

Fifty-eighth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2313

Introduced by

Senator Tallackson

Representatives Ekstrom, Mueller

1 A BILL for an Act to amend and reenact section 57-38-29 and subsection 1 of section
2 57-38-30.3 of the North Dakota Century Code, relating to individual income tax rates; to provide
3 appropriations for foundation aid grants for school districts and to require reduction in property
4 tax levies of school districts; and to provide an effective date.

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

6 **SECTION 1. AMENDMENT.** Section 57-38-29 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-38-29. Optional method of computing tax.** Notwithstanding the other provisions
9 of this chapter, an individual, estate, or trust may elect to determine state income tax liability by
10 applying the provisions of this section. A tax is hereby imposed upon every individual, to be
11 levied, collected, and paid annually with respect to the taxable income of such individual as
12 defined in this chapter, computed at the following rates:

- 13 1. On taxable income not in excess of three thousand dollars, a tax of ~~two~~ three and
14 ~~sixty-seven~~ twenty-three hundredths percent.
- 15 2. On taxable income in excess of three thousand dollars and not in excess of five
16 thousand dollars, a tax of four and eighty-four hundredths percent.
- 17 3. On taxable income in excess of five thousand dollars and not in excess of eight
18 thousand dollars, a tax of ~~five~~ six and ~~thirty-three~~ forty-five hundredths percent.
- 19 4. On taxable income in excess of eight thousand dollars and not in excess of fifteen
20 thousand dollars, a tax of ~~six~~ eight and ~~sixty-seven~~ seven hundredths percent.
- 21 5. On taxable income in excess of fifteen thousand dollars and not in excess of
22 twenty-five thousand dollars, a tax of ~~eight~~ nine and sixty-eight hundredths
23 percent.

6. On taxable income in excess of twenty-five thousand dollars and not in excess of thirty-five thousand dollars, a tax of ~~nine~~ eleven and ~~thirty-three~~ twenty-nine hundredths percent.

7. On taxable income in excess of thirty-five thousand dollars and not in excess of fifty thousand dollars, a tax of ~~ten~~ twelve and ~~sixty-seven~~ ninety-one hundredths percent.

8. On taxable income in excess of fifty thousand dollars, a tax of ~~twelve~~ fourteen and fifty-two hundredths percent.

SECTION 2. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection. For a nonresident individual, estate, or trust, the tax is equal to the tax determined in accordance with the applicable schedule in subdivisions a through e multiplied by the fraction under subdivision f.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over \$27,050	2.40 <u>2.54</u> %
Over \$27,050 but not over \$65,550	\$568.05 <u>687.07</u> plus 3.92 <u>4.74</u> % of amount over \$27,050
Over \$65,550 but not over \$136,750	\$2,077.25 <u>2,511.97</u> plus 4.34

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1		<u>5.25%</u> of amount over \$65,550
2	Over \$136,750 but not over \$297,350	\$5,167.33 <u>6,249.97</u> plus 5.04
3		<u>6.10%</u> of amount over \$136,750
4	Over \$297,350	\$13,261.57 <u>16,046.57</u> plus 5.54
5		<u>6.70%</u> of amount over \$297,350
6	b. Married filing jointly and surviving spouse.	
7	If North Dakota taxable income is:	The tax is equal to:
8	Not over \$45,200	2.10 <u>2.54%</u>
9	Over \$45,200 but not over \$109,250	\$949.20 <u>1,148.08</u> plus 3.92
10		<u>4.74%</u> of amount over \$45,200
11	Over \$109,250 but not over \$166,500	\$3,459.96 <u>4,184.05</u> plus 4.34
12		<u>5.25%</u> of amount over \$109,250
13	Over \$166,500 but not over \$297,350	\$5,944.61 <u>7,189.68</u> plus 5.04
14		<u>6.10%</u> of amount over \$166,500
15	Over \$297,350	\$12,539.45 <u>15,171.53</u> plus 5.54
16		<u>6.70%</u> of amount over \$297,350
17	c. Married filing separately.	
18	If North Dakota taxable income is:	The tax is equal to:
19	Not over \$22,600	2.10 <u>2.54%</u>
20	Over \$22,600 but not over \$54,625	\$474.60 <u>574.04</u> plus 3.92
21		<u>4.74%</u> of amount over \$22,600
22	Over \$54,625 but not over \$83,250	\$1,729.98 <u>2,092.03</u> plus 4.34
23		<u>5.25%</u> of amount over \$54,625
24	Over \$83,250 but not over \$148,675	\$2,972.31 <u>3,594.84</u> plus 5.04
25		<u>6.10%</u> of amount over \$83,250
26	Over \$148,675	\$6,269.73 <u>7,585.77</u> plus 5.54
27		<u>6.70%</u> of amount over \$148,675
28	d. Head of household.	
29	If North Dakota taxable income is:	The tax is equal to:
30	Not over \$36,250	2.10 <u>2.54%</u>
31	Over \$36,250 but not over \$93,650	\$761.25 <u>920.75</u> plus 3.92

1		<u>4.74%</u> of amount over \$36,250
2	Over \$93,650 but not over \$151,650	\$3,011.33 <u>3,641.51</u> plus 4.34
3		<u>5.25%</u> of amount over \$93,650
4	Over \$151,650 but not over \$297,350	\$5,528.53 <u>6,686.51</u> plus 5.04
5		<u>6.10%</u> of amount over \$151,650
6	Over \$297,350	\$12,871.81 <u>15,574.21</u> plus 5.54
7		<u>6.70%</u> of amount over \$297,350

8 e. Estates and trusts.

9 If North Dakota taxable income is: The tax is equal to:

10	Not over \$1,800	2.40 <u>2.54%</u>
11	Over \$1,800 but not over \$4,250	\$37.80 <u>45.72</u> plus 3.92
12		<u>4.74%</u> of amount over \$1,800
13	Over \$4,250 but not over \$6,500	\$133.84 <u>161.85</u> plus 4.34
14		<u>5.25%</u> of amount over \$4,250
15	Over \$6,500 but not over \$8,900	\$231.49 <u>279.98</u> plus 5.04
16		<u>6.10%</u> of amount over \$6,500
17	Over \$8,900	\$352.45 <u>426.38</u> plus 5.54
18		<u>6.70%</u> of amount over \$8,900

19 f. For a nonresident individual, estate, or trust, the tax determined under the
20 applicable schedule in subdivisions a through e must be multiplied by a
21 fraction in which:

- 22 (1) The numerator is the individual's federal adjusted gross income derived
23 from North Dakota sources; and
24 (2) The denominator is the individual's federal adjusted gross income from
25 all sources reduced by the net income from the amounts specified in
26 subdivisions a and b of subsection 3.

27 g. If married individuals who file a joint federal income tax return are required to
28 file separate state income tax returns under any provision of this chapter, the
29 tax under this subsection for each spouse must be determined by applying the
30 rates under subdivision b to the spouses' joint North Dakota taxable income

and prorating the result between the spouses based on their separate North Dakota taxable incomes.

- h. For taxable years beginning after December 31, 2001, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules 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.

SECTION 3. APPROPRIATION - LEVY LIMITATION EFFECT. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$95,000,000, or so much of the sum as may be necessary, to the department of public instruction for the purpose of allocation of additional foundation aid grants to be allocated among school districts in the same proportion as foundation aid grants are allocated for the biennium beginning July 1, 2003, and ending June 30, 2005.

For purposes of section 57-15-31, sixty percent of the amount estimated to be received by a school district under this section in the taxable year must be considered estimated revenues from sources other than direct property taxes and must be deducted from estimated expenditures to determine the maximum levy for the school district. The remaining forty percent of revenue received by a school district under this section must be excluded from determination of the school district's levy.

SECTION 4. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$95,000,000, or so much of the sum as may be necessary, to the department of public instruction for the purpose of allocation of additional foundation aid grants to be allocated among school districts in the same proportion as foundation aid grants are allocated for the biennium beginning July 1, 2005, and ending June 30, 2007.

1 **SECTION 5. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable
2 years beginning after December 31, 2002.