

SENATE BILL NO. 2259

Introduced by

Senators Grindberg, Espeland, Heitkamp

Representatives S. Kelsh, Severson, Weiler

1 A BILL for an Act to amend and reenact subsection 2 of section 40-63-01 and section 40-63-07
2 of the North Dakota Century Code, relating to renaissance fund organizations.

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

4 **SECTION 1. AMENDMENT.** Subsection 2 of section 40-63-01 of the North Dakota
5 Century Code is amended and reenacted as follows:

- 6 2. "Development plan" means a written plan that addresses the criteria in
7 subsection 1 of section 40-63-03 and includes the following:
- 8 a. A map of the proposed renaissance zone which indicates the geographic
9 boundaries and blocks, a description of the properties and structures on each
10 block, identification of those properties and structures to be targeted for
11 potential zone projects, and a description of the present use and conditions of
12 the targeted properties and structures.
 - 13 b. A description of the existing physical assets, in particular natural or historical
14 assets, of the zone and a plan for the incorporation and enhancement of the
15 assets within the proposed development.
 - 16 c. An outline of goals and objectives and proposed outcomes, including major
17 milestones or benchmarks, by which to gauge success resulting from the
18 designation of the zone.
 - 19 d. A description of the types of projects the city would encourage in the city's
20 targeted properties.
 - 21 e. A description of the promotion, development, and management strategies to
22 maximize investment in the zone.
 - 23 f. ~~A plan for the development, promotion, and use of a renaissance fund~~
24 ~~organization, if one is desired to be established. If a city is not ready to~~

~~commit to establishing a renaissance fund organization, the city may indicate
in the renaissance zone application the city's desire to submit a plan for
approval at a later date.~~

- g- Evidence of community support and commitment from residential and
business interests.

SECTION 2. AMENDMENT. Section 40-63-07 of the North Dakota Century Code is
amended and reenacted as follows:

40-63-07. Renaissance fund organization - Exemption from taxation.

1. ~~Each city with a designated renaissance zone may establish a renaissance fund
corporation, if the detailed plan for such an organization is clearly established in
the development plan and approved with the plan, or is submitted at a later date to
the department of commerce division of community services for approval after the
designation of a renaissance zone.~~
- 2- The purpose of a renaissance fund organization is solely to raise funds to be used
to make investments in zone projects and to make investments in businesses
within a city's zone entities in a manner that will encourage capital investment in
the state. A renaissance fund organization may provide financing to projects
undertaken by individuals, partnerships, limited partnerships, limited liability
companies, trusts, corporations, nonprofit organizations, and public entities. The
financing may include any combination of equity investments, loans, guarantees,
and commitments for financing. The amount of financing is not limited by this
chapter.
- 3- ~~A renaissance fund organization that is established by a city may provide financing
to businesses within the city's zone and may provide financing to zone approved
projects throughout the state.~~
- 4- 2. A renaissance fund organization is exempt from any tax imposed by chapter
57-35.3 or 57-38. An exemption under this section may be passed through to any
shareholder, partner, and owner if the renaissance fund organization is a
passthrough entity for tax purposes. A corporation or financial institution entitled to
the exemption provided by this subsection ~~must~~ shall file required returns and
report income to the tax commissioner as required by the provisions of those

1 chapters as if the exemption did not exist. If an employer, this subsection does not
2 exempt a renaissance fund organization from complying with the income tax
3 withholding laws.

4 ~~5-~~ 3. A credit against state tax liability as determined under section 57-35.3-03,
5 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund
6 organization. The amount of the credit is fifty percent of the amount invested in the
7 renaissance fund organization during the taxable year. Any amount of credit which
8 exceeds a taxpayer's tax liability for the taxable year may be carried forward for up
9 to five taxable years after the taxable year in which the investment was made.

10 ~~6-~~ 4. The total amount of credits allowed under this section may not exceed, in the
11 aggregate, an initial limit of two million five hundred thousand dollars. Upon
12 exhaustion of this initial limit, an additional one million dollars in credits is available
13 for investments in renaissance fund organizations for taxable years beginning after
14 December 31, 2000, for investments permitted under this chapter if more than
15 sixty-five percent of the organization's net investments received have been
16 invested as permitted under this chapter or the organization is established after the
17 exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one
18 million five hundred thousand dollars in credits is available for investments in
19 renaissance fund organizations for taxable years beginning after December 31,
20 2002, for investments permitted under this chapter if more than sixty-five percent of
21 the qualifying organization's net investments received have been invested as
22 permitted under this chapter or the organization is established after the exhaustion
23 of the initial limit.

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

1 ~~8.~~ 5. Income to a renaissance fund organization derived from interest or the temporary
2 investment of its funds in certificates of deposit, bonds, treasury bills, or securities
3 may be used for administration.

4 ~~9.~~ 6. If an investment in a renaissance fund organization which is the basis for a credit
5 under this section is redeemed by the investor within ten years of the date it is
6 purchased, the credit provided by this section for the investment must be
7 disallowed, and any credit previously claimed and allowed with respect to the
8 investment must be paid to the tax commissioner with the appropriate return of the
9 taxpayer covering the period in which the redemption occurred. When payments
10 are made to the tax commissioner under this section, the amount collected must be
11 handled in the same manner as if no credit had been allowed.

12 ~~40.~~ 7. A renaissance fund organization shall secure an annual audit of its financial
13 records, prepared by an independent certified public accounting firm in accordance
14 with generally accepted auditing standards. The audit report must include a
15 statement of the percentage of annual net investments received by the
16 organization after December 31, 2000, which have been invested by the
17 organization in investments permitted under this chapter. If the audit report shows
18 that less than fifty percent of such net investments have been so invested during
19 the previous four years and the organization has been incorporated for four years
20 or more, that organization may not accept any new investments until the governing
21 body of the city in which the organization was established determines that good
22 cause exists for the failure to reach that level of investment or until a subsequent
23 audit report shows that fifty percent or more of such net investments have been so
24 invested. A renaissance fund organization shall file a copy of each audit of its
25 financial records under this subsection with the governing body of the city in which
26 it was established, the department of commerce division of community services,
27 and the tax commissioner. The department of commerce division of community
28 services shall provide an annual report to the budget section of the legislative
29 council showing the conclusions of audit reports filed under this subsection.

30 ~~44.~~ 8. A renaissance fund organization may invest in any residential or commercial
31 property ~~involved in a zone project.~~