

HOUSE BILL NO. 1250

Introduced by

Representatives Headland, Belter, Carlson, Delzer, Kasper, Nathe

Senators Armstrong, Burckhard, Cook, Hogue, Miller, Wardner

1 A BILL ~~for an Act to amend and reenact sections 57-35.3-03, 57-35.3-07, 57-38-30 and~~
2 ~~subsection 1 of section 57-38-30.3 of the North Dakota Century Code, relating to reduction of~~
3 ~~financial institutions tax and individual and corporation income tax rates; and to provide an~~
4 ~~effective date for an Act to create and enact three new sections to chapter 57-38, a new~~
5 ~~subdivision to subsection 7 of section 57-38-30.3, subsections 7 and 8 to section 57-38-34,~~
6 ~~subsection 11 to section 57-38-38, and subsection 16 to section 57-38-40 of the North Dakota~~
7 ~~Century Code, relating to corporate and individual income tax credits and transition of financial~~
8 ~~institutions to corporate income tax treatment; to amend and reenact subsection 5 of section~~
9 ~~11-37-08, subsection 8 of section 40-63-01, subsection 5 of section 40-63-04, section 40-63-06,~~
10 ~~subsections 3 and 4 of section 40-63-07, subsection 3 of section 57-38-01.3, subsection 3 of~~
11 ~~section 57-38-01.26, subsections 5 and 7 of section 57-38-01.32, section 57-38-30,~~
12 ~~subsection 1 and subdivisions c, d, and f of subsection 2 of section 57-38-30.3, and section~~
13 ~~57-39.2-26.1 of the North Dakota Century Code, relating to authorized investments of an angel~~
14 ~~fund for income tax credit purposes, reduction in income tax rates for corporations, individuals,~~
15 ~~estates, and trusts, transition of financial institutions to corporate income tax treatment, income~~
16 ~~tax credits and exclusions, and allocation to political subdivisions from the state aid distribution~~
17 ~~fund; to repeal chapter 57-35.3 of the North Dakota Century Code, relating to elimination of the~~
18 ~~financial institutions tax; to provide for a report; and to provide an effective date.~~

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

20 ~~— **SECTION 1. AMENDMENT.** Section 57-35.3-03 of the North Dakota Century Code is~~
21 ~~amended and reenacted as follows:~~

22 ~~— **57-35.3-03. Imposition and basis of tax.**~~

23 ~~— An annual tax is imposed upon each financial institution for the grant to it of the privilege of~~
24 ~~transacting, or for the actual transacting by it, of business within this state during any part of~~

1 each tax year. The tax is based upon and measured by the taxable income of the financial
2 institution for the calendar year. The rate of tax is six and one-half percent of taxable income,
3 but the amount of tax may not be less than fifty dollars.

4 ~~— **SECTION 2. AMENDMENT.** Section 57-35.3-07 of the North Dakota Century Code is~~
5 ~~amended and reenacted as follows:~~

6 ~~— **57-35.3-07. (Effective for the first two taxable years beginning after December 31,**~~
7 ~~**2010) Payment of tax.**~~

8 ~~— Three-thirteenths of the tax before credits allowed under section 57-35.3-05, less the credits~~
9 ~~allowed under subsections 1, 3, 4, and 5 of section 57-35.3-05, must be paid to the tax~~
10 ~~commissioner on or before April fifteenth of the year in which the return is due, regardless of~~
11 ~~any extension of the time for filing the return granted under section 57-35.3-06. Ten-thirteenths~~
12 ~~of the tax before credits allowed under section 57-35.3-05, less the credit allowed under~~
13 ~~subsection 2 of section 57-35.3-05, must be paid to the tax commissioner on or before January~~
14 ~~fifteenth of the year after the return is due. Payment must be made in the manner prescribed by~~
15 ~~the tax commissioner.~~

16 ~~— **(Effective after the first two taxable years beginning after December 31, 2010)**~~
17 ~~**Payment of tax.**~~

18 ~~— Three-thirteenths~~~~One-sixth~~ of the tax before credits allowed under section 57-35.3-05, less
19 the credits allowed under subsections 1, 3, and 4 of section 57-35.3-05, must be paid to the tax
20 commissioner on or before April fifteenth of the year in which the return is due, regardless of
21 any extension of the time for filing the return granted under section 57-35.3-06.

22 ~~Ten-thirteenths~~~~Five-sixths~~ of the tax before credits allowed under section 57-35.3-05, less the
23 credit allowed under subsection 2 of section 57-35.3-05, must be paid to the tax commissioner
24 on or before January fifteenth of the year after the return is due. Payment must be made in the
25 manner prescribed by the tax commissioner.

26 ~~— **SECTION 3. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is~~
27 ~~amended and reenacted as follows:~~

28 ~~— **57-38-30. Imposition and rate of tax on corporations.**~~

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

Sixty-third
Legislative Assembly

1	b. Married filing jointly and surviving spouse.	
2	If North Dakota taxable income is:	The tax is equal to:
3	Not over \$57,700 <u>\$85,000</u>	1.51% 0.90%
4	Over \$57,700 <u>\$85,000</u>	\$871.27 <u>\$765.00</u> plus 2.82% 1.90%
5	but not over \$139,350 <u>\$210,000</u>	of amount over \$57,700 <u>\$85,000</u>
6	Over \$139,350 <u>\$210,000</u>	\$3,173.80 <u>\$3,140.00</u> plus 3.13% 2.90%
7	but not over \$212,300	of amount over \$139,350 <u>\$210,000</u>
8	Over \$212,300	\$5,457.14 plus 3.63%
9	but not over \$379,150	of amount over \$212,300
10	Over \$379,150	\$11,513.79 plus 3.99%
11		of amount over \$379,150
12	c. Married filing separately.	
13	If North Dakota taxable income is:	The tax is equal to:
14	Not over \$28,850 <u>\$42,500</u>	1.51% 0.90%
15	Over \$28,850 <u>\$42,500</u>	\$435.64 <u>\$382.50</u> plus 2.82% 1.90%
16	but not over \$69,675 <u>\$105,000</u>	of amount over \$28,850 <u>\$42,500</u>
17	Over \$69,675 <u>\$105,000</u>	\$1,586.90 <u>\$1,570.00</u> plus 3.13% 2.90%
18	but not over \$106,150	of amount over \$69,675 <u>\$105,000</u>
19	Over \$106,150	\$2,728.57 plus 3.63%
20	but not over \$189,575	of amount over \$106,150
21	Over \$189,575	\$5,756.90 plus 3.99%
22		of amount over \$189,575
23	d. Head of household.	
24	If North Dakota taxable income is:	The tax is equal to:
25	Not over \$46,250 <u>\$65,000</u>	1.51% 0.90%
26	Over \$46,250 <u>\$65,000</u>	\$698.38 <u>\$585.00</u> plus 2.82% 1.90%
27	but not over \$119,400 <u>\$180,000</u>	of amount over \$46,250 <u>\$65,000</u>
28	Over \$119,400 <u>\$180,000</u>	\$2,761.21 <u>\$2,770.00</u> plus 3.13% 2.90%
29	but not over \$193,350	of amount over \$119,400 <u>\$180,000</u>
30	Over \$193,350	\$5,075.84 plus 3.63%
31	but not over \$379,150	of amount over \$193,350

1 ~~Over \$379,150~~ ~~\$11,820.38 plus 3.99%~~
2 ~~of amount over \$379,150~~
3 ~~e. Estates and trusts.~~
4 ~~If North Dakota taxable income is: The tax is equal to:~~
5 ~~Not over \$2,300\$5,000 1.51%0.90%~~
6 ~~Over \$2,300\$5,000 \$34.73\$45.00 plus 2.82%1.90%~~
7 ~~but not over \$5,450\$10,000 of amount over \$2,300\$5,000~~
8 ~~Over \$5,450\$10,000 \$123.56\$140.00 plus 3.13%2.90%~~
9 ~~but not over \$8,300 of amount over \$5,450\$10,000~~
10 ~~Over \$8,300 \$212.77 plus 3.63%~~
11 ~~but not over \$11,350 of amount over \$8,300~~
12 ~~Over \$11,350 \$323.48 plus 3.99%~~
13 ~~of amount over \$11,350~~
14 ~~f. For an individual who is not a resident of this state for the entire year, or for a~~
15 ~~nonresident estate or trust, the tax is equal to the tax otherwise computed under~~
16 ~~this subsection multiplied by a fraction in which:~~
17 ~~(1) The numerator is the federal adjusted gross income allocable and~~
18 ~~apportionable to this state; and~~
19 ~~(2) The denominator is the federal adjusted gross income from all sources~~
20 ~~reduced by the net income from the amounts specified in subdivisions a and~~
21 ~~b of subsection 2.~~
22 ~~In the case of married individuals filing a joint return, if one spouse is a resident~~
23 ~~of this state for the entire year and the other spouse is a nonresident for part or~~
24 ~~all of the tax year, the tax on the joint return must be computed under this~~
25 ~~subdivision.~~
26 ~~g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the~~
27 ~~schedules set forth in subdivisions a through e. The new schedules must be~~
28 ~~determined by increasing the minimum and maximum dollar amounts for each~~
29 ~~income bracket for which a tax is imposed by the cost-of-living adjustment for the~~
30 ~~taxable year as determined by the secretary of the United States treasury for~~
31 ~~purposes of section 1(f) of the United States Internal Revenue Code of 1954, as~~

1 ~~amended. For this purpose, the rate applicable to each income bracket may not~~
2 ~~be changed, and the manner of applying the cost-of-living adjustment must be~~
3 ~~the same as that used for adjusting the income brackets for federal income tax~~
4 ~~purposes.~~

5 ~~h. The tax commissioner shall prescribe an optional simplified method of computing~~
6 ~~tax under this section that may be used by an individual taxpayer who is not~~
7 ~~entitled to claim an adjustment under subsection 2 or credit against income tax~~
8 ~~liability under subsection 7.~~

9 ~~**SECTION 5. EFFECTIVE DATE.** This Act is effective for taxable years beginning after~~
10 ~~December 31, 2012.~~

11 **SECTION 1. AMENDMENT.** Subsection 5 of section 11-37-08 of the North Dakota Century
12 Code is amended and reenacted as follows:

13 5. Bonds issued by a commerce authority under this section are declared to be issued for
14 an essential public government purpose, and together with interest and income on the
15 bonds, are exempt from all individual and corporate taxes imposed under sections
16 ~~57-35.3-03~~, 57-38-30, and 57-38-30.3.

17 **SECTION 2. AMENDMENT.** Subsection 8 of section 40-63-01 of the North Dakota Century
18 Code is amended and reenacted as follows:

19 8. "Taxpayer" means an individual, corporation, ~~financial institution~~, or trust subject to the
20 taxes imposed by chapter ~~57-35.3 or~~ 57-38 and includes a partnership, subchapter S
21 corporation, limited partnership, limited liability company, or any other passthrough
22 entity.

23 **SECTION 3. AMENDMENT.** Subsection 5 of section 40-63-04 of the North Dakota Century
24 Code is amended and reenacted as follows:

25 5. The exemptions provided by this section do not eliminate any duty to file a return or to
26 report income as required under chapter ~~57-35.3 or~~ 57-38.

27 **SECTION 4. AMENDMENT.** Section 40-63-06 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **40-63-06. Historic preservation and renovation tax credit.**

30 A credit against state tax liability as determined under sections ~~57-35.3-03~~, 57-38-30, and
31 57-38-30.3 is allowed for investments in the historic preservation or renovation of property

1 within the renaissance zone. The amount of the credit is twenty-five percent of the amount
2 invested, up to a maximum of two hundred fifty thousand dollars. The credit may be claimed in
3 the year in which the preservation or renovation is completed. Any excess credit may be carried
4 forward for a period of up to five taxable years.

5 **SECTION 5. AMENDMENT.** Subsection 3 of section 40-63-07 of the North Dakota Century
6 Code is amended and reenacted as follows:

- 7 3. A renaissance fund organization is exempt from any tax imposed by chapter ~~57-35.3~~
8 ~~or~~ 57-38. An exemption under this section may be passed through to any shareholder,
9 partner, and owner if the renaissance fund organization is a passthrough entity for tax
10 purposes. A corporation ~~or financial institution~~ entitled to the exemption provided by
11 this subsection shall file required returns and report income to the tax commissioner
12 as required by the provisions of ~~those chapters~~ chapter 57-38 as if the exemption did
13 not exist. If an employer, this subsection does not exempt a renaissance fund
14 organization from complying with the income tax withholding laws.

15 **SECTION 6. AMENDMENT.** Subsection 4 of section 40-63-07 of the North Dakota Century
16 Code is amended and reenacted as follows:

- 17 4. A credit against state tax liability as determined under section ~~57-35.3-03~~, 57-38-30, or
18 57-38-30.3 is allowed for investments in a renaissance fund organization. The amount
19 of the credit is fifty percent of the amount invested in the renaissance fund
20 organization during the taxable year. Any amount of credit which exceeds a taxpayer's
21 tax liability for the taxable year may be carried forward for up to five taxable years after
22 the taxable year in which the investment was made.

23 **SECTION 7. AMENDMENT.** Subsection 3 of section 57-38-01.3 of the North Dakota
24 Century Code is amended and reenacted as follows:

- 25 3. The sum calculated pursuant to subsection 1 must be reduced by the amount of any
26 net operating loss that is attributable to North Dakota sources, including a net
27 operating loss calculated under chapter 57-35.3 for tax years beginning before
28 January 1, 2013. If the net operating loss that is attributable to North Dakota sources
29 exceeds the sum calculated pursuant to subsection 1, the excess may be carried
30 forward for the same time period that an identical federal net operating loss may be
31 carried forward. If a corporation uses an apportionment formula to determine the

1 amount of income that is attributable to North Dakota, the corporation must use the
2 same formula to determine the amount of net operating loss that is attributable to
3 North Dakota. In addition, no deduction may be taken for a carryforward when
4 determining the amount of net operating loss that is attributable to North Dakota
5 sources.

6 **SECTION 8. AMENDMENT.** Subsection 3 of section 57-38-01.26 of the North Dakota
7 Century Code is amended and reenacted as follows:

8 3. An angel fund must:

- 9 a. Be a partnership, limited partnership, corporation, limited liability company, limited
10 liability partnership, trust, or estate organized on a for-profit basis which is
11 headquartered in this state.
- 12 b. Be organized for the purpose of investing in a portfolio of at least three primary
13 sector companies that are early-stage and mid-stage private, nonpublicly traded
14 enterprises with strong growth potential. For purposes of this section, an
15 early-stage entity means an entity with annual revenues of up to two million
16 dollars and a mid-stage entity means an entity with annual revenues over two
17 million dollars not to exceed ten million dollars. ~~Early-stage and mid-stage entities~~
18 ~~do not include those that have more than twenty-five percent of their revenue~~
19 ~~from income-producing real estate.~~ Investments in real estate or real estate
20 holding companies are not eligible investments by certified angel funds. Any
21 angel fund certificate before January 1, 2013, which has invested in real estate or
22 a real estate holding company is not eligible for recertification.
- 23 c. Consist of at least six accredited investors as defined by securities and exchange
24 commission regulation D, rule 501.
- 25 d. Not have more than twenty-five percent of its capitalized investment assets
26 owned by an individual investor.
- 27 e. Have at least five hundred thousand dollars in commitments from accredited
28 investors and that capital must be subject to call to be invested over an
29 unspecified number of years to build a portfolio of investments in enterprises.

- 1 f. Be member-managed or a manager-managed limited liability company and the
2 investor members or a designated board that includes investor members must
3 make decisions as a group on which enterprises are worthy of investments.
- 4 g. Be certified as an angel fund that meets the requirements of this section by the
5 department of commerce.
- 6 h. Be in compliance with the securities laws of this state.
- 7 i. Within thirty days after the date on which an investment in an angel fund is made,
8 the angel fund shall file with the tax commissioner and provide to the investor
9 completed forms prescribed by the tax commissioner which show as to each
10 investment in the angel fund the following:
- 11 (1) The name, address, and social security number or federal employer
12 identification number of the taxpayer or passthrough entity that made the
13 investment;
- 14 (2) The dollar amount remitted by the taxpayer or passthrough entity; and
15 (3) The date the payment was received by the angel fund for the investment.
- 16 j. Within thirty days after the end of a calendar year, the angel fund shall file with
17 the tax commissioner a report showing the name and principal place of business
18 of each enterprise in which the angel fund has an investment.

19 **SECTION 9. AMENDMENT.** Subsections 5 and 7 of section 57-38-01.32 of the North
20 Dakota Century Code are amended and reenacted as follows:

- 21 5. The aggregate amount of tax credits allowed to all eligible contributors is limited to
22 fifteen million dollars per biennium. ~~This limitation applies to all contributions for which~~
23 ~~tax credits are claimed under section 57-35.3-05 and this section.~~
- 24 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit
25 on the taxpayer's state income ~~or financial institutions~~ tax return in the manner
26 prescribed by the tax commissioner and file with the return a copy of the form issued
27 by the housing finance agency under subsection 6.

28 **SECTION 10.** A new section to chapter 57-38 of the North Dakota Century Code is created
29 and enacted as follows:

Employer-provided child care credit.

1. An employer is allowed a credit against the tax imposed under section 57-38-30 or 57-38-30.3 for providing a qualified child care facility. The amount of the credit under this section is fifty percent of the qualified child care expenditures incurred by the employer. Qualified child care expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed under state law.

2. For purposes of this section:

a. "Employer" means a taxpayer who employs one or more full-time equivalent employees and whose primary source of income is from a business other than the business of providing child care services.

b. "Qualified child care expenditure" means any amount paid or incurred:

(1) To acquire, construct, rehabilitate, or expand property:

(a) That is to be used as part of a qualified child care facility;

(b) For which a deduction under federal law for depreciation, or amortization in lieu of depreciation, is allowable; and

(c) That does not constitute part of the principal residence of the taxpayer or any employee of the taxpayer;

(2) For the direct costs necessary for the operation of the child care facility;

(3) For the indirect or overhead costs properly attributable to the child care facility, including insurance, utilities, front office salaries, property taxes, legal fees, and advertising; or

(4) Under a contract with a qualified child care facility to provide child care services to employees of the taxpayer, including any amount paid to the child care facility for additional direct or indirect costs of the facility.

The term "qualified child care expenditure" does not include expenses in excess of the fair market value of such care.

c. "Qualified child care facility" means a facility the principal use of which is to provide child care assistance to the taxpayer's employees and that meets the requirements of all applicable laws and regulations of the state and local government in which it is located.

1 (1) The term "qualified child care facility" does not apply to a facility which is the
2 principal residence of the operator of the facility.

3 (2) A facility may not be treated as a qualified child care facility with respect to a
4 taxpayer unless:

5 (a) Enrollment in the facility is open to employees of the taxpayer during
6 the taxable year; and

7 (b) Eligibility for enrollment must be offered to all employees on an equal
8 opportunity basis.

9 3. The taxpayer shall claim the total credit amount for the taxable year in which the
10 qualified child care expenditures are made, except depreciated property expenditures
11 shall be claimed in the taxable year in which the property is placed in service. The
12 credit under this section may not exceed the taxpayer's liability as determined under
13 this chapter for any taxable year.

14 4. If two or more taxpayers share in the qualified child care expenditures, each taxpayer
15 must be allowed the credit in relation to the respective share paid or incurred by each
16 taxpayer of the total expenditures for the facility in each taxable year.

17 5. If the amount of the credit determined under this section exceeds the liability for tax
18 under this chapter, the excess may be carried forward to each of the next five
19 succeeding taxable years.

20 6. A partnership, subchapter S corporation, limited partnership, limited liability company,
21 or any other passthrough entity entitled to the credit under this section must be
22 considered to be the taxpayer for purposes of calculating the credit. The amount of the
23 allowable credit must be determined at the passthrough entity level. The total credit
24 determined at the entity level must be passed through to the partners, shareholders, or
25 members in proportion to their respective interests in the passthrough entity. An
26 individual taxpayer may take the credit passed through under this subsection against
27 the individual's state income tax liability under section 57-38-30.3.

28 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit
29 in the form and manner as may be prescribed by the tax commissioner.

1 8. It is the intent of the legislative assembly that the credit provided in this section must
2 be liberally construed and interpreted to effectuate the expansion of child care
3 availability in the state.

4 **SECTION 11.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
5 Century Code is created and enacted as follows:

6 Employer-provided child care credit under section 10 of this Act.

7 **SECTION 12.** A new section to chapter 57-38 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Financial institutions - Net operating losses - Credit carryovers.**

10 1. A subchapter S corporation that was a financial institution under chapter 57-35.3 may
11 elect to be treated as a taxable corporation under chapter 57-38. If an election is made
12 under this section, the election:

13 a. Must be made in the form and manner prescribed by the tax commissioner on the
14 return filed for the tax year beginning on January 1, 2013, or the return filed for
15 the short period required under subsection 8 of section 57-38-34; and

16 b. Is binding until the earlier of:

17 (1) The end of the tax year for which the taxpayer reports a tax liability after tax
18 credits; or

19 (2) The beginning of the tax year for which the taxpayer elects to be recognized
20 as a subchapter S corporation under section 57-38-01.4.

21 2. If an election is made under this section, the following apply:

22 a. A subchapter S corporation may not file a consolidated return.

23 b. Any unused credit carryovers earned by a financial institution under chapter
24 57-35.3 for tax years beginning before January 1, 2013, may be carried forward
25 in the same number of years the financial institution would have been entitled
26 under chapter 57-35.3.

27 c. Any unused net operating losses incurred by a financial institution under chapter
28 57-35.3 for tax years beginning before January 1, 2013, may be carried forward
29 for the same number of years the financial institution would have been entitled
30 under chapter 57-35.3.

1 **SECTION 13.** A new section to chapter 57-38 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Corporate credit for contributions to rural leadership North Dakota.**

4 There is allowed a credit against the tax imposed by section 57-38-30 in an amount equal to
5 fifty percent of the aggregate amount of contributions made by the taxpayer during the taxable
6 year for tuition scholarships for participation in rural leadership North Dakota conducted through
7 the North Dakota state university extension service. Contributions by a taxpayer may be
8 earmarked for use by a designated recipient.

9 **SECTION 14. 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. For the first twenty-five thousand dollars of taxable income, at the rate of one and
15 ~~sixty-eight~~fifty-eight hundredths percent.
- 16 2. On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty
17 thousand dollars, at the rate of ~~four~~three and ~~twenty-three~~ninety-eight hundredths
18 percent.
- 19 3. On all taxable income exceeding fifty thousand dollars, at the rate of ~~five~~four and
20 ~~fifteen~~eighty-four hundredths percent.

21 **SECTION 15. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota
22 Century Code is amended and reenacted as follows:

- 23 1. A tax is hereby imposed for each taxable year upon income earned or received in that
24 taxable year by every resident and nonresident individual, estate, and trust. A taxpayer
25 computing the tax under this section is only eligible for those adjustments or credits
26 that are specifically provided for in this section. Provided, that for purposes of this
27 section, any person required to file a state income tax return under this chapter, but
28 who has not computed a federal taxable income figure, shall compute a federal
29 taxable income figure using a pro forma return in order to determine a federal taxable
30 income figure to be used as a starting point in computing state income tax under this
31 section. The tax for individuals is equal to North Dakota taxable income multiplied by

1 the rates in the applicable rate schedule in subdivisions a through d corresponding to
2 an individual's filing status used for federal income tax purposes. For an estate or
3 trust, the schedule in subdivision e must be used for purposes of this subsection.

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

5 If North Dakota taxable income is: The tax is equal to:
6 Not over ~~\$34,500~~\$36,250 ~~1.51%~~1.36%
7 Over ~~\$34,500~~\$36,250 ~~\$520.95~~\$494.28 plus ~~2.82%~~2.55%
8 but not over ~~\$83,600~~\$87,850 of amount over ~~\$34,500~~\$36,250

9 Over ~~\$83,600~~\$87,850 ~~\$1,905.57~~\$1,808.25 plus
10 ~~3.13%~~2.83%

11 but not over ~~\$174,400~~\$183,250 of amount over ~~\$83,600~~\$87,850

12 Over ~~\$174,400~~\$183,250 ~~\$4,747.61~~\$4,504.63 plus

13 ~~3.63%~~3.28%

14 but not over ~~\$379,150~~\$398,350 of amount over

15 ~~\$174,400~~\$183,250

16 Over ~~\$379,150~~\$398,350 ~~\$12,180.04~~\$11,555.37 plus

17 ~~3.99%~~3.60%

18 of amount over

19 ~~\$379,150~~\$398,350

20 b. Married filing jointly and surviving spouse.

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

22 Not over ~~\$57,700~~\$60,650 ~~1.51%~~1.36%

23 Over ~~\$57,700~~\$60,650 ~~\$871.27~~\$826.98 plus ~~2.82%~~2.55%

24 but not over ~~\$139,350~~\$146,400 of amount over ~~\$57,700~~\$60,650

25 Over ~~\$139,350~~\$146,400 ~~\$3,173.80~~\$3,010.57 plus

26 ~~3.13%~~2.83%

27 but not over ~~\$212,300~~\$223,050 of amount over

28 ~~\$139,350~~\$146,400

29 Over ~~\$212,300~~\$223,050 ~~\$5,457.14~~\$5,177.00 plus

30 ~~3.63%~~3.28%

1	but not over \$379,150 <u>\$398,350</u>	of amount over
2	\$212,300 <u>\$223,050</u>	
3	Over \$379,150 <u>\$398,350</u>	\$11,513.79 <u>\$10,923.14</u> plus
4	3.99% <u>3.60%</u>	
5		of amount over
6	\$379,150 <u>\$398,350</u>	
7	c. Married filing separately.	
8	If North Dakota taxable income is:	The tax is equal to:
9	Not over \$28,850 <u>\$30,325</u>	1.51% <u>1.36%</u>
10	Over \$28,850 <u>\$30,325</u>	\$435.64 <u>\$413.49</u> plus 2.82% <u>2.55%</u>
11	but not over \$69,675 <u>\$73,200</u>	of amount over \$28,850 <u>\$30,325</u>
12	Over \$69,675 <u>\$73,200</u>	\$1,586.90 <u>\$1,505.28</u> plus
13	3.13% <u>2.83%</u>	
14	but not over \$106,150 <u>\$111,525</u>	of amount over \$69,675 <u>\$73,200</u>
15	Over \$106,150 <u>\$111,525</u>	\$2,728.57 <u>\$2,588.49</u> plus
16	3.63% <u>3.28%</u>	
17	but not over \$189,575 <u>\$199,175</u>	of amount over
18	\$106,150 <u>\$111,525</u>	
19	Over \$189,575 <u>\$199,175</u>	\$5,756.90 <u>\$5,461.56</u> plus
20	3.99% <u>3.60%</u>	
21		of amount over
22	\$189,575 <u>\$199,175</u>	
23	d. Head of household.	
24	If North Dakota taxable income is:	The tax is equal to:
25	Not over \$46,250 <u>\$48,600</u>	1.51% <u>1.36%</u>
26	Over \$46,250 <u>\$48,600</u>	\$698.38 <u>\$662.68</u> plus 2.82% <u>2.55%</u>
27	but not over \$119,400 <u>\$125,450</u>	of amount over \$46,250 <u>\$48,600</u>
28	Over \$119,400 <u>\$125,450</u>	\$2,761.21 <u>\$2,619.63</u> plus
29	3.13% <u>2.83%</u>	
30	but not over \$193,350 <u>\$203,150</u>	of amount over
31	\$119,400 <u>\$125,450</u>	

1 Over ~~\$193,350~~\$203,150 ~~\$5,075.84~~\$4,815.74 plus ~~3.63%~~3.28%
2 but not over ~~\$379,150~~\$398,350 of amount over ~~\$193,350~~\$203,150
3 Over ~~\$379,150~~\$398,350 ~~\$11,820.38~~\$11,214.18 plus ~~3.99%~~3.60%
4 of amount over ~~\$379,150~~\$398,350

5 e. Estates and trusts.

6 If North Dakota taxable income is:

The tax is equal to:

7 Not over ~~\$2,300~~\$2,450

~~1.51%~~1.36%

8 Over ~~\$2,300~~\$2,450

~~\$34.73~~\$33.41 plus ~~2.82%~~2.55%

9 but not over ~~\$5,450~~\$5,700

of amount over ~~\$2,300~~\$2,450

10 Over ~~\$5,450~~\$5,700

~~\$123.56~~\$116.17 plus ~~3.13%~~2.83%

11 but not over ~~\$8,300~~\$8,750

of amount over ~~\$5,450~~\$5,700

12 Over ~~\$8,300~~\$8,750

~~\$212.77~~\$202.37 plus ~~3.63%~~3.28%

13 but not over ~~\$11,350~~\$11,950

of amount over ~~\$8,300~~\$8,750

14 Over ~~\$11,350~~\$11,950

~~\$323.48~~\$307.26 plus ~~3.99%~~3.60%

of amount over ~~\$11,350~~\$11,950

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

19 (1) The numerator is the federal adjusted gross income allocable and
20 apportionable to this state; and

21 (2) The denominator is the federal adjusted gross income from all sources
22 reduced by the net income from the amounts specified in subdivisions a and
23 b of subsection 2.

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

27 g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the
28 schedules set forth in subdivisions a through e. The new schedules must be
29 determined by increasing the minimum and maximum dollar amounts for each
30 income bracket for which a tax is imposed by the cost-of-living adjustment for the
31 taxable year as determined by the secretary of the United States treasury for

1 purposes of section 1(f) of the United States Internal Revenue Code of 1954, as
2 amended. For this purpose, the rate applicable to each income bracket may not
3 be changed, and the manner of applying the cost-of-living adjustment must be
4 the same as that used for adjusting the income brackets for federal income tax
5 purposes.

- 6 h. The tax commissioner shall prescribe an optional simplified method of computing
7 tax under this section that may be used by an individual taxpayer who is not
8 entitled to claim an adjustment under subsection 2 or credit against income tax
9 liability under subsection 7.

10 **SECTION 16. AMENDMENT.** Subdivisions c, d, and f of subsection 2 of section 57-38-30.3
11 of the North Dakota Century Code are amended and reenacted as follows:

- 12 c. Reduced by the amount equal to the earnings that are passed through to a
13 taxpayer in connection with an allocation and apportionment to North Dakota
14 under ~~chapter 57-35.3~~section 12 of this Act.

- 15 d. Reduced by ~~thirty~~forty percent of:

- 16 (1) The excess of the taxpayer's net long-term capital gain for the taxable year
17 over the net short-term capital loss for that year, as computed for purposes
18 of the Internal Revenue Code of 1986, as amended. The adjustment
19 provided by this subdivision is allowed only to the extent the net long-term
20 capital gain is allocated to this state.
- 21 (2) ~~The qualified dividend income that is taxed at the same rate as long-term~~
22 ~~capital gain for federal income tax purposes under Internal Revenue Code~~
23 ~~provisions in effect on December 31, 2008.~~Qualified dividends as defined
24 under Internal Revenue Code section 1(h)(11), added by section 302(a) of
25 the Jobs and Growth Tax Relief Reconciliation Act of 2003 [Pub. L. 108-27;
26 117 Stat. 752; 2 U.S.C. 963 et seq.], but only if taxed at a federal income tax
27 rate that is lower than the regular federal income tax rates applicable to
28 ordinary income. If, for any taxable year, qualified dividends are taxed at the
29 regular federal income tax rates applicable to ordinary income, the reduction
30 allowed under this subdivision is equal to twenty percent of all dividends
31 included in federal taxable income. The adjustment provided by this

1 subdivision is allowed only to the extent the qualified dividend income is
2 allocated to this state.

- 3 f. Increased by an amount equal to the losses that are passed through to a
4 taxpayer in connection with an allocation and apportionment to North Dakota
5 under ~~chapter 57-35.3~~section 12 of this Act.

6 **SECTION 17.** Subsections 7 and 8 to section 57-38-34 of the North Dakota Century Code
7 are created and enacted as follows:

8 7. For a person that was subject to the tax under chapter 57-35.3 for the calendar year
9 ending December 31, 2012, payment of the tax under this chapter is due six months
10 after the due date of the return as required under this section. The provisions of
11 subdivision a of subsection 1 of section 57-38-45 do not apply to the tax due under
12 this subsection. This subsection applies to the first tax year beginning after
13 December 31, 2012.

14 8. A person that previously reported under chapter 57-35.3 on a calendar year basis and
15 files its federal income tax return on a fiscal year basis must file a short period return
16 for the period beginning January 1, 2013, and ending on the last day of the tax year in
17 calendar year 2013.

18 **SECTION 18.** Subsection 11 to section 57-38-38 of the North Dakota Century Code is
19 created and enacted as follows:

20 11. This section applies if additional tax would be due under the provisions of chapter
21 57-35.3 in effect for taxable years beginning before January 1, 2013.

22 **SECTION 19.** Subsection 16 to section 57-38-40 of the North Dakota Century Code is
23 created and enacted as follows:

24 16. A person that would have been entitled to a credit or refund under chapter 57-35.3 for
25 a taxable year beginning before January 1, 2013, may file a claim for refund or credit
26 of an overpayment of tax.

27 **SECTION 20. AMENDMENT.** Section 57-39.2-26.1 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **57-39.2-26.1. Allocation of revenues among political subdivisions.**

30 Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and
31 motor vehicle excise tax collections, equal to ~~forty~~forty-three and one-half percent of an amount

1 determined by multiplying the quotient of one percent divided by the general sales tax rate, that
2 was in effect when the taxes were collected, times the net sales, gross receipts, use, and motor
3 vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3
4 must be deposited by the state treasurer in the state aid distribution fund. The state tax
5 commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and
6 motor vehicle excise tax net revenues that must be deposited in the state aid distribution fund
7 as determined under this section. Revenues deposited in the state aid distribution fund are
8 provided as a standing and continuing appropriation and must be allocated as follows:

- 9 1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in
10 the first month after each quarterly period as provided in this subsection.
 - 11 a. Sixty-four percent of the amount must be allocated among the seventeen
12 counties with the greatest population, in the following manner:
 - 13 (1) Thirty-two percent of the amount must be allocated equally among the
14 counties; and
 - 15 (2) The remaining amount must be allocated based upon the proportion each
16 such county's population bears to the total population of all such counties.
 - 17 b. Thirty-six percent of the amount must be allocated among all counties, excluding
18 the seventeen counties with the greatest population, in the following manner:
 - 19 (1) Forty percent of the amount must be allocated equally among the counties;
20 and
 - 21 (2) The remaining amount must be allocated based upon the proportion each
22 such county's population bears to the total population of all such counties.

23 A county shall deposit all revenues received under this subsection in the county
24 general fund. Each county shall reserve a portion of its allocation under this
25 subsection for further distribution to, or expenditure on behalf of, townships, rural fire
26 protection districts, rural ambulance districts, soil conservation districts, county
27 recreation service districts, county hospital districts, the Garrison Diversion
28 Conservancy District, the southwest water authority, and other taxing districts within
29 the county, excluding school districts, cities, and taxing districts within cities. The share
30 of the county allocation under this subsection to be distributed to a township must be
31 equal to the percentage of the county share of state aid distribution fund allocations

1 that township received during calendar year 1996. The governing boards of the county
2 and township may agree to a different distribution.

3 2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the
4 first month after each quarterly period based upon the proportion each city's
5 population bears to the total population of all cities.

6 A city shall deposit all revenues received under this subsection in the city general
7 fund. Each city shall reserve a portion of its allocation under this subsection for further
8 distribution to, or expenditure on behalf of, park districts and other taxing districts
9 within the city, excluding school districts. The share of the city allocation under this
10 subsection to be distributed to a park district must be equal to the percentage of the
11 city share of state aid distribution fund allocations that park district received during
12 calendar year 1996, up to a maximum of thirty percent. The governing boards of the
13 city and park district may agree to a different distribution.

14 **SECTION 21. REPEAL.** Chapter 57-35.3 of the North Dakota Century Code is repealed.

15 **SECTION 22. LEGISLATIVE MANAGEMENT REPORT.** By December 31, 2014, the
16 department of human services, with the assistance of the tax commissioner, shall prepare and
17 file a report with the legislative council on the impact of the employer-provided child care credit
18 on the availability of child care and on existing child care providers' ability to continue to provide
19 affordable quality child care and the effects on the ability of the state's workforce to find
20 affordable quality child care.

21 **SECTION 23. EFFECTIVE DATE.** Section 20 of this Act is effective for taxable events
22 occurring after June 30, 2014, and the remainder of this Act is effective for taxable years
23 beginning after December 31, 2012.