

Fifty-eighth  
Legislative Assembly  
of North Dakota

**ENGROSSED HOUSE BILL NO. 1327**

Introduced by

Representatives Skarphol, Devlin, Monson, Pollert

Senators Klein, Nichols

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 exemption for net income  
3 from a corporate business location established in a small city; and to provide an effective date.

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

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

7 Reduced by North Dakota taxable income attributable to a corporate business  
8 location operating within the city limits of a city in this state of two thousand or  
9 less population but not including a city that is located within ten miles [16.09  
10 kilometers] of the city limits of any of the ten largest cities in this state based  
11 on population. For purposes of this subdivision, population is determined  
12 according to the most recent federal decennial census. The reduction under  
13 this subdivision is not available to a corporation engaged in farming or  
14 ranching. The reduction under this subdivision is twenty-five percent of  
15 taxable income for the first taxable year beginning after December 31, 2002;  
16 is fifty percent of taxable income for the second taxable year beginning after  
17 December 31, 2002; and is seventy-five percent of taxable income for the  
18 third taxable year beginning after December 31, 2002. A corporation granted  
19 a new and expanding business exemption under chapter 40-57.1 is not  
20 entitled to the reduction under this subdivision. The tax commissioner shall  
21 adopt rules to determine how corporate income is to be reported and  
22 allocated to a business location.

23 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
24 December 31, 2002.