

**FIRST ENGROSSMENT
with Senate Amendments**

Fifty-sixth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1492

Introduced by

Representatives Dorso, Clark, B. Thoreson

Senators Grindberg, G. Nelson

1 A BILL for an Act to provide for renaissance zones in cities and to provide tax exemptions and
2 credits for investments in renaissance zones; to create and enact a new subsection to section
3 57-38-30.3 of the North Dakota Century Code, relating to tax exemptions and credits for
4 investments in renaissance zones; and to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. Definitions.** As used in sections 1 through 10 of this Act:

- 7 1. "Boundary" means the boundary established by vote of the city governing body
8 and approved by the office of intergovernmental assistance.
- 9 2. "Development plan" means a written plan that addresses the criteria in
10 subsection 1 of section 3 of this Act and includes the following:
- 11 a. A map of the proposed renaissance zone which indicates the geographic
12 boundaries, the total area, and the present use and conditions of the land and
13 structures within those boundaries.
- 14 b. A description of the existing physical assets, in particular natural or historical
15 assets, of the zone and a plan for the incorporation and enhancement of the
16 assets within the proposed development.
- 17 c. An outline of goals and objectives and proposed outcomes, including major
18 milestones or benchmarks, by which to gauge success resulting from the
19 designation of the zone.
- 20 d. A description of proposed projects including public and private investments,
21 and the programming and planned events to support and enhance the
22 projected investments.
- 23 e. A description of the promotion, development, and management strategies to
24 maximize investment in the zone.

- 1 f. A plan for the promotion and use of the renaissance fund corporation,
2 including commitments by one or more investors to the corporation, if such
3 use is intended.
- 4 g. Evidence of community support and commitment from residential and
5 business interests.
- 6 3. "Investor" means the individual, partnership, limited partnership, limited liability
7 company, trust, or corporation making an investment in a renaissance fund
8 corporation.
- 9 4. "Local zone authority" means the city or the entity designated by the city to
10 promote, develop, and manage the zone and may include any nonprofit
11 incorporated entity such as an economic development corporation, community
12 development corporation, main street organization, or chamber of commerce.
- 13 5. "Original principal amount" means the funds invested in a renaissance fund
14 corporation after designation of the renaissance zone and before the sunset of that
15 zone.
- 16 6. "Taxpayer" means an individual, corporation, financial institution, or trust subject to
17 the taxes imposed by chapter 57-35.3 or 57-38.
- 18 7. "Zone" means a renaissance zone proposed by a city and designated by the office
19 of intergovernmental assistance.
- 20 8. "Zone project" means any project contained within a designated renaissance zone
21 and approved for zone incentives by a majority vote of the city governing body or
22 zone authority.

23 **SECTION 2. Eligibility - Local zone authority designation.** Any incorporated city
24 may apply to the office of intergovernmental assistance to designate a portion of the city as a
25 renaissance zone. Any individual, partnership, limited partnership, limited liability company,
26 trust, or corporation may apply for a tax credit or exemption under sections 4 through 7 of this
27 Act. The governing body of a city may designate a local zone authority to implement a
28 development plan on behalf of the city.

29 **SECTION 3. Renaissance zones.**

- 30 1. A city may apply to the office of intergovernmental assistance to designate a
31 portion of that city as a renaissance zone if the following criteria are met:

- 1 a. The geographic area proposed for the renaissance zone is located wholly
- 2 within the boundaries of the city submitting the application.
- 3 b. The application includes a development plan.
- 4 c. The proposed renaissance zone is not more than twenty square blocks.
- 5 d. The proposed renaissance zone has a continuous boundary and all blocks
- 6 are contiguous.
- 7 e. The proposed land usage includes both commercial and residential property.
- 8 f. The application includes the proposed duration of renaissance zone status,
- 9 not to exceed fifteen years.
- 10 2. The office of intergovernmental assistance shall:
- 11 a. Review all applications for renaissance zone designation against the criteria
- 12 established in this section and designate zones.
- 13 b. Approve or reject the duration of renaissance zone status as submitted in an
- 14 application.
- 15 c. Approve or reject the geographic boundaries and total area of the
- 16 renaissance zone as submitted in an application.
- 17 d. Promote the renaissance zone program.
- 18 e. Monitor the progress of the designated renaissance zones against submitted
- 19 plans in an annual plan review.
- 20 f. Report on renaissance zone progress to the governor and the legislative
- 21 council on an annual basis until all designated zones expire.
- 22 3. The office of intergovernmental assistance shall consider the following criteria in
- 23 designating a renaissance zone:
- 24 a. The viability of the development plan.
- 25 b. The incorporation and enhancement of unique natural and historic features
- 26 into the development plan.
- 27 c. Whether the development plan is creative and innovative in comparison to
- 28 other applications.
- 29 d. Public and private commitment to and other resources available for the
- 30 proposed renaissance zone, including the provisions for a renaissance fund
- 31 corporation.

- 1 e. How renaissance zone designation would relate to a broader plan for the
- 2 community as a whole.
- 3 f. How the local regulatory burden, in particular that burden associated with the
- 4 renovation of historic properties and that burden associated with mixed use
- 5 development, will be eased for developers and investors in the renaissance
- 6 zone.
- 7 g. The strategies for the promotion, development, and management of the zone,
- 8 including the use of a local zone authority if designated.
- 9 h. Any other information required by the office.
- 10 4. The office of intergovernmental assistance may not designate a portion of a city as
- 11 a renaissance zone unless, as a part of the application, the city provides a
- 12 resolution from the governing body of the city that states if the renaissance zone
- 13 designation is granted, persons and property within the renaissance zone are
- 14 exempt from taxes as provided in sections 4 through 7 of this Act.
- 15 5. A city may not propose or be part of more than one renaissance zone.
- 16 6. A parcel of property may be exempted from property taxes under section 5 of this
- 17 Act only once, but during the five taxable years of eligibility for that exemption, the
- 18 property tax exemption transfers with the transfer of the property to a qualifying
- 19 user. The ownership or lease of, or investment in, a parcel of property may qualify
- 20 for exemption or credit under section 4 of this Act only once, but during the five
- 21 taxable years of eligibility for that exemption or credit, the exemption or credit
- 22 under section 4 of this Act transfers with the transfer of the property to a qualified
- 23 user and with respect to the year in which the transfer is made must be prorated
- 24 for use of the property during that year.

25 **SECTION 4. Income tax exemptions.**

- 26 1. An individual taxpayer who purchases single-family residential property for the
- 27 individual's primary place of residence as part of a zone project is exempt from up
- 28 to ten thousand dollars of personal income tax liability as determined under section
- 29 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of
- 30 occupancy.

2. A business that purchases or leases property for any business purpose as part of a zone project is exempt from income tax for five taxable years beginning in the year of the investment or lease for income derived from the business locations within the zone.

3. An individual, partnership, limited partnership, limited liability company, trust, or corporation that purchases residential or commercial property as an investment as part of a zone project is exempt from any income tax for five taxable years resulting from income earned from that investment.

4. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapters 57-35.3 or 57-38.

SECTION 5. Property tax exemptions.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, located in a zone project if the property was purchased by an individual for the individual's primary place of residence. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition.

2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased by a business for any business purpose, excluding investment, as part of a zone project. An exemption granted under this subsection may not extend beyond five taxable years beginning in the year of the investment.

3. A municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements to residential or commercial property located in a zone project if the property was purchased solely for investment purposes. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition.

SECTION 6. Historic preservation and renovation tax credit. A credit against state tax liability as determined under sections 57-35.3-03, 57-38-29, 57-38-30, and 57-38-30.3 is allowed for investments in the historic preservation or renovation of property within the renaissance zone if the investment is made between January 1, 2000, and December 31, 2004.

1 The amount of the credit is fifty percent of the amount invested during the taxable year. Any
2 excess credit may be carried forward for a period of up to five taxable years from the date of
3 the investment.

4 **SECTION 7. Renaissance fund corporation - Exemption from taxation.**

- 5 1. Each city with a designated renaissance zone may establish a renaissance fund
6 corporation, if the provisions for such a corporation are clearly established in the
7 development plan and approved with the plan. The renaissance fund corporation
8 may be a for-profit subsidiary of the local authority if one is designated.
- 9 2. The purpose of a renaissance fund corporation is solely to raise funds to be used
10 to make investments in zone projects, and to provide financing to enterprise zone
11 projects in a manner that will encourage capital investment in downtowns and
12 central portions of cities, encourage the establishment or expansion of commercial
13 businesses in downtowns and central portions of cities, and encourage the
14 purchase of homes and encourage residency in the downtowns and central
15 portions of cities.
- 16 3. A renaissance fund corporation may provide financing to zone projects, including
17 projects undertaken by individuals, partnerships, limited partnerships, limited
18 liability companies, trusts, corporations, nonprofit organizations, and public entities.
19 The financing may include any combination of equity investments, loans,
20 guarantees, and commitments for financing. The amount of financing is not limited
21 by this Act.
- 22 4. A renaissance fund corporation is exempt from any tax imposed by chapters
23 57-35.3 or 57-38. A corporation or financial institution entitled to the exemption
24 provided by this subsection must file required returns and report income to the tax
25 commissioner as required by the provisions of those chapters as if the exemption
26 did not exist. If an employer, this subsection does not exempt a renaissance fund
27 corporation from complying with the income tax withholding laws.
- 28 5. A credit against state tax liability as determined under sections 57-35.3-03,
29 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund
30 corporation. The amount of the credit is fifty percent of the amount invested in the
31 renaissance fund corporation during the taxable year. Any amount of credit which

exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.

6. The total amount of credits allowed under this section may not exceed, in the aggregate, two million five hundred thousand dollars for all taxpayers in all taxable years.

7. Income to a renaissance fund corporation derived from the sale or refinancing of zone properties financed wholly or in part by the corporation may be dispersed as annual dividends equal to the income, minus ten percent, derived from all sources and proportional to the investment. In the event of a loss to the fund resulting in a temporary diminishment of the fund below the original principal amount, no annual dividend may be paid until the fund is restored.

8. Income to a renaissance fund corporation derived from interest or the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or securities may be used for administration.

9. If an investment in a renaissance fund corporation which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is purchased, the credit provided by this section for the investment must be disallowed, and any credit previously claimed and allowed with respect to the investment must be paid to the tax commissioner with the appropriate return of the taxpayer covering the period in which the redemption occurred. When payments are made to the tax commissioner under this section, the amount collected must be handled in the same manner as if no credit had been allowed.

10. A renaissance fund corporation may invest in any housing, commercial, or infrastructure project in a zone project.

11. Each petition for investment must include a plan for sale or refinancing that results in proceeds equal to or in excess of the proportional investment made by the renaissance fund corporation.

SECTION 8. Contributions - Use. A local zone authority shall use contributions received under sections 4, 5, 6, and 7 of this Act for the support of the renaissance zone, including promotion, development, and management of the zone.

1 **SECTION 9. Rules and administration - Income tax secrecy exception.** The tax
2 commissioner shall administer sections 1 through 10 of this Act with respect to an income tax
3 exemption or credit and has the same powers as provided under section 57-38-56 for purposes
4 of sections 1 through 10 of this Act. The office of intergovernmental assistance, in cooperation
5 with the tax commissioner, shall issue forms to a taxpayer who may be eligible for the income
6 tax exemption or tax credit sufficient for the tax commissioner to monitor the use of any
7 exemptions or credits received by a taxpayer. The secrecy provisions of section 57-38-57 do
8 not apply to exemptions or credits received by taxpayers under sections 4, 6, and 7 of this Act,
9 but only when a local zone authority inquires of the tax commissioner about exemptions or
10 credits claimed under sections 4, 6, and 7 of this Act with regard to that local zone authority or
11 to the extent necessary for the tax commissioner to administer the tax exemptions or credits.

12 **SECTION 10. Pass-through of tax exemption or credit.** A partnership, subchapter S
13 corporation, limited partnership, limited liability company or any other pass-through entity that
14 purchases or leases property in a renaissance zone for any business purpose, invests in a
15 historic preservation or renovation of property within a renaissance zone, or invests in a
16 renaissance fund corporation must be considered to be the taxpayer for purposes of any
17 investment limitations in sections 4, 6, and 7 of this Act, and the amount of the exemption or
18 credit allowed with respect to the entity's investments must be determined at the pass-through
19 entity level. The amount of the total exemption or credit determined at the entity level must be
20 passed through to the partners, shareholders, or members in proportion to their respective
21 interests in the pass-through entity.

22 **SECTION 11.** A new subsection to section 57-38-30.3 of the 1997 Supplement to the
23 North Dakota Century Code is created and enacted as follows:

24 A taxpayer filing a return under this section is entitled to the exemptions or credits
25 provided under sections 4, 6, and 7 of this Act.

26 **SECTION 12. EFFECTIVE DATE.** This Act is effective for taxable years beginning
27 after December 31, 1998, and does not apply to any investments or activities that occurred
28 before January 1, 1999.