

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 2, remove "and" and after "transfer" insert "; to create and enact a new subdivision to subsection 7 of section 57-38-30.3 and a new section to chapter 57-38 of the North Dakota Century Code, relating to an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes; and to provide an effective date"

Page 3, after line 24, insert:

**"SECTION 10.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 11 of this Act.

**SECTION 11.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.**

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-29, 57-38-30, or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is seven and one-half percent of expenses for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.
2. For purposes of this section:
  - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
  - b. "Primary sector business" means a business that, through the employment of knowledge or labor, adds value to a product, process, or service and which has been certified by the department of commerce.
3. The taxpayer shall claim the total credit amount for the tax year in which the manufacturing machinery and equipment is purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section for any taxable year exceeds the limitation under subsection 3, the unused credit may be used as an automation credit carryover to each of the five succeeding taxable years. The entire amount of the unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit

may be carried and then to each successive year to which the credit may be carried.

5. In the case of a taxpayer that is a partner in a partnership or a member in a limited liability company, the credit allowed for the taxable year may not exceed an amount separately computed with respect to the taxpayer's interest in the trade, business, or entity equal to the amount of tax attributable to that portion of the taxpayer's taxable income which is allocable or apportionable to the taxpayer's interest in the trade, business, or entity.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-29 or 57-38-30.3.

**SECTION 12. EFFECTIVE DATE.** Sections 10 and 11 of this Act are effective for taxable years beginning after December 31, 2008."

Renumber accordingly