

Sixtieth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1141

Introduced by

Representatives Owens, Dahl, Dietrich, Koppelman

Senators Hacker, Wardner

1 A BILL for an Act to create and enact a new subdivision to subsection 1 of section 57-38-01.2,
2 a new subdivision to subsection 1 of section 57-38-01.3, and a new subdivision to subsection 2
3 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual and corporate
4 income tax deduction for income from small business activity in this state; and to provide an
5 effective date.

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

7 **SECTION 1.** A new subdivision to subsection 1 of section 57-38-01.2 of the North
8 Dakota Century Code is created and enacted as follows:

9 Reduced by up to one hundred thousand dollars of the taxable income of the
10 small business attributable to sources in this state. For purposes of this
11 subdivision, "small business" means a business that:

12 (1) Through a process employing knowledge and labor adds value to a
13 product for resale or provides a service for which the service activity is
14 performed in this state;

15 (2) Has its principal office and a majority of the small business's
16 employees located in this state and primarily does business within this
17 state;

18 (3) Has twenty-five or fewer employees and less than one million dollars
19 gross sales for the taxable year; and

20 (4) Is not engaged in farming, ranching, or dairy cattle operations.

21 **SECTION 2.** A new subdivision to subsection 1 of section 57-38-01.3 of the North
22 Dakota Century Code is created and enacted as follows:

1 Reduced by up to one hundred thousand dollars of the taxable income of the
2 small business attributable to sources in this state. For purposes of this
3 subdivision, "small business" means a business that:

4 (1) Through a process employing knowledge and labor adds value to a
5 product for resale or provides a service for which the service activity is
6 performed in this state;

7 (2) Has its principal office and a majority of the small business's
8 employees located in this state and primarily does business within this
9 state;

10 (3) Has twenty-five or fewer employees and less than one million dollars
11 gross sales for the taxable year; and

12 (4) Is not engaged in farming, ranching, or dairy cattle operations.

13 **SECTION 3.** A new subdivision to subsection 2 of section 57-38-30.3 of the North
14 Dakota Century Code is created and enacted as follows:

15 Reduced by up to one hundred thousand dollars of the taxable income of the
16 small business attributable to sources in this state. For purposes of this
17 subdivision, "small business" means a business that:

18 (1) Through a process employing knowledge and labor adds value to a
19 product for resale or provide a service for which the service activity is
20 performed in this state;

21 (2) Has its principal office and a majority of the small business's
22 employees located in this state and primarily does business within this
23 state;

24 (3) Has twenty-five or fewer employees and less than one million dollars
25 gross sales for the taxable year; and

26 (4) Is not engaged in farming, ranching, or dairy cattle operations.

27 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
28 December 31, 2006.