

Introduced by

Senators Lee, Klein

Representatives Berg, Clark, Pietsch

1 A BILL for an Act to create and enact a new subdivision to subsection 1 of section 57-38-01.3
2 of the North Dakota Century Code, relating to a corporate income tax deduction for research
3 and development expenditures at a certified research and development center in this state; and
4 to provide an effective date.

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

6 **SECTION 1.** A new subdivision to subsection 1 of section 57-38-01.3 of the North
7 Dakota Century Code is created and enacted as follows:

8 Reduced by qualified research and development costs of a product produced
9 in this state. Twenty percent of this deduction is available in each of the first
10 five taxable years of sales of the product by the corporation. For purposes of
11 this section:

12 (1) "Qualified research and development costs" means expenditures by the
13 corporation for research and development performed at a certified
14 research and development center for a product that has been approved
15 by the department of economic development and finance as a product
16 that has potential to have a net long-term positive fiscal effect for state
17 general fund revenues and as a product that incorporates innovative
18 technology.

19 (2) "Research and development center" means a research and
20 development facility located in this state that has been certified by the
21 department of economic development and finance to conduct research
22 necessary to create, develop, and bring products incorporating
23 innovative technology to market.

- 1 (3) The taxpayer shall apply to the director of the department of economic
2 development and finance for certification that the research and
3 development center and its expenditures are qualified for the deduction
4 under this subdivision. The director shall provide the taxpayer with a
5 certificate of approval, a copy of which must be attached to each return
6 on which the deduction is claimed.
- 7 (4) Any expenditure for which a deduction is claimed under this subdivision
8 is not eligible for the tax credit under section 57-38-30.5.
- 9 (5) The taxpayer shall maintain production operations in this state for ten
10 years. If the taxpayer relocates any part of its production facilities
11 outside this state within the ten-year period, the deduction is
12 disallowed. The director shall notify the tax commissioner of the
13 relocation. Within ninety days after the relocation, the taxpayer shall
14 file an amended return, or provide other information as required by the
15 tax commissioner, for the tax year in which the deduction was claimed
16 to report the disallowed deduction and pay the tax due.
- 17 Notwithstanding the time periods for assessment in section 57-38-38, if
18 the taxpayer fails to file the amended return, the tax commissioner may
19 assess any tax attributable to the deduction.

20 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
21 December 31, 2000.