

February 17, 1997

PROPOSED AMENDMENTS TO SENATE BILL NO. 2246

Page 1, line 9, overstrike "state" and insert immediately thereafter "an" and overstrike "liability"

Page 1, line 10, overstrike "Any taxpayer" and insert immediately thereafter "An individual, estate, or trust", after "~~his~~" insert "an", and overstrike "liability"

Page 1, line 11, overstrike "only" and after "for" insert "only"

Page 1, line 13, remove "Any" and overstrike "person" and insert immediately thereafter "If a nonresident individual otherwise"

Page 1, line 14, after "chapter" insert "is not required to file a federal income tax return or is allowed to exclude income in computing federal taxable income because of an income tax treaty between the United States and a foreign country, the individual shall compute, or recompute" and overstrike "but who has not computed a federal taxable income"

Page 1, line 15, overstrike "figure", remove the underscored comma, overstrike "shall compute", and overstrike "a"

Page 1, line 16, overstrike "figure using a pro forma return"

Page 1, line 17, after "~~figure~~" insert "in the manner"

Page 1, line 18, overstrike "state income" and insert immediately thereafter "the" and after "tax" insert "under subsection 3, the purpose of which is to prevent income otherwise taxable under this chapter from becoming exempt because of the treaty, if the treaty does not specifically preempt state taxation of the income"

Page 1, line 19, after "upon" insert "all"

Page 1, line 20, overstrike "every" and insert immediately thereafter "a", overstrike "and nonresident", overstrike the second "and" and insert immediately thereafter "or", and after "trust" insert ", or on the income derived from sources in this state by a nonresident individual, estate, or trust, electing to determine an income tax under this section"

Page 1, line 22, replace "For an individual, the tax under this" with "The tax is equal to the amount determined under subsection 3."

3. The tax under this section applies to taxable income as defined under this subsection. For purposes of this subsection, "taxable income" means federal taxable income computed under the United States Internal Revenue Code of 1954, as amended, plus the adjustments provided under subsection 4. The tax is equal to the amount determined in accordance with the applicable table in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes multiplied by the fraction determined under subsection 5. For an estate or trust, the table in subdivision e must be used for purposes of this subsection."

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Page 2, after line 4, insert:

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| <u>"If taxable income is:</u> | <u>The tax is equal to:"</u> |
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Page 2, after line 10, insert:

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| <u>"If taxable income is:</u> | <u>The tax is equal to:"</u> |
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Page 2, after line 16, insert:

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| <u>"If taxable income is:</u> | <u>The tax is equal to:"</u> |
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Page 2, after line 22, insert:

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| <u>"If taxable income is:</u> | <u>The tax is equal to:"</u> |
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Page 2, after line 28, insert:

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| <u>"If taxable income is:</u> | <u>The tax is equal to:"</u> |
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Page 3, line 3, after "The" insert "tax"

Page 3, line 4, replace "return forms" with "the individual income tax return in the manner deemed appropriate by the tax commissioner"

Page 3, after line 4, insert:

- "g. Where married persons who file a joint federal income tax return are required to file separate state income tax returns under subsection 6, the tax under this subsection for each spouse must be determined by applying the rates under subdivision b to the spouses' total federal taxable income and prorating the result between the spouses based on their respective shares of the total federal adjusted gross income.

- h. For taxable years beginning after December 31, 1997, the tax commissioner shall prescribe new tables that apply in lieu of the tables set forth in subdivisions a through e. The new tables must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

Page 3, line 5, overstrike "3. The adjusted federal", remove "taxable", overstrike "income", and overstrike "for a resident individual, estate,"

Page 3, line 6, overstrike "and trust must be determined by multiplying the federal", remove "taxable", and overstrike "income"

Page 3, overstrike lines 7 through 20

Page 3, line 21, overstrike "4. The adjusted federal", remove "taxable", overstrike "income", and overstrike "of a nonresident individual, estate"

Page 3, line 22, overstrike "and trust must be determined by multiplying the federal", remove "taxable", and overstrike "income"

Page 3, overstrike lines 23 through 30

Page 4, overstrike lines 1 through 6

Page 4, after line 6, insert:

- "4. For purposes of subsection 3, federal taxable income must be increased by the following:
 - a. The amount of a lump-sum distribution allowed as a deduction from federal gross income under section 402(d)(3) of the United States Internal Revenue Code of 1954, as amended; and
 - b. Except for obligations of the state of North Dakota or its political subdivisions, the amount of interest from obligations of states and their political subdivisions.
- 5. For purposes of subsection 3, the fraction is equal to North Dakota adjusted gross income divided by federal adjusted gross income. For this purpose, "North Dakota adjusted gross income" means federal adjusted gross income reduced by:
 - a. Interest income from obligations of the United States;
 - b. Income exempt from state income tax under federal statute, the Constitution of the United States, or the Constitution of North Dakota;
 - c. The portion of a distribution from a qualified investment fund as defined under subsection 4.2 of section 57-38-01 which is attributable to investments by the qualified investment fund in obligations of the United States, obligations of North Dakota or its political subdivisions, and any other obligation the interest from which is exempt from state income tax under federal statute, the Constitution of the United States, or the Constitution of North Dakota; and
 - d. For a nonresident individual, estate, or trust, the portion of federal adjusted gross income not allocable or apportionable to this state under this chapter."

Page 4, line 7, overstrike "5."

Page 4, line 27, remove the overstrike over "6."

Page 5, line 1, remove ", and the tax determined"

Page 5, remove lines 2 and 3

Page 5, line 4, remove "their joint federal income tax return"

Page 5, line 5, after "persons" insert ", or if separate state income tax returns are required to be filed under this subsection"

Page 5, line 6, after "spouse's" insert "state"

Page 5, line 8, remove the overstrike over "~~7~~." and remove "6."

Page 5, line 30, replace "7" with "8"

Page 6, line 6, replace "1996" with "1997"

Renumber accordingly