

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

Representative Kasper

1 A BILL for an Act amend and reenact sections 57-38-29, 57-38-30, and subsection 1 of section
2 57-38-30.3 of the North Dakota Century Code, relating to reduction of individual and corporate
3 income tax rates; 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 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 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 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 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 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 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 and sixty-seven hundredths percent.

8. On taxable income in excess of fifty thousand dollars, a tax of twelve percent.

SECTION 2. AMENDMENT. Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first three thousand dollars of taxable income, at the rate of two and six-tenths percent.
- b. On all taxable income above three thousand dollars and not in excess of eight thousand dollars, at the rate of four and one-tenth percent.
- c. On all taxable income above eight thousand dollars and not in excess of twenty thousand dollars, at the rate of five and six-tenths percent.
- d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.
- e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.
2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 3. 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.

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%
Over \$27,050 but not over \$65,550	\$568.05 plus 3.92% of amount over \$27,050
Over \$65,550 but not over \$136,750	\$2,077.25 plus 4.34% of amount over \$65,550
Over \$136,750 but not over \$297,350	\$5,167.33 plus 5.04% of amount over \$136,750
Over \$297,350	\$13,261.57 plus 5.54% of amount over \$297,350

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over \$45,200	2.10%
Over \$45,200 but not over \$109,250	\$949.20 plus 3.92% of amount over \$45,200
Over \$109,250 but not over \$166,500	\$3,459.96 plus 4.34% of amount over \$109,250
Over \$166,500 but not over \$297,350	\$5,944.61 plus 5.04% of amount over \$166,500
Over \$297,350	\$12,539.45 plus 5.54% of amount over \$297,350

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over \$22,600	2.10%
Over \$22,600 but not over \$54,625	\$474.60 plus 3.92% of amount over \$22,600
Over \$54,625 but not over \$83,250	\$1,729.98 plus 4.34% of amount over \$54,625
Over \$83,250 but not over \$148,675	\$2,972.31 plus 5.04% of amount over \$83,250
Over \$148,675	\$6,269.73 plus 5.54% of amount over \$148,675

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over \$36,250	2.10%
Over \$36,250 but not over \$93,650	\$761.25 plus 3.92% of amount over \$36,250

1	Over \$93,650 but not over \$151,650	\$3,011.33 plus 4.34% of amount over \$93,650
2	Over \$151,650 but not over \$297,350	\$5,528.53 plus 5.04% of amount over \$151,650
3	Over \$297,350	\$12,871.81 plus 5.54% of amount over \$297,350

4 e. Estates and trusts.

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

6	Not over \$1,800	2.10%
7	Over \$1,800 but not over \$4,250	\$37.80 plus 3.92% of amount over \$1,800
8	Over \$4,250 but not over \$6,500	\$133.84 plus 4.34% of amount over \$4,250
9	Over \$6,500 but not over \$8,900	\$231.49 plus 5.04% of amount over \$6,500
10	Over \$8,900	\$352.45 plus 5.54% of amount over \$8,900

11 f. For an individual who is not a resident of this state for the entire year, or for a
12 nonresident estate or trust, the tax is equal to the tax otherwise computed
13 under this subsection multiplied by a fraction in which:

- 14 (1) The numerator is the federal adjusted gross income allocable and
15 apportionable to this state; and
16 (2) The denominator is the federal adjusted gross income from all sources
17 reduced by the net income from the amounts specified in subdivisions a
18 and b of subsection 2.

19 In the case of married individuals filing a joint return, if one spouse is a
20 resident of this state for the entire year and the other spouse is a nonresident
21 for part or all of the tax year, the tax on the joint return must be computed
22 under this subdivision.

23 g. For taxable years beginning after December 31, 2001, the tax commissioner
24 shall prescribe new rate schedules that apply in lieu of the schedules set forth
25 in subdivisions a through e. The new schedules must be determined by
26 increasing the minimum and maximum dollar amounts for each income
27 bracket for which a tax is imposed by the cost-of-living adjustment for the
28 taxable year as determined by the secretary of the United States treasury for
29 purposes of section 1(f) of the United States Internal Revenue Code of 1954,
30 as amended. For this purpose, the rate applicable to each income bracket
31 may not be changed, and the manner of applying the cost-of-living adjustment

1 must be the same as that used for adjusting the income brackets for federal
2 income tax purposes.

3 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
4 December 31, 2008.