

**FIRST ENGROSSMENT  
with Senate Amendments  
ENGROSSED HOUSE BILL NO. 1289**

Introduced by

Representatives Kasper, Headland, Kempenich

Senator Fischer

1 A BILL ~~for an Act to amend and reenact section 57-38-30 and subsection 1 of section~~  
2 ~~57-38-30.3 of the North Dakota Century Code, relating to a reduction in income tax rates for~~  
3 ~~corporations, individuals, estates, and trusts; and to provide an effective date:~~ for an Act to  
4 create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of  
5 section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax relief  
6 credit; to amend and reenact section 57-38-30 of the North Dakota Century Code, relating to a  
7 corporate income tax exemption; to provide an effective date; and to provide an expiration date.

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

9 ~~SECTION 1. AMENDMENT. Section 57-38-30 of the North Dakota Century Code is~~  
10 ~~amended and reenacted as follows:~~

11 ~~57-38-30. Imposition and rate of tax on corporations.~~

12 ~~A tax is hereby imposed upon the taxable income of every domestic and foreign corporation~~  
13 ~~which must be levied, collected, and paid annually as in this chapter provided:~~

14 ~~1. a. For the first twenty five thousand dollars of taxable income, at the rate of two~~  
15 ~~and one tenth~~ eighty-nine hundredths ~~percent.~~

16 ~~b. On all taxable income exceeding twenty five thousand dollars and not exceeding~~  
17 ~~fifty thousand dollars, at the rate of five~~ four ~~and twenty five~~ seventy-three  
18 ~~hundredths percent.~~

19 ~~c. On all taxable income exceeding fifty thousand dollars, at the rate of six~~ five ~~and~~  
20 ~~four tenths~~ seventy-six hundredths ~~percent.~~

21 ~~2. A corporation that has paid North Dakota alternative minimum tax in years beginning~~  
22 ~~before January 1, 1991, may carry over any alternative minimum tax credit remaining~~  
23 ~~to the extent of the regular income tax liability of the corporation for a period not to~~  
24 ~~exceed four taxable years.~~

**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.

a. Single, other than head of household or surviving spouse.

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

Not over \$33,950\$34,500 1.84%1.47%

Over \$33,950\$34,500 \$624.68\$507.15 plus 3.44%2.75%

but not over \$82,250\$83,600 of amount over \$33,950\$34,500

Over \$82,250\$83,600 \$2,286.20\$1,857.40 plus

3.81%3.05%

but not over \$171,550\$174,400 of amount over \$82,250\$83,600

Over \$171,550\$174,400 \$5,688.53\$4,626.80 plus

4.42%3.54%

but not over \$372,950\$379,150 of amount over

\$171,550\$174,400

Over \$372,950\$379,150 \$14,590.41\$11,874.95 plus

4.86%3.89%

of amount over

\$372,950\$379,150

b. Married filing jointly and surviving spouse.

Sixty-second  
Legislative Assembly

1	_____ If North Dakota taxable income is: _____	The tax is equal to:
2	_____ Not over <del>\$56,750</del> <u>\$57,700</u> _____	<del>1.84%</del> <u>1.47%</u>
3	_____ Over <del>\$56,750</del> <u>\$57,700</u> _____	<del>\$1,044.20</del> <u>\$848.19</u> plus <del>3.44%</del> <u>2.75%</u>
4	_____ but not over <del>\$137,050</del> <u>\$139,350</u> _____	of amount over <del>\$56,750</del> <u>\$57,700</u>
5	_____ Over <del>\$137,050</del> <u>\$139,350</u> _____	<del>\$3,806.52</del> <u>\$3,093.57</u> plus
6	<del>3.81%</del> <u>3.05%</u>	
7	_____ but not over <del>\$208,850</del> <u>\$212,300</u> _____	of amount over
8	<del>\$137,050</del> <u>\$139,350</u>	
9	_____ Over <del>\$208,850</del> <u>\$212,300</u> _____	<del>\$6,542.10</del> <u>\$5,318.54</u> plus
10	<del>4.42%</del> <u>3.54%</u>	
11	_____ but not over <del>\$372,950</del> <u>\$379,150</u> _____	of amount over
12	<del>\$208,850</del> <u>\$212,300</u>	
13	_____ Over <del>\$372,950</del> <u>\$379,150</u> _____	<del>\$13,795.32</del> <u>\$11,225.03</u> plus
14	<del>4.86%</del> <u>3.89%</u>	
15	_____ of amount over	
16	<del>\$372,950</del> <u>\$379,150</u>	
17	c. Married filing separately.	
18	_____ If North Dakota taxable income is: _____	The tax is equal to:
19	_____ Not over <del>\$28,375</del> <u>\$28,850</u> _____	<del>1.84%</del> <u>1.47%</u>
20	_____ Over <del>\$28,375</del> <u>\$28,850</u> _____	<del>\$522.10</del> <u>\$424.10</u> plus <del>3.44%</del> <u>2.75%</u>
21	_____ but not over <del>\$68,525</del> <u>\$69,675</u> _____	of amount over <del>\$28,375</del> <u>\$28,850</u>
22	_____ Over <del>\$68,525</del> <u>\$69,675</u> _____	<del>\$1,903.26</del> <u>\$1,546.78</u> plus
23	<del>3.81%</del> <u>3.05%</u>	
24	_____ but not over <del>\$104,425</del> <u>\$106,150</u> _____	of amount over <del>\$68,525</del> <u>\$69,675</u>
25	_____ Over <del>\$104,425</del> <u>\$106,150</u> _____	<del>\$3,271.05</del> <u>\$2,659.27</u> plus
26	<del>4.42%</del> <u>3.54%</u>	
27	_____ but not over <del>\$186,475</del> <u>\$189,575</u> _____	of amount over
28	<del>\$104,425</del> <u>\$106,150</u>	
29	_____ Over <del>\$186,475</del> <u>\$189,575</u> _____	<del>\$6,897.66</del> <u>\$5,612.52</u> plus
30	<del>4.86%</del> <u>3.89%</u>	

1 \_\_\_\_\_ of amount over-

2 ~~\$186,475~~\$189,575

3 \_\_\_\_\_ d. Head of household.

4 \_\_\_\_\_ If North Dakota taxable income is: \_\_\_\_\_ The tax is equal to:

5 \_\_\_\_\_ Not over ~~\$45,500~~\$46,250 \_\_\_\_\_ 1.84%1.47%

6 \_\_\_\_\_ Over ~~\$45,500~~\$46,250 \_\_\_\_\_ \$837.20\$679.88 plus 3.44%2.75%

7 \_\_\_\_\_ but not over ~~\$117,450~~\$119,400 \_\_\_\_\_ of amount over ~~\$45,500~~\$46,250

8 \_\_\_\_\_ Over ~~\$117,450~~\$119,400 \_\_\_\_\_ \$3,312.28\$2,691.50 plus-

9 ~~3.81%~~3.05%

10 \_\_\_\_\_ but not over ~~\$190,200~~\$193,350 \_\_\_\_\_ of amount over-

11 ~~\$117,450~~\$119,400

12 \_\_\_\_\_ Over ~~\$190,200~~\$193,350 \_\_\_\_\_ \$6,084.06\$4,946.98 plus-

13 ~~4.42%~~3.54%

14 \_\_\_\_\_ but not over ~~\$372,950~~\$379,150 \_\_\_\_\_ of amount over-

15 ~~\$190,200~~\$193,350

16 \_\_\_\_\_ Over ~~\$372,950~~\$379,150 \_\_\_\_\_ \$14,161.61\$11,524.30 plus-

17 ~~4.86%~~3.89%

18 \_\_\_\_\_ of amount over-

19 ~~\$372,950~~\$379,150

20 \_\_\_\_\_ e. Estates and trusts.

21 \_\_\_\_\_ If North Dakota taxable income is: \_\_\_\_\_ The tax is equal to:

22 \_\_\_\_\_ Not over \$2,300 \_\_\_\_\_ 1.84%1.47%

23 \_\_\_\_\_ Over \$2,300 \_\_\_\_\_ \$42.32\$33.81 plus 3.44%2.75%

24 \_\_\_\_\_ but not over ~~\$5,350~~\$5,450 \_\_\_\_\_ of amount over \$2,300

25 \_\_\_\_\_ Over ~~\$5,350~~\$5,450 \_\_\_\_\_ \$147.24\$120.44 plus 3.81%3.05%

26 \_\_\_\_\_ but not over ~~\$8,200~~\$8,300 \_\_\_\_\_ of amount over ~~\$5,350~~\$5,450

27 \_\_\_\_\_ Over ~~\$8,200~~\$8,300 \_\_\_\_\_ \$255.83\$207.36 plus 4.42%3.54%

28 \_\_\_\_\_ but not over ~~\$11,150~~\$11,350 \_\_\_\_\_ of amount over ~~\$8,200~~\$8,300

29 \_\_\_\_\_ Over ~~\$11,150~~\$11,350 \_\_\_\_\_ \$386.22\$315.33 plus 4.86%3.89%

30 \_\_\_\_\_ of amount over ~~\$11,150~~\$11,350

1 ~~\_\_\_\_\_ f. For an individual who is not a resident of this state for the entire year, or for a~~  
2 ~~nonresident estate or trust, the tax is equal to the tax otherwise computed under~~  
3 ~~this subsection multiplied by a fraction in which:~~  
4 ~~\_\_\_\_\_ (1) The numerator is the federal adjusted gross income allocable and~~  
5 ~~apportionable to this state; and~~  
6 ~~\_\_\_\_\_ (2) The denominator is the federal adjusted gross income from all sources~~  
7 ~~reduced by the net income from the amounts specified in subdivisions a and~~  
8 ~~b of subsection 2.~~  
9 ~~\_\_\_\_\_ In the case of married individuals filing a joint return, if one spouse is a resident~~  
10 ~~of this state for the entire year and the other spouse is a nonresident for part or~~  
11 ~~all of the tax year, the tax on the joint return must be computed under this~~  
12 ~~subdivision.~~  
13 ~~\_\_\_\_\_ g. For taxable years beginning after December 31, 2009, the~~~~The tax commissioner~~  
14 ~~shall prescribe new rate schedules that apply in lieu of the schedules set forth in~~  
15 ~~subdivisions a through e. The new schedules must be determined by increasing~~  
16 ~~the minimum and maximum dollar amounts for each income bracket for which a~~  
17 ~~tax is imposed by the cost-of-living adjustment for the taxable year as determined~~  
18 ~~by the secretary of the United States treasury for purposes of section 1(f) of the~~  
19 ~~United States Internal Revenue Code of 1954~~~~1986~~, as amended. For this  
20 ~~purpose, the rate applicable to each income bracket may not be changed, and~~  
21 ~~the manner of applying the cost-of-living adjustment must be the same as that~~  
22 ~~used for adjusting the income brackets for federal income tax purposes.~~  
23 ~~\_\_\_\_\_ h. The tax commissioner shall prescribe an optional simplified method of computing~~  
24 ~~tax under this section that may be used by an individual taxpayer who is not~~  
25 ~~entitled to claim an adjustment under subsection 2 or credit against income tax~~  
26 ~~liability under subsection 7.~~

27 ~~\_\_\_\_\_ **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after~~  
28 ~~December 31, 2010.~~

29 **SECTION 1. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is  
30 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 ~~twenty-five~~seventy-five thousand dollars of taxable income, ~~at the rate of two and one-tenth percent~~no tax.
  - b. ~~On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty thousand dollars, at the rate of five and twenty-five hundredths percent.~~
  - ~~c.~~ On all taxable income exceeding ~~fifty~~seventy-five thousand dollars, at the rate of six and four-tenths 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 2.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Individual income tax relief credit.**

A credit is provided against individual income tax liability as determined under section 57-38-30.3 in the amount of one hundred forty dollars for an individual filing a single, married filing separately, or head of household return and two hundred eighty dollars for individuals filing a married filing jointly or surviving spouse return.

**SECTION 3.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

**Individual income tax relief credit under section 2 of this Act.**

**SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** Section 1 of this Act is effective for the first two taxable years beginning after December 31, 2010, and is thereafter ineffective. Sections 2 and 3 of this Act are effective for the first taxable year beginning after December 31, 2010, and are thereafter ineffective.