



M2K Advisors

TAXATION IN NORTH DAKOTA

C Corporation & Franchise Tax (1/3)

The following entities that are formed in North Dakota or conduct business in the state are generally required to file a North Dakota corporate income tax return. They are as follows:

- Corporations, including business trusts, associations, and joint-stock companies;
- Cooperative corporations distributing their net income through patronage dividends;
- Insurance companies conducting business activities not subject to a gross premiums tax;
- Tax-exempt organizations having unrelated business taxable income
- Organizations that anticipate receiving a tax exemption status notification from the IRS, But have not actually received such notification.

The corporate income tax rate in North Dakota is as follows:

Income (USD)	Tax Rate
0 – 25,000	1.41%
25,000 – 50,000	USD 352.50 plus 3.55% of amount over USD 25,000
50,000 - over	USD 1240 plus 4.31% of amount over USD 50,000



C Corporation & Franchise Tax (2/3)

C corporations that are formed in North Dakota or conduct business in the state are generally required to file a North Dakota corporate income tax return. The corporate income tax rate in North Dakota is a flat rate of 4.31% of net taxable income.

A

The due date for filing North Dakota corporate income tax returns is generally on or before the 15th day of the fourth month following the close of the tax year.

B

C corporations in North Dakota typically file Form 40, the North Dakota Corporation Income Tax Return.

C

North Dakota automatically accepts a federal extension for filing state taxes, extending the deadline by one month. Attach a copy of federal extension Form 7004 to the state return. If no federal extension is obtained or additional time is needed, file North Dakota Form 101 before the return due date.



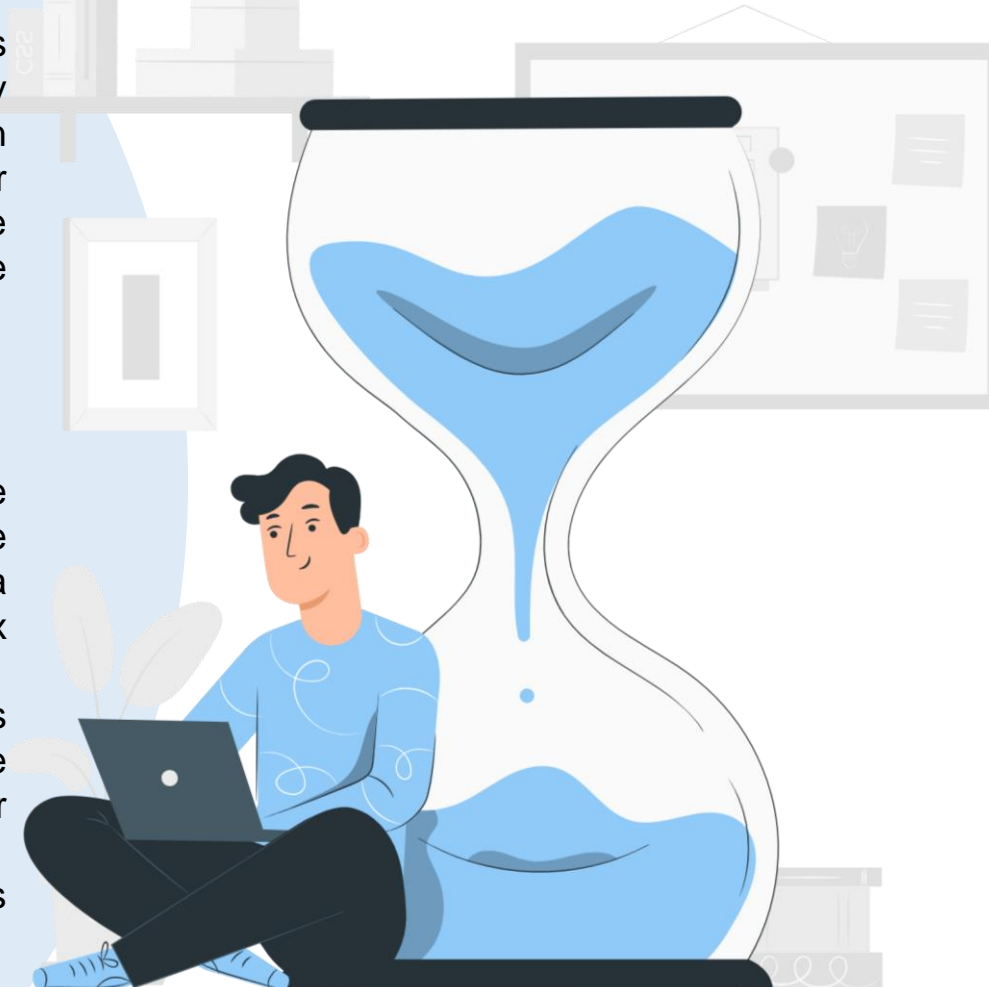
C Corporation & Franchise Tax (3/3)

Estimated Tax Payment

If a corporation's estimated state income tax liability exceeds USD 5,000 and its previous year's state income tax liability exceeded USD 5,000, the corporation is generally required to make an estimated tax payment of at least one-fourth of the amount due on each of four prescribed dates. Form 40-ES voucher must be used to ensure that proper credit for the payment is applied to the correct account. If payment is to be made electronically, do not use the Form 40-ES voucher. The estimated tax payments are due on 15th day of fourth, sixth, ninth & first month of the following tax year.

Penalty and Interest

- If the return is not filed by the due date (or extended due date), a penalty of 5% of the net tax liability or USD5, whichever is greater, applies for the month in which the return is due, with an additional 5% for each additional month (or a fraction of a month) during which the delinquency continues, not to exceed 25% of the net tax liability.
- If an extension was obtained, interest on the tax due during the extension period is computed at 12% per annum, through the later of the extended due date or date paid. Beginning with the month thereafter, interest is computed at 1% per month or fraction of a month.
- If the amount of tax is not paid by the due date (or extended due date), the penalty is equal to 5% of the unpaid tax due or USD 5, whichever is greater.



S Corporation Tax (1/2)



S corporations in North Dakota are generally required to file an informational return to report their income, deductions, and other relevant information. This is not a tax liability on the entity level, but rather the information is passed through to the individual shareholders who report it on their personal tax returns.

The due date for filing North Dakota corporate income tax returns is generally the 15th day of the fourth month following the end of the corporation's tax year.

Form 60, S Corporation Income Tax Return, must be filed by a corporation that meets both of the following:

- It is required to file Form 1120 S, U.S. Income Tax Return for an S Corporation.
- It carries on business, or derives gross income from sources, in North Dakota during the tax year.

North Dakota has no requirement for S corporations and partnerships to make estimated income tax payments. If the S corporation or partnership expects a tax due on its return, an estimated payment can be made online through ND TAP. If you are paper filing, use Form 60-ES – S Corp Estimated Tax Payment.

S Corporation Tax (2/2)

Extension of time to file

North Dakota allows S corporations to request an extension of time to file their informational returns in two ways: If an extension of time to file the federal corporation return is obtained, it is automatically accepted as an extension of time to file Form 60 but if federal extension is not filed, then, to obtain an extension, the entity must file Form 101, Application for Extension of Time to File. However, it's important to note that an extension of time to file does not extend the payment deadline, and any tax liability is still due by the original due date.



Penalty and Interest

- Failure to pay tax - If Form 60 is filed by its due date (or extended due date), but the total amount of tax due is not paid by the due date (or extended due date), a penalty equal to 5% of the unpaid tax or USD 5, whichever is greater, must be paid.
- Failure to file return - If Form 60 is filed after its due date (or extended due date), and there is an unpaid tax due on it, a penalty equal to 5% of the unpaid tax due or USD 5, whichever is greater, for the month in which the return was due plus 5% of the unpaid tax due for each additional month (or fraction of a month) during which the return remains delinquent must be paid. This penalty may not exceed 25% of the tax due.
- Interest - In addition to any penalty, interest must be paid at the rate of 1% per month or fraction of a month, except for the month in which the tax was due, on any tax due that remains unpaid after the return's due date (or extended due date).

Partnership LLP & LLC Tax

Partnerships including LLC & LLPs in North Dakota are generally required to file an informational return to report their income, deductions, and other relevant information. There is no tax liability on the entity level, but rather the information is passed through to the individual partners who report it on their personal tax returns.

The due date for filing North Dakota partnership income tax returns is generally the 15th day of the fourth month following the end of the corporation's tax year.

Form 58, Partnership Income Tax Return, must be filed by a partnership that meets both of the following:

- It is required to file Form 1065, U.S. Return of Partnership Income.
- It carries on business, or derives gross income from sources, in North Dakota during the tax year.

A limited liability company that is classified as a partnership for federal income tax purposes is treated like a partnership for North Dakota income tax purposes and must file Form 58 if it meets the above conditions for filing.

In North Dakota, Partnerships, including LLCs and LLPs, can extend their informational return deadline in two ways. If a federal corporate return extension is secured, it automatically extends the deadline for North Dakota Form 58. Alternatively, if no federal extension is obtained, the entity must file Form 101 for a state extension. Importantly, the extension of time to file does not extend the payment deadline, and taxes remain due by the original due date.

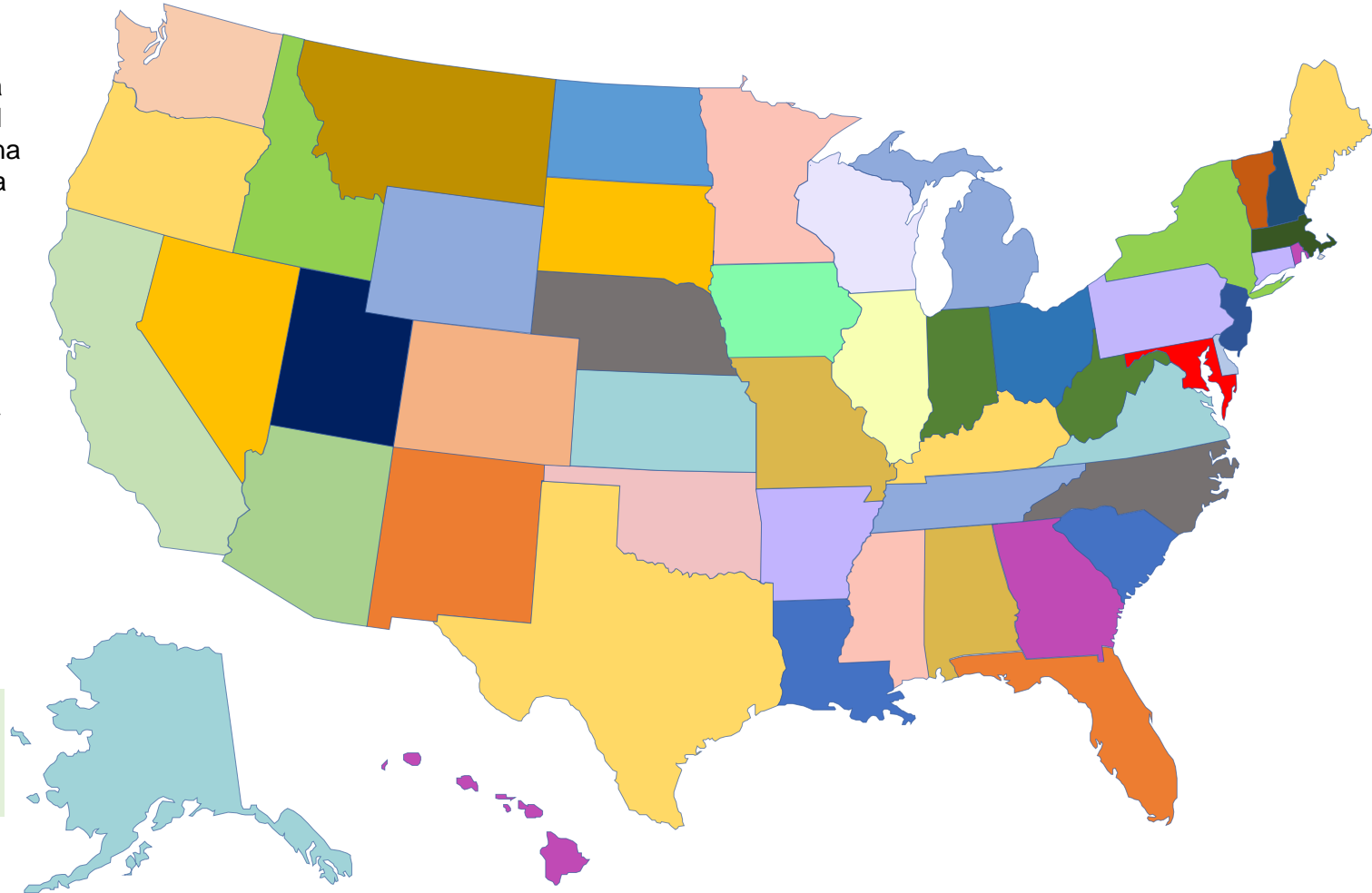
Note - Interest and penalty is same as S corporation for Partnership LLP & LLC



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