

MANUFACTURING *in Lehman's Terms*

Automation Tax Credit Deadline Looming

With workforce challenges persisting across the nation, there has been an increased focus among many manufacturers to automate their processes. Fortunately for operations in North Dakota, the state legislature has put in place the Automation Tax Credit to assist with automating these processes as businesses look to achieve greater capacity and throughput with their current workforce.

This program which is unique to North Dakota is administered by the North Dakota Department of Commerce in conjunction with the North Dakota Office of State Tax Commissioner. The Automation Tax Credit program provides a tax credit of up to 20% to cover the cost of equipment leased or purchased with the intent of automating a manual process. With the legislature setting aside \$1 million per year for the program, if there are less than \$5 million worth of approved requests across the state within a particular year, applicants will get the full 20% tax credit. If demand is higher than that, the amount will be prorated. For example, if \$10 million of automation equipment is approved for the year, then the applicant will receive a 10% tax credit.

All eligible primary sector businesses (manufacturers, food processors, etc.) across the state are encouraged to apply for this tax incentive aimed at increasing our state's manufacturing and processing capacity through automation. This incentive is not just for robots, any automated equipment used to improve job quality or productivity may be a candidate. To qualify, the business must:

1. Be [primary sector certified](#) at the time they take ownership of the equipment.
2. Have taken ownership of the automation equipment in 2021. For example, if the equipment was shipped from Germany and showed up on the dock in 2021 but had freight onboard the port of entry in 2020 this would not qualify. Please note the program DOES NOT go by the date the equipment is placed into service as is the case in some tax-related situations.
3. Automate a manual process: Simply replacing an automated process with another automated process does not apply. To be considered, the equipment must automate an existing manual process or tangibly advance automation of a previously automated process. Simply being faster isn't enough to qualify.
4. **Have the application submitted by Jan. 31 if ownership was taken in 2021.** Applications cannot be accepted if they are not submitted by Jan. 31.



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To submit an online application or for more in-depth information regarding the [Automation Tax Credit](#), primary sector businesses can visit the Commerce website. Please keep in mind that you will be asked to provide invoices, proof of purchase, and proof of delivery, so be sure to have those documents on hand when applying.

To inquire about this or other incentives applicable to your manufacturing operation, please feel free to reach out and I will point you in the right direction. Also, if you are considering an expansion or relocating to North Dakota, I would be happy to work with you to make that a reality!

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