

Fifty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1508

Introduced by

Representative Glassheim

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; and to provide an effective date.

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

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

7 **57-38-29. Optional method of computing tax.** Notwithstanding the other provisions
8 of this chapter, an individual, estate, or trust may elect to determine state income tax liability by
9 applying the provisions of this section. A tax is hereby imposed upon every individual, to be
10 levied, collected, and paid annually with respect to the taxable income of such individual as
11 defined in this chapter, computed at the following rates:

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

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

8. On taxable income in excess of fifty thousand dollars, a tax of twelve and sixty-one 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	2.10% <u>2.20%</u>
Over \$27,050 but not over \$65,550	\$568.05 <u>\$595.10</u> plus 3.92% <u>4.12%</u> of amount over \$27,050
Over \$65,550 but not over \$136,750	\$2,077.25 <u>\$2,181.30</u> plus 4.34% <u>4.64%</u> of amount over \$65,550
Over \$136,750 but not over \$297,350	\$5,167.33 <u>\$5,484.98</u> plus 5.04% <u>5.44%</u> of amount over \$136,750

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1	Over \$297,350	\$13,261.57 <u>\$14,221.62</u> plus 5.54%
2		<u>6.04%</u> of amount over \$297,350
3	b. Married filing jointly and surviving spouse.	
4	If North Dakota taxable income is:	The tax is equal to:
5	Not over \$45,200	2.10% <u>2.20%</u>
6	Over \$45,200 but not over \$109,250	\$949.20 <u>\$944.40</u> plus 3.92%
7		<u>4.12%</u> of amount over \$45,200
8	Over \$109,250 but not over \$166,500	\$3,459.96 <u>\$3,633.26</u> plus 4.34%
9		<u>4.64%</u> of amount over \$109,250
10	Over \$166,500 but not over \$297,350	\$5,944.61 <u>\$6,289.66</u> plus 5.04%
11		<u>5.44%</u> of amount over \$166,500
12	Over \$297,350	\$12,539.45 <u>\$13,407.90</u> plus 5.54%
13		<u>6.04%</u> of amount over \$297,350
14	c. Married filing separately.	
15	If North Dakota taxable income is:	The tax is equal to:
16	Not over \$22,600	2.10% <u>2.20%</u>
17	Over \$22,600 but not over \$54,625	\$474.60 <u>\$497.20</u> plus 3.92%
18		<u>4.12%</u> of amount over \$22,600
19	Over \$54,625 but not over \$83,250	\$1,729.98 <u>\$1,816.63</u> plus 4.34%
20		<u>4.64%</u> of amount over \$54,625
21	Over \$83,250 but not over \$148,675	\$2,972.31 <u>\$3,144.83</u> plus 5.04%
22		<u>5.44%</u> of amount over \$83,250
23	Over \$148,675	\$6,269.73 <u>\$6,703.95</u> plus 5.54%
24		<u>6.04%</u> of amount over \$148,675
25	d. Head of household.	
26	If North Dakota taxable income is:	The tax is equal to:
27	Not over \$36,250	2.10% <u>2.20%</u>
28	Over \$36,250 but not over \$93,650	\$761.25 <u>\$797.50</u> plus 3.92%
29		<u>4.12%</u> of amount over \$36,250
30	Over \$93,650 but not over \$151,650	\$3,011.33 <u>\$3,162.38</u> plus 4.34%
31		<u>4.64%</u> of amount over \$93,650

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1	Over \$151,650 but not over \$297,350	\$5,528.53 <u>\$5,853.58</u> plus 5.04%
2		<u>5.44%</u> of amount over \$151,650
3	Over \$297,350	\$12,871.81 <u>\$13,779.66</u> plus 5.54%
4		<u>6.04%</u> of amount over \$297,350

5 e. Estates and trusts.

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

7	Not over \$1,800	2.10% <u>2.20%</u>
8	Over \$1,800 but not over \$4,250	\$37.80 <u>\$39.60</u> plus 3.92%
9		<u>4.12%</u> of amount over \$1,800
10	Over \$4,250 but not over \$6,500	\$133.84 <u>\$140.54</u> plus 4.34%
11		<u>4.64%</u> of amount over \$4,250
12	Over \$6,500 but not over \$8,900	\$231.49 <u>\$244.94</u> plus 5.04%
13		<u>5.44%</u> of amount over \$6,500
14	Over \$8,900	\$352.45 <u>\$375.50</u> plus 5.54%
15		<u>6.04%</u> of amount over \$8,900

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

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

24 g. If married individuals who file a joint federal income tax return are required to
25 file separate state income tax returns under any provision of this chapter, the
26 tax under this subsection for each spouse must be determined by applying the
27 rates under subdivision b to the spouses' joint North Dakota taxable income
28 and prorating the result between the spouses based on their separate North
29 Dakota taxable incomes.

30 h. For taxable years beginning after December 31, 2001, the tax commissioner
31 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. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sums as hereinafter provided or so much of the sums as may be necessary. These sums increase the general fund authority enacted by the fifty-ninth legislative assembly to the named departments and institutions for the purpose of defraying their expenses, for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Subdivision 1.

DEPARTMENT OF COMMERCE

Division of tourism	<u>\$1,000,000</u>
Total general fund appropriation	\$1,000,000

Subdivision 2.

DISTRICT COURTS

Operating expenses	<u>\$1,000,000</u>
Total general fund appropriation	\$1,000,000

Subdivision 3.

DEPARTMENT OF PUBLIC INSTRUCTION

Grants - State school aid	<u>\$5,000,000</u>
Total general fund appropriation	\$5,000,000

Subdivision 4.

BOARD OF HIGHER EDUCATION

For allocation among institutions	<u>\$3,000,000</u>
Total general fund appropriation	\$3,000,000

1 Subdivision 5.

2 WATER COMMISSION

3 Water construction projects \$5,000,000

4 Total general fund appropriation \$5,000,000

5 Grand total general fund appropriation \$15,000,000

6 **SECTION 4. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable
7 years beginning after December 31, 2004.