

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

Representatives Boucher, Kroeber, Onstad

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to create and enact a new section to chapter 57-38 of the North Dakota
2 Century Code, relating to an income tax surtax on excessive compensation received by or paid
3 to executives of nonprofit entities; and to provide an effective date.

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

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

7 **Excessive compensation of executives of nonprofit entities surtax.**

8 1. For purposes of this section:

9 a. "Compensation" means any payment or benefit provided by a nonprofit entity
10 to a nonprofit executive of the nonprofit entity which is reportable as
11 compensation on schedule J of internal revenue service form 990, minus any
12 federal income taxes payable on that compensation and, for the recipient,
13 subject to any adjustments under this chapter available to the recipient on the
14 recipient's return under section 57-38-29 or 57-38-30.3.

15 b. "Nonprofit entity" includes any entity incorporated as a nonprofit entity in
16 another state or in North Dakota.

17 c. "Nonprofit executive" includes any individual whose compensation is reported
18 on schedule J of internal revenue service form 990.

19 2. Taxable income consisting of compensation of a nonprofit executive exceeding one
20 million dollars received during a taxable year from a nonprofit entity is subject to a
21 surtax of thirty-five percent in lieu of the taxes on that taxable income determined
22 under section 57-38-29 or 57-38-30.3.

23 3. Notwithstanding any other provision of law, a nonprofit entity that pays
24 compensation to a nonprofit executive exceeding one million dollars during a

1 taxable year is subject to a surtax of thirty-five percent of the amount of that
2 compensation exceeding one million dollars.

3 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
4 December 31, 2008.