTOCK REFINERY
- SUSTAINABLE AVIATION FUEL FACILITY REFINING RENEWABLE FEEDSTOCK

RENEWABLE FEEDSTOCK REFINERY

House Bill 1430 created a new sales and use tax exemption for materials used to construct, expand or make an environmental upgrade to a **renewable feedstock refinery**.



RENEWABLE FEEDSTOCK REFINERY

Senate Bill 2006 created a new sale & use tax exemption for materials used to construct, expand or upgrade a facility that refines renewable feedstock into **sustainable aviation fuel**.





LEGISLATIVE CHANGES

INDIVIDUAL INCOME TAX

- AUTOMATION REENACTMENT & CHANGES
- INDIVIDUAL INCOME TAX RATE REDUCTIONS

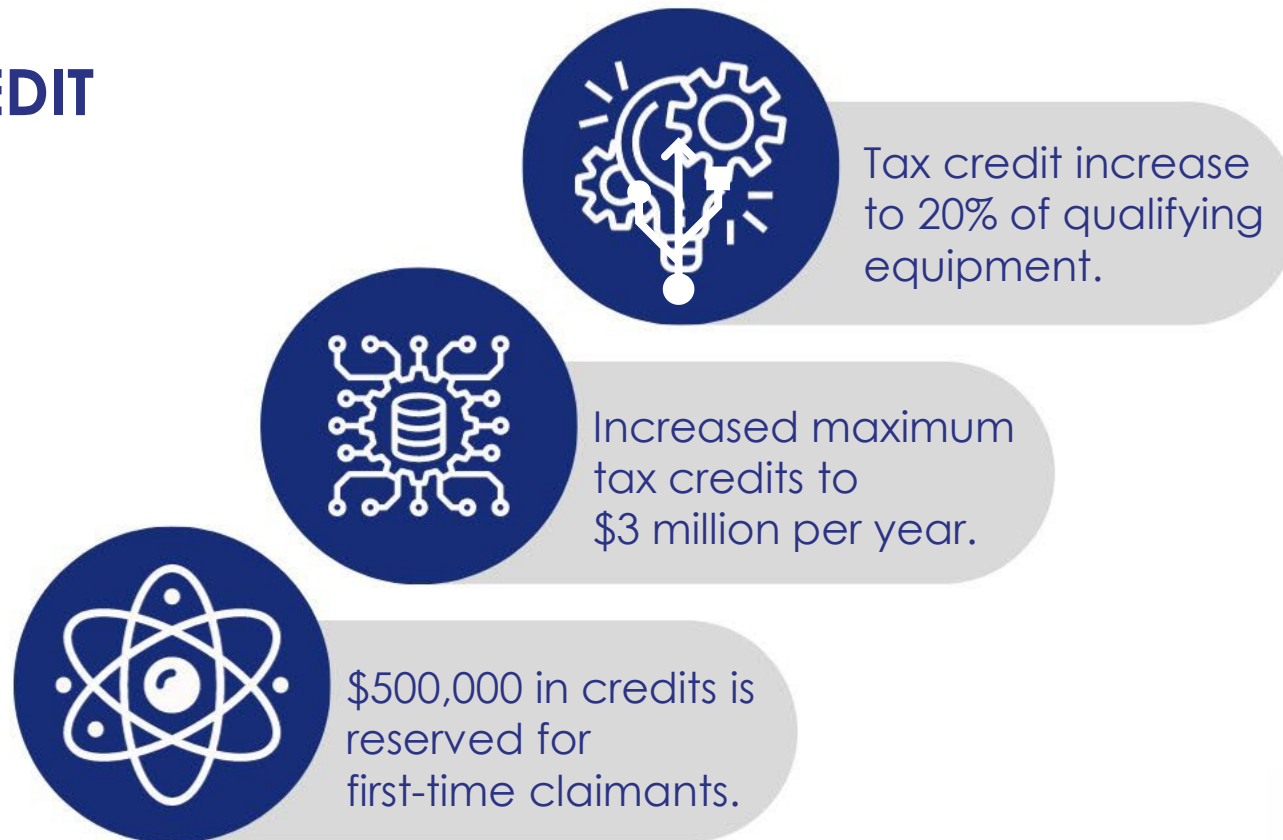
AUTOMATION TAX CREDIT

House Bill 1168 made changes to the existing automation tax credit program, which provides an income tax credit based on the cost of equipment purchased to automate a manufacturing process, including animal-agriculture processing.



AUTOMATION CREDIT CHANGES

The following changes were made to the automation tax credit





HOUSE BILL 1158 ANALYSIS

Tax Commissioner Brian Kroshus



INDIVIDUAL INCOME TAX RATE REDUCTIONS

These new rates were part of the House Bill 1158, a landmark bill that provided the largest individual income tax relief package in state history.

The bill made changes to the existing five-bracket system for individuals, estates and trusts, and was replaced with a three-bracket system with lower rates overall, including a “first bracket” with a zero percent rate.

ND INDIVIDUAL INCOME TAX BRACKETS

SINGLE

NORTH DAKOTA TAXABLE INCOME IS		
OVER	NOT OVER	TAX RATE
\$0	\$44,725	0.00%
\$44,725	\$225,975	1.95%
\$225,975	-	2.50%

MARRIED FILING JOINT

NORTH DAKOTA TAXABLE INCOME IS		
OVER	NOT OVER	TAX RATE
\$0	\$74,750	0.00%
\$74,750	\$275,100	1.95%
\$275,100	-	2.50%

MARRIED FILING SEPARATE

NORTH DAKOTA TAXABLE INCOME IS		
OVER	NOT OVER	TAX RATE
\$0	\$37,375	0.00%
\$37,375	\$137,550	1.95%
\$137,550	-	2.50%

HEAD OF HOUSEHOLD

NORTH DAKOTA TAXABLE INCOME IS		
OVER	NOT OVER	TAX RATE
\$0	\$59,950	0.00%
\$59,950	\$250,550	1.95%
\$250,550	-	2.50%

ESTATE OR TRUST

NORTH DAKOTA TAXABLE INCOME IS		
OVER	NOT OVER	TAX RATE
\$0	\$3,000	0.00%
\$3,000	\$10,750	1.95%
\$10,750	-	2.50%

EFFECTIVE JANUARY 2023



HOMESTEAD TAX CREDIT

HOMESTEAD TAX CREDIT REQUIREMENTS



65 YEARS OR OLDER



INCOME CANNOT EXCEED
\$70,000

House Bill 1158
Increased the Income Threshold



PERMANENT
OR
TOTAL DISABILITY



PRIMARY RESIDENCE CREDIT

PRIMARY RESIDENCE CREDIT

- No Income or Age Requirements
- Up to \$500 Tax Credit
- Non-refundable
- One Credit Per Primary Residence
- Credit applied to property tax bill



TAX INCENTIVES FOR BUSINESSES

Tax Commissioner Brian Kroshus

WHY DO BUSINESS IN NORTH DAKOTA?

THERE ARE MANY REASON FOR DOING BUSINESS IN NORTH DAKOTA

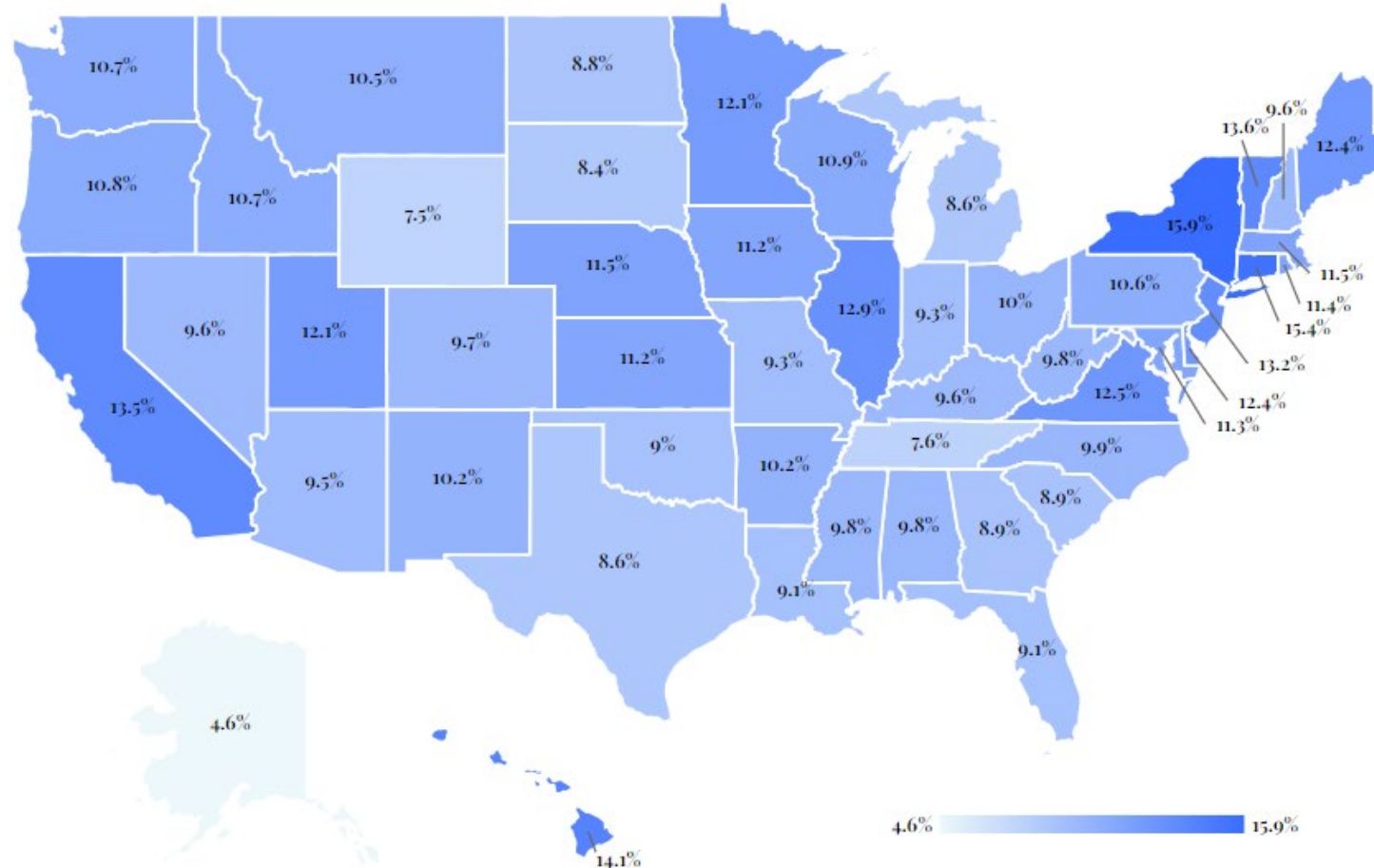
- Our individual income tax rates - ranging from 0% - 2.5%.
- Our corporate income tax rates range from 1.41% to 4.31%.
- Passthrough entities, such as partnerships and S corporations, do not pay income tax.
- North Dakota exempts all personal property from taxation. This means no tax on items like office equipment, inventory, accounts receivable or materials in process.
- North Dakota has some of the most affordable workers comp, unemployment and insurance tax rates in the nation.

NATIONAL AVERAGES OF TAXES RATES

MAP INCLUDES AVERAGES OF STATE/LOCAL TAXES FOR EACH STATE

North Dakota has some of the lowest tax rates in the country at 8.8%.

Information provided by: wisevoter.com



STATES WITH THE LOWEST TAX RATES

TOP 10 LOWEST IN THE UNITED STATES

1. Alaska – 4.60%
2. Wyoming – 7.50%
3. Tennessee – 7.60%
4. South Dakota – 8.40%
5. Michigan – 8.60%
6. Texas – 8.60%
7. North Dakota – 8.80%
8. Georgia – 8.90%
9. South Carolina – 8.90%
10. Oklahoma – 9%

Information
provided by:
wisevoter.com

AGRICULTURE SALES TAX EXEMPTIONS

1. Commercial Fertilizer
2. Fungicides, Herbicides and Insecticides
3. Seeds for Planting
4. Water
5. Potash
6. Livestock and Poultry Feed
7. Farm Machinery and Irrigation Repair Parts
8. Liquified Natural Gas for Agriculture
9. Agrichemical Tank Cleaners and Foam Marker
10. Agricultural By-Products for Manufacture or
Generation of Steam or Electricity

ADDITIONAL EXEMPTIONS CAN BE FOUND AT TAX.ND.GOV

SALES TAX INCENTIVES

STATE SALES TAX

The North Dakota sales tax rate is 5%
For most retail sales.

New farm machinery used exclusively
for agriculture production is at 3%.

Used farm machinery is not subject to the
sales tax.



SALES TAX INCENTIVES

AGRICULTURE COMMODITY PROCESSING PLANT CONSTRUCTION MATERIALS

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



SALES TAX INCENTIVES

AGRICULTURE COMMODITY PROCESSING FACILITY INVESTMENT CREDIT

Tax credits are available for those investing in qualified agricultural commodity processing facilities, certified by the North Dakota Department of Commerce.





SALES TAX INCENTIVES

FERTILIZER & CHEMICAL PROCESSING FACILITIES

A sales tax exemption may be granted for purchasing personal property used to construct a chemical or fertilizer processing facility and any integral component located at the facility site and necessary for the plant's operation.

The plant must produce fertilizer, chemicals or chemical derivatives from natural gas, natural gas liquids, or crude oil components.



SALES TAX INCENTIVES

MANUFACTURING, AGRICULTURAL OR RECYCLING EQUIPMENT

A new or expanding plant may qualify for a sales and use tax exemption on machinery or equipment that is used directly for one of the following:

- Primarily for manufacturing or agricultural processing.
- Solely for recycling.

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

PROPERTY TAX INCENTIVES

NEW OR EXPANDING BUSINESSES MAY QUALIFY FOR A PROPERTY TAX EXEMPTION

- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- Farm buildings and improvements located on agricultural lands, as a part of a farm unit or plant, are exempt from property tax.



RECRUITMENT CREDITS

WORKFORCE RECRUITMENT CREDIT

To qualify an employer must:

- Contract with a professional recruiter for a fee.
- Advertise in a professional trade journal, magazine, or other publication directed at a particular trade or profession.
- Provide employment information on a website for a fee.
- Pay a signing bonus, moving expenses, or atypical fringe benefits.

INTERNSHIP EMPLOYMENT CREDIT

A taxpayer is allowed an income tax credit for employing an individual under an internship program located in North Dakota.



MOTOR FUEL TAX REFUND

MOTOR FUEL TAX

THERE ARE THREE TYPES OF MOTOR FUEL TAX

- **Motor Vehicle Fuel Tax (Gasoline & Gasohol)**

\$0.23 cents per gallon is imposed on motor vehicle fuel

- **Special Fuel Tax**

\$0.23 cents per gallon is imposed on all special fuels sold for use in licensed vehicles.

\$0.04 cents per gallon is imposed on dyed (red) diesel, biodiesel, and kerosene.

- **Aviation Fuel Tax**

An aviation fuel tax of \$0.08 per gallon is imposed on the sale of aviation gasoline and jet fuels

ELIGIBLE MACHINERY & EQUIPMENT USE

Special fuel purchased at the \$0.23 cents per gallon tax rate may be eligible for a refund if the fuel was used in machinery and equipment for agriculture purposes. This includes:

TRACTORS

SWATHERS

COMBINES

AUGERS

Additional equipment and machinery may qualify.

Non-eligible equipment includes: Pick-ups, trucks, cars, ATVs, chain saws, lawn mowers, generators, pressure washers, welders, etc.

In 2022, more than 550 refunds were issued by the Office of State Tax Commissioner on more than 490,000 gallons of gas.



ND TAP

TAXPAYER ACCESS POINT

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Tell Us How We Did!

