

Sixty-third
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1277

Introduced by

Representatives Kasper, Beadle, Becker, Dosch, Headland, Kempenich, Monson, Ruby,
Thoreson

Senators Berry, Miller, Sorvaag

A BILL for an Act to amend and reenact ~~section 57-38-30, subsection 1 of section 57-38-30.3,~~
~~and~~ subdivision d of subsection 2 of section 57-38-30.3 of the North Dakota Century Code,
relating to ~~corporate and~~ individual income tax ~~rate reductions~~ deductions for capital gains,
dividends, and interest earnings; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

~~**SECTION 1. 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. For the first twenty-five fifty thousand dollars of taxable income, at the rate of one and
sixty-eight thirty-four hundredths percent.~~

~~2. On all taxable income exceeding twenty-five fifty thousand dollars and not exceeding
fiftyone hundred thousand dollars, at the rate of four three and twenty-three thirty-eight
hundredths percent.~~

~~3. On all taxable income exceeding fiftyone hundred thousand dollars, at the rate of
fivefour and fifteen twelve hundredths percent.~~

~~**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:
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Not over \$34,500	1.51%
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Over \$34,500	\$520.95 plus 2.82%
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but not over \$83,600	of amount over \$34,500
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Over \$83,600	\$1,905.57 plus
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3.13%

but not over \$174,400	of amount over
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\$83,600

Over \$174,400	\$4,747.61 plus 3.63%
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but not over \$379,150	of amount over \$174,400
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Over \$379,150	\$12,180.04 plus 3.99%
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of amount over

\$379,150

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
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Not over \$57,700	1.51%
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Over \$57,700	\$871.27 plus 2.82%
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but not over \$139,350	of amount over \$57,700
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Over \$139,350	\$3,173.80 plus
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3.13%

but not over \$212,300	of amount over \$139,350
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Over \$212,300	\$5,457.14 plus 3.63%
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1 ~~_____ but not over \$379,150 _____ of amount over \$212,300~~
2 ~~_____ Over \$379,150 _____ \$11,513.79 plus 3.99%~~
3 ~~_____ of amount over \$379,150~~
4 ~~_____ c. Married filing separately.~~
5 ~~_____ If North Dakota taxable income is: _____ The tax is equal to:~~
6 ~~_____ Not over \$28,850\$42,500 _____ 1.51%1.25%~~
7 ~~_____ Over \$28,850\$42,500 _____ \$435.64\$531.25 plus 2.82%2.25%~~
8 ~~_____ but not over \$69,675\$105,000 _____ of amount over \$28,850\$42,500~~
9 ~~_____ Over \$69,675\$105,000 _____ \$1,586.90\$1,937.50 plus~~
10 ~~3.13%3.25%~~
11 ~~_____ but not over \$106,150 _____ of amount over~~
12 ~~\$69,675\$105,000~~
13 ~~_____ Over \$106,150 _____ \$2,728.57 plus 3.63%~~
14 ~~_____ but not over \$189,575 _____ of amount over \$106,150~~
15 ~~_____ Over \$189,575 _____ \$5,756.90 plus 3.99%~~
16 ~~_____ of amount over \$189,575~~
17 ~~_____ d. Head of household.~~
18 ~~_____ If North Dakota taxable income is: _____ The tax is equal to:~~
19 ~~_____ Not over \$46,250\$65,000 _____ 1.51%1.25%~~
20 ~~_____ Over \$46,250\$65,000 _____ \$698.38\$812.50 plus 2.82%2.25%~~
21 ~~_____ but not over \$119,400\$180,000 _____ of amount over \$46,250\$65,000~~
22 ~~_____ Over \$119,400\$180,000 _____ \$2,761.21\$3,400.00 plus~~
23 ~~3.13%3.25%~~
24 ~~_____ but not over \$193,350 _____ of amount over~~
25 ~~\$119,400\$180,000~~
26 ~~_____ Over \$193,350 _____ \$5,075.84 plus 3.63%~~
27 ~~_____ but not over \$379,150 _____ of amount over \$193,350~~
28 ~~_____ Over \$379,150 _____ \$11,820.38 plus 3.99%~~
29 ~~_____ of amount over \$379,150~~
30 ~~_____ e. Estates and trusts.~~
31 ~~_____ If North Dakota taxable income is: _____ The tax is equal to:~~

1	Not over \$2,300 \$5,000	1.51% 1.25%
2	Over \$2,300 \$5,000	\$34.73 \$62.50 plus 2.82% 2.25%
3	but not over \$5,450 \$10,000	of amount over \$2,300 \$5,000
4	Over \$5,450 \$10,000	\$123.56 \$175.00 plus 3.13% 3.25%
5	but not over \$8,300	of amount over \$5,450 \$10,000
6	Over \$8,300	\$212.77 plus 3.63%
7	but not over \$11,350	of amount over \$8,300
8	Over \$11,350	\$323.48 plus 3.99%
9		of amount over \$11,350

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

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

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

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

~~g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.~~

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

SECTION 1. AMENDMENT. Subdivision d of subsection 2 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

d. Reduced by ~~thirty~~ percent of:

~~(1) The excess one hundred percent of the first seventy-five thousand dollars, and ninety percent of any amount exceeding seventy-five thousand dollars, of the combined amount of the taxpayer's qualified dividend income that is taxed at the same rate as long-term capital gain for federal income tax purposes under Internal Revenue Code provisions in effect on December 31, 2012, and net:~~

(1) Qualified dividend income that is taxed at the same rate as long-term capital gain for federal income tax purposes under Internal Revenue Code provisions in effect on December 31, 2012;

(2) Net long-term capital gain for the taxable year over the net short-term capital loss for that year, as computed for purposes of the Internal Revenue Code of 1986, as amended; and

(3) Taxable interest.

The adjustment provided by this subdivision is allowed only to the extent the ~~qualified dividend income~~ and net long-term capital gain, and taxable interest is allocated to this state.

~~(2) The qualified dividend income that is taxed at the same rate as long-term capital gain for federal income tax purposes under Internal Revenue Code provisions in effect on December 31, 2008. The adjustment provided by this subdivision is allowed only to the extent the qualified dividend income is allocated to this state.~~

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2012.