

Sixty-fifth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1182

Introduced by

Representatives Rick C. Becker, Dockter, Ertelt, Pyle, Simons, Toman

Senators O. Larsen, Meyer

1 A BILL for an Act to create and enact a new subsection to section 11-11-14 and a new
2 subsection to section 40-05-02 of the North Dakota Century Code, relating to development
3 zones; to amend and reenact sections 40-63-02, 40-63-03, 40-63-04, 40-63-05, and 40-63-06,
4 subsection 4 of section 40-63-07, and sections 57-38-30.3 and 57-38-75 of the North Dakota
5 Century Code, relating to the renaissance zone program; to repeal chapter 40-63 relating to the
6 renaissance zone program; and to provide an effective date.

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

8 **SECTION 1.** A new subsection to section 11-11-14 of the North Dakota Century Code is
9 created and enacted as follows:

10 To provide by ordinance or resolution for the designation of development zones. The
11 ordinance or resolution must provide rules governing the operation and discontinuance
12 of a development zone and the grant of a partial or complete exemption from the
13 county portion of ad valorem taxation on property in the development zone. The
14 ordinance or resolution must provide an exemption is not available for property
15 receiving a partial or complete exemption from ad valorem taxation under chapter
16 40-63.

17 **SECTION 2.** A new subsection to section 40-05-02 of the North Dakota Century Code is
18 created and enacted as follows:

19 Development zone. To provide by ordinance for the designation of development
20 zones. The ordinance must provide rules governing the operation and discontinuance
21 of a development zone and the grant of a partial or complete exemption from the city
22 portion of ad valorem taxation on property in the development zone. The ordinance
23 must provide an exemption is not available for property receiving a partial or complete
24 exemption from ad valorem taxation under chapter 40-63.

1 **SECTION 3. AMENDMENT.** Section 40-63-02 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **40-63-02. Eligibility - Local zone authority designation.**

4 ~~Any~~Before January 1, 2018, ~~any~~ incorporated city may apply to the department of
5 commerce division of community services to designate a portion of the city as a renaissance
6 zone. Any individual, partnership, limited partnership, limited liability company, trust, or
7 corporation may apply for a tax credit or exemption under sections 40-63-04 through 40-63-07.
8 The governing body of a city may designate a local zone authority to implement a development
9 plan on behalf of the city.

10 **SECTION 4. AMENDMENT.** Section 40-63-03 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **40-63-03. Renaissance zones.**

13 1. ~~A~~Before January 1, 2018, ~~a~~ city may apply to the department of commerce division of
14 community services to designate a portion of that city as a renaissance zone if the
15 following criteria are met:

- 16 a. The geographic area proposed for the renaissance zone is located wholly within
17 the boundaries of the city submitting the application.
18 b. The application includes a development plan.
19 c. The proposed renaissance zone is not more than thirty-four square blocks,
20 except in a city with a population of greater than five thousand the renaissance
21 zone may exceed thirty-four square blocks at the rate of one additional block for
22 each additional five thousand population to a maximum size of forty-nine blocks.
23 Population is based upon the most recent federal decennial census or federal
24 census estimate.

25 If a city finds that renaissance zone projects have satisfactorily completed
26 one or more blocks within the renaissance zone, the city may apply for and the
27 department of commerce division of community services may approve withdrawal
28 of those blocks from the renaissance zone and ~~replacement of those blocks with~~
29 ~~other blocks that otherwise meet the requirements of this chapter.~~

- 30 d. Except as provided under subdivision g, the proposed renaissance zone has a
31 continuous boundary and all blocks are contiguous.

- 1 e. The proposed land usage includes both commercial and residential property.
- 2 f. The application includes the proposed duration of renaissance zone status, not to
- 3 exceed ~~fifteen~~five years. ~~Upon application by the city, the department of~~
- 4 ~~commerce division of community services may extend the duration of~~
- 5 ~~renaissance zone status in increments of up to five years.~~
- 6 g. The proposed renaissance zone may have a single exception to the continuous
- 7 boundary and contiguous block requirements under subdivision d if the area of
- 8 the excepted noncontiguous blocks does not exceed three square blocks.
- 9 2. The department of commerce division of community services shall:
- 10 a. Review all applications for renaissance zone designation against the criteria
- 11 established in this section and designate zones.
- 12 b. Approve or reject the duration of renaissance zone status as submitted in an
- 13 application.
- 14 c. Approve or reject the geographic boundaries and total area of the renaissance
- 15 zone as submitted in an application.
- 16 d. Promote the renaissance zone program.
- 17 e. Monitor the progress of the designated renaissance zones against submitted
- 18 plans in an annual plan review.
- 19 f. Report on renaissance zone progress to the governor and the legislative
- 20 management on an annual basis until all designated zones expire.
- 21 3. The department of commerce division of community services shall consider the
- 22 following criteria in designating a renaissance zone:
- 23 a. The viability of the development plan.
- 24 b. The incorporation and enhancement of unique natural and historic features into
- 25 the development plan.
- 26 c. Whether the development plan is creative and innovative in comparison to other
- 27 applications.
- 28 d. Public and private commitment to and other resources available for the proposed
- 29 renaissance zone, including the provisions for a renaissance fund organization.
- 30 e. How renaissance zone designation would relate to a broader plan for the
- 31 community as a whole.

- 1 f. How the local regulatory burden, in particular that burden associated with the
- 2 renovation of historic properties and that burden associated with mixed use
- 3 development, will be eased for developers and investors in the renaissance zone.
- 4 g. The strategies for the promotion, development, and management of the zone,
- 5 including the use of a local zone authority if designated.
- 6 h. Any other information required by the office.
- 7 4. The department of commerce division of community services may not designate a
- 8 portion of a city as a renaissance zone unless, as a part of the application, the city
- 9 provides a resolution from the governing body of the city that states if the renaissance
- 10 zone designation is granted, persons and property within the renaissance zone are
- 11 exempt from taxes as provided in sections 40-63-04 through 40-63-07. The
- 12 department of commerce division of community services may not approve additional
- 13 renaissance zone designations after December 31, 2017.
- 14 5. A city may not propose or be part of more than one renaissance zone.
- 15 6. A parcel of property may be exempted from property taxes under section 40-63-05
- 16 only once, but during the five taxable years of eligibility for that exemption, the
- 17 property tax exemption transfers with the transfer of the property to a qualifying user.
- 18 The ownership or lease of, or investment in, a parcel of property may qualify for
- 19 exemption or credit under section 40-63-04 only once, but during the five taxable
- 20 years of eligibility for that exemption or credit, the exemption or credit under section
- 21 40-63-04 transfers with the transfer of the property to a qualified user and with respect
- 22 to the year in which the transfer is made must be prorated for use of the property
- 23 during that year.
- 24 7. ~~A city may apply to the department of commerce division of community services at any~~
- 25 ~~time during the duration of a zone to expand a previously approved renaissance zone~~
- 26 ~~that is less than the maximum size allowed under subdivision c of subsection 1. If the~~
- 27 ~~expansion is approved by the department of commerce division of community~~
- 28 ~~services, the blocks in the expansion are eligible for up to fifteen years of renaissance~~
- 29 ~~zone status.~~
- 30 8. The use of grant funds as the sole source of investment in the purchase of a building
- 31 or space in a building does not qualify a taxpayer for any tax exemption or credit

- 1 available under the chapter, and grant funds may not be counted in determining if the
2 cost of rehabilitation meets or exceeds the current true and full value of the building.
- 3 ~~9-8.~~ If a portion of an approved renaissance zone is not progressing, the city may request
4 the department of commerce division of community services to permit deleting that
5 portion ~~and to make an adjustment of the boundaries to add another equal, contiguous~~
6 ~~area to the original zone.~~
- 7 ~~10-9.~~ If within a renaissance zone there is property that is included in a tax increment
8 financing district, the city in which the property is located shall provide the department
9 of commerce an annual report regarding any such property at the time requested by
10 the department of commerce. The report required under this subsection must identify
11 the property, provide the expected duration of inclusion of the property in the tax
12 increment financing district and the renaissance zone, and identify any property and
13 income tax benefits of the property and the expected duration of those benefits. The
14 department of commerce shall deliver an annual report compiling the information
15 required under this subsection to the legislative management interim committee on
16 taxation issues or upon request of any other interim committee of the legislative
17 management.

18 **SECTION 5. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **40-63-04. Income tax exemptions.**

- 21 1. An individual taxpayer who purchases or rehabilitates single-family residential property
22 for the individual's primary place of residence as a zone project before January 1,
23 2018, is exempt from up to ten thousand dollars of personal income tax liability as
24 determined under section 57-38-30.3 for five taxable years beginning with the date of
25 occupancy or completion of rehabilitation.
- 26 2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to
27 residential, public utility infrastructure, or commercial property for any business or
28 investment purpose as a zone project before January 1, 2018, is exempt from tax on
29 income derived from the business or investment locations within the zone for five
30 taxable years, beginning with the date of purchase, lease, or completion of
31 rehabilitation.

- 1 a. The maximum amount of income that a taxpayer may exempt from tax under this
2 subsection for any taxable year is five hundred thousand dollars. The limitation in
3 this subdivision applies to the sum of the exempt income derived from the
4 taxpayer's business and investment interests in all zone projects.
- 5 b. If a zone project consists of a physical expansion of an existing building owned
6 and used by the taxpayer for business or investment purposes, the amount of
7 income exempt from tax under this subsection is limited to an amount equal to
8 the income derived from the business, or from the investment use of the building,
9 during the taxable year multiplied by a ratio equal to the square footage added by
10 the expansion divided by the total square footage of the building after expansion.
- 11 3. If the cost of a new business purchase, leasehold improvement, or expansion of an
12 existing business, approved as a zone project, exceeds seventy-five thousand dollars,
13 and the business is located in a city with a population of not more than two thousand
14 five hundred, an individual taxpayer may, in lieu of the exemption provided in
15 subsection 2, elect to take an income tax exemption of up to two thousand dollars of
16 individual income tax liability as determined under section 57-38-30.3. The election
17 must be made on the taxpayer's return as originally and timely filed. The election is
18 irrevocable and binding for the duration of the exemptions provided in subsection 2 or
19 this subsection. If an election is not made on the original return, the taxpayer is only
20 eligible for the exemption provided in subsection 2.
- 21 4. If a property owner not participating in a renaissance zone project is required to make
22 changes in utility services or in a building structure before January 1, 2018, because of
23 changes made to property that is part of a zone project, the owner of the
24 nonparticipating property is entitled to state income tax credits equal to the total
25 amount of the investment necessary to complete the required changes. The credit
26 must be approved by the local renaissance zone authority. The credit must be claimed
27 in the taxable year in which the related project was completed. The credit may not
28 exceed the taxpayer's tax liability, and an unused credit may be carried forward up to
29 five taxable years.
- 30 5. The exemptions provided by this section do not eliminate any duty to file a return or to
31 report income as required under chapter 57-38.

1 **SECTION 6. AMENDMENT.** Section 40-63-05 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **40-63-05. Property tax exemptions.**

- 4 1. ~~A~~Before January 1, 2018, a municipality may grant a partial or complete exemption
5 from ad valorem taxation on single-family residential property, exclusive of the land on
6 which it is situated, if the property was purchased or rehabilitated by an individual for
7 the individual's primary place of residence as a zone project. An exemption granted
8 under this subsection may not extend beyond five taxable years following the date of
9 acquisition or completion of rehabilitation.
- 10 2. ~~A~~Before January 1, 2018, a municipality may grant a partial or complete exemption
11 from ad valorem taxation on buildings, structures, fixtures, and improvements
12 purchased or rehabilitated as a zone project for any business or investment purpose.
13 The state board of equalization may grant a partial or complete exemption from ad
14 valorem taxation on public utility infrastructure rehabilitated as a zone project. An
15 exemption under this subsection may not extend beyond five taxable years following
16 the date of purchase or completion of rehabilitation.

17 **SECTION 7. AMENDMENT.** Section 40-63-06 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **40-63-06. Historic preservation and renovation tax credit.**

20 A credit against state tax liability as determined under sections 57-38-30 and 57-38-30.3 is
21 allowed for investments made before January 1, 2018, in the historic preservation or renovation
22 of property within the renaissance zone. The amount of the credit is twenty-five percent of the
23 amount invested, up to a maximum of two hundred fifty thousand dollars. The credit may be
24 claimed in the year in which the preservation or renovation is completed. Any excess credit may
25 be carried forward for a period of up to five taxable years.

26 **SECTION 8. AMENDMENT.** Subsection 4 of section 40-63-07 of the North Dakota Century
27 Code is amended and reenacted as follows:

- 28 4. A credit against state tax liability as determined under section 57-38-30 or 57-38-30.3
29 is allowed for investments made before January 1, 2018, in a renaissance fund
30 organization. The amount of the credit is fifty percent of the amount invested in the
31 renaissance fund organization during the taxable year. Any amount of credit which

1 exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to
2 five taxable years after the taxable year in which the investment was made.

3 **SECTION 9. AMENDMENT.** Section 57-38-30.3 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **57-38-30.3. Individual, estate, and trust income tax.**

6 1. A tax is hereby imposed for each taxable year upon income earned or received in that
7 taxable year by every resident and nonresident individual, estate, and trust. A taxpayer
8 computing the tax under this section is only eligible for those adjustments or credits
9 that are specifically provided for in this section. Provided, that for purposes of this
10 section, any person required to file a state income tax return under this chapter, but
11 who has not computed a federal taxable income figure, shall compute a federal
12 taxable income figure using a pro forma return in order to determine a federal taxable
13 income figure to be used as a starting point in computing state income tax under this
14 section. The tax for individuals is equal to North Dakota taxable income multiplied by
15 the rates in the applicable rate schedule in subdivisions a through d corresponding to
16 an individual's filing status used for federal income tax purposes. For an estate or
17 trust, the schedule in subdivision e must be used for purposes of this subsection.

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

19 If North Dakota taxable income is:

20	Over	Not over	The tax is equal to	Of amount over
21	\$0	\$37,450	1.10%	\$0
22	\$37,450	\$90,750	\$411.95 + 2.04%	\$37,450
23	\$90,750	\$189,300	\$1,499.27 + 2.27%	\$90,750
24	\$189,300	\$411,500	\$3,736.36 + 2.64%	\$189,300
25	\$411,500		\$9,602.44 + 2.90%	\$411,500

26 b. Married filing jointly and surviving spouse.

27 If North Dakota taxable income is:

28	Over	Not over	The tax is equal to	Of amount over
29	\$0	\$62,600	1.10%	\$0
30	\$62,600	\$151,200	\$688.60 + 2.04%	\$62,600
31	\$151,200	\$230,450	\$2,496.04 + 2.27%	\$151,200

1	\$230,450	\$411,500	\$4,295.02 + 2.64%	\$230,450
2	\$411,500		\$9,074.74 + 2.90%	\$411,500
3	c. Married filing separately.			
4	If North Dakota taxable income is:			
5	Over	Not over	The tax is equal to	Of amount over
6	\$0	\$31,300	1.10%	\$0
7	\$31,300	\$75,600	\$344.30 + 2.04%	\$31,300
8	\$75,600	\$115,225	\$1,248.02 + 2.27%	\$75,600
9	\$115,225	\$205,750	\$2,147.51 + 2.64%	\$115,225
10	\$205,750		\$4,537.37 + 2.90%	\$205,750
11	d. Head of household.			
12	If North Dakota taxable income is:			
13	Over	Not over	The tax is equal to	Of amount over
14	\$0	\$50,200	1.10%	\$0
15	\$50,200	\$129,600	\$552.20 + 2.04%	\$50,200
16	\$129,600	\$209,850	\$2,171.96 + 2.27%	\$129,600
17	\$209,850	\$411,500	\$3,993.64 + 2.64%	\$209,850
18	\$411,500		\$9,317.20 + 2.90%	\$411,500
19	e. Estates and trusts.			
20	If North Dakota taxable income is:			
21	Over	Not over	The tax is equal to	Of amount over
22	\$0	\$2,500	1.10%	\$0
23	\$2,500	\$5,900	\$27.50 + 2.04%	\$2,500
24	\$5,900	\$9,050	\$96.86 + 2.27%	\$5,900
25	\$9,050	\$12,300	\$168.37 + 2.64%	\$9,050
26	\$12,300		\$254.17 + 2.90%	\$12,300
27	f. For an individual who is not a resident of this state for the entire year, or for a			
28	nonresident estate or trust, the tax is equal to the tax otherwise computed under			
29	this subsection multiplied by a fraction in which:			
30	(1) The numerator is the federal adjusted gross income allocable and			
31	apportionable to this state; and			

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

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

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

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

22 2. For purposes of this section, "North Dakota taxable income" means the federal taxable
23 income of an individual, estate, or trust as computed under the Internal Revenue Code
24 of 1986, as amended, adjusted as follows:

25 a. Reduced by interest income from obligations of the United States and income
26 exempt from state income tax under federal statute or United States or North
27 Dakota constitutional provisions.

28 b. Reduced by the portion of a distribution from a qualified investment fund
29 described in section 57-38-01 which is attributable to investments by the qualified
30 investment fund in obligations of the United States, obligations of North Dakota or
31 its political subdivisions, and any other obligation the interest from which is

exempt from state income tax under federal statute or United States or North Dakota constitutional provisions.

c. Reduced by the amount equal to the earnings that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under section 57-38-01.35.

d. Reduced by forty percent of:

(1) The excess of the taxpayer's 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. The adjustment provided by this subdivision is allowed only to the extent the net long-term capital gain is allocated to this state.

(2) Qualified dividends as defined under Internal Revenue Code section 1(h) (11), added by section 302(a) of the Jobs and Growth Tax Relief Reconciliation Act of 2003 [Pub. L. 108-27; 117 Stat. 752; 2 U.S.C. 963 et seq.], but only if taxed at a federal income tax rate that is lower than the regular federal income tax rates applicable to ordinary income. If, for any taxable year, qualified dividends are taxed at the regular federal income tax rates applicable to ordinary income, the reduction allowed under this subdivision is equal to thirty percent of all dividends included in federal taxable income. The adjustment provided by this subdivision is allowed only to the extent the qualified dividend income is allocated to this state.

e. Increased by the amount of a lump sum distribution for which income averaging was elected under section 402 of the Internal Revenue Code of 1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the taxpayer received the lump sum distribution while a nonresident of this state and the distribution is exempt from taxation by this state under federal law.

f. Increased by an amount equal to the losses that are passed through to a taxpayer in connection with an allocation and apportionment to North Dakota under section 57-38-01.35.

g. Reduced by the amount received by the taxpayer as payment for services performed when mobilized under title 10 United States Code federal service as a

1 member of the national guard or reserve member of the armed forces of the
2 United States. This subdivision does not apply to federal service while attending
3 annual training, basic military training, or professional military education.

4 h. Reduced by income from a new and expanding business exempt from state
5 income tax under section 40-57.1-04.

6 i. Reduced by interest and income from bonds issued under chapter 11-37.

7 j. Reduced by up to ten thousand dollars of qualified expenses that are related to a
8 donation by a taxpayer or a taxpayer's dependent, while living, of one or more
9 human organs to another human being for human organ transplantation. A
10 taxpayer may claim the reduction in this subdivision only once for each instance
11 of organ donation during the taxable year in which the human organ donation and
12 the human organ transplantation occurs but if qualified expenses are incurred in
13 more than one taxable year, the reduction for those expenses must be claimed in
14 the year in which the expenses are incurred. For purposes of this subdivision:

15 (1) "Human organ transplantation" means the medical procedure by which
16 transfer of a human organ is made from the body of one person to the body
17 of another person.

18 (2) "Organ" means all or part of an individual's liver, pancreas, kidney, intestine,
19 lung, or bone marrow.

20 (3) "Qualified expenses" means lost wages not compensated by sick pay and
21 unreimbursed medical expenses as defined for federal income tax
22 purposes, to the extent not deducted in computing federal taxable income,
23 whether or not the taxpayer itemizes federal income tax deductions.

24 k. Increased by the amount of the contribution upon which the credit under section
25 57-38-01.21 is computed, but only to the extent that the contribution reduced
26 federal taxable income.

27 l. Reduced by the amount of any payment received by a veteran or beneficiary of a
28 veteran under section 37-28-03 or 37-28-04.

29 m. Reduced by the amount received by a taxpayer that was paid by an employer
30 under paragraph 4 of subdivision a of subsection 2 of section 57-38-01.25 to hire
31 the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the

1 extent the amount received by the taxpayer is included in federal taxable income.

2 The reduction applies only if the employer is entitled to the credit under section
3 57-38-01.25. The taxpayer must attach a statement from the employer in which
4 the employer certifies that the employer is entitled to the credit under section
5 57-38-01.25 and which specifically identified the type of payment and the amount
6 of the exemption under this section.

7 n. Reduced by the amount up to a maximum of five thousand dollars, or ten
8 thousand dollars if a joint return is filed, for contributions made under a higher
9 education savings plan administered by the Bank of North Dakota, pursuant to
10 section 6-09-38.

11 o. Reduced by the amount of income of a taxpayer, who resides anywhere within
12 the exterior boundaries of a reservation situated in this state or situated both in
13 this state and in an adjoining state and who is an enrolled member of a federally
14 recognized Indian tribe, from activities or sources anywhere within the exterior
15 boundaries of a reservation situated in this state or both situated in this state and
16 in an adjoining state.

17 p. For married individuals filing jointly, reduced by an amount equal to the excess of
18 the recomputed itemized deductions or standard deduction over the amount of
19 the itemized deductions or standard deduction deducted in computing federal
20 taxable income. For purposes of this subdivision, "itemized deductions or
21 standard deduction" means the amount under section 63 of the Internal Revenue
22 Code that the married individuals deducted in computing their federal taxable
23 income and "recomputed itemized deductions or standard deduction" means an
24 amount determined by computing the itemized deductions or standard deduction
25 in a manner that replaces the basic standard deduction under section 63(c)(2) of
26 the Internal Revenue Code for married individuals filing jointly with an amount
27 equal to double the amount of the basic standard deduction under section 63(c)
28 (2) of the Internal Revenue Code for a single individual other than a head of
29 household and surviving spouse. If the married individuals elected under
30 section 63(e) of the Internal Revenue Code to deduct itemized deductions in
31 computing their federal taxable income even though the amount of the allowable

1 standard deduction is greater, the reduction under this subdivision is not allowed.
2 Married individuals filing jointly shall compute the available reduction under this
3 subdivision in a manner prescribed by the tax commissioner.

4 3. The same filing status used when filing federal income tax returns must be used when
5 filing state income tax returns.

6 4. a. A resident individual, estate, or trust is entitled to a credit against the tax imposed
7 under this section for the amount of income tax paid by the taxpayer for the
8 taxable year by another state or territory of the United States or the District of
9 Columbia on income derived from sources in those jurisdictions that is also
10 subject to tax under this section.

11 b. For an individual, estate, or trust that is a resident of this state for the entire
12 taxable year, the credit allowed under this subsection may not exceed an amount
13 equal to the tax imposed under this section multiplied by a ratio equal to federal
14 adjusted gross income derived from sources in the other jurisdiction divided by
15 federal adjusted gross income less the amounts under subdivisions a and b of
16 subsection 2.

17 c. For an individual, estate, or trust that is a resident of this state for only part of the
18 taxable year, the credit allowed under this subsection may not exceed the lesser
19 of the following:

20 (1) The tax imposed under this chapter multiplied by a ratio equal to federal
21 adjusted gross income derived from sources in the other jurisdiction
22 received while a resident of this state divided by federal adjusted gross
23 income derived from North Dakota sources less the amounts under
24 subdivisions a and b of subsection 2.

25 (2) The tax paid to the other jurisdiction multiplied by a ratio equal to federal
26 adjusted gross income derived from sources in the other jurisdiction
27 received while a resident of this state divided by federal adjusted gross
28 income derived from sources in the other states.

29 d. The tax commissioner may require written proof of the tax paid to another state.
30 The required proof must be provided in a form and manner as determined by the
31 tax commissioner.

- 1 5. Individuals, estates, or trusts that file an amended federal income tax return changing
2 their federal taxable income figure for a year for which an election to file state income
3 tax returns has been made under this section shall file an amended state income tax
4 return to reflect the changes on the federal income tax return.
- 5 6. The tax commissioner may prescribe procedures and guidelines to prevent requiring
6 income that had been previously taxed under this chapter from becoming taxed again
7 because of the provisions of this section and may prescribe procedures and guidelines
8 to prevent any income from becoming exempt from taxation because of the provisions
9 of this section if it would otherwise have been subject to taxation under the provisions
10 of this chapter.
- 11 7. A taxpayer filing a return under this section is entitled to the following tax credits:
12 a. Family care tax credit under section 57-38-01.20.
13 b. ~~Renaissance zone tax credits under sections 40-63-04, 40-63-06, and 40-63-07.~~
14 c. Agricultural business investment tax credit under section 57-38.6-03.
15 d.c. Seed capital investment tax credit under section 57-38.5-03.
16 e.d. Planned gift tax credit under section 57-38-01.21.
17 f.e. Biodiesel fuel or green diesel fuel tax credits under sections 57-38-01.22 and
18 57-38-01.23.
19 g.f. Internship employment tax credit under section 57-38-01.24.
20 h.g. Workforce recruitment credit under section 57-38-01.25.
21 i.h. Angel fund investment tax credit under section 57-38-01.26.
22 j.i. Microbusiness tax credit under section 57-38-01.27.
23 k.j. Marriage penalty credit under section 57-38-01.28.
24 l.k. Homestead income tax credit under section 57-38-01.29.
25 m.l. Commercial property income tax credit under section 57-38-01.30.
26 n.m. Research and experimental expenditures under section 57-38-30.5.
27 o.n. Geothermal energy device installation credit under section 57-38-01.8.
28 p.o. Long-term care partnership plan premiums income tax credit under section
29 57-38-29.3.
30 q.p. Employer tax credit for salary and related retirement plan contributions of
31 mobilized employees under section 57-38-01.31.

r.g. Automating manufacturing processes tax credit under section 57-38-01.33
(effective for the first five taxable years beginning after December 31, 2012).

s.r. Income tax credit for passthrough entity contributions to private education
institutions under section 57-38-01.7.

8. ~~A taxpayer filing a return under this section is entitled to the exemption provided under
section 40-63-04.~~

9. a. If an individual taxpayer engaged in a farming business elects to average farm
income under section 1301 of the Internal Revenue Code [26 U.S.C. 1301], the
taxpayer may elect to compute tax under this subsection. If an election to
compute tax under this subsection is made, the tax imposed by subsection 1 for
the taxable year must be equal to the sum of the following:

(1) The tax computed under subsection 1 on North Dakota taxable income
reduced by elected farm income.

(2) The increase in tax imposed by subsection 1 which would result if North
Dakota taxable income for each of the three prior taxable years were
increased by an amount equal to one-third of the elected farm income.

However, if other provisions of this chapter other than this section were
used to compute the tax for any of the three prior years, the same
provisions in effect for that prior tax year must be used to compute the
increase in tax under this paragraph. For purposes of applying this
paragraph to taxable years beginning before January 1, 2001, the increase
in tax must be determined by recomputing the tax in the manner prescribed
by the tax commissioner.

b. For purposes of this subsection, "elected farm income" means that portion of
North Dakota taxable income for the taxable year which is elected farm income
as defined in section 1301 of the Internal Revenue Code of 1986 [26 U.S.C.
1301], as amended, reduced by the portion of an exclusion claimed under
subdivision d of subsection 2 that is attributable to a net long-term capital gain
included in elected farm income.

1 c. The reduction in North Dakota taxable income under this subsection must be
2 taken into account for purposes of making an election under this subsection for
3 any subsequent taxable year.

4 d. The tax commissioner may prescribe rules, procedures, or guidelines necessary
5 to administer this subsection.

6 40-9. The tax commissioner may prescribe tax tables, to be used in computing the tax
7 according to subsection 1, if the amounts of the tax tables are based on the tax rates
8 set forth in subsection 1. If prescribed by the tax commissioner, the tables must be
9 followed by every individual, estate, or trust determining a tax under this section.

10 **SECTION 10. AMENDMENT.** Section 57-38-75 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **57-38-75. Rounding.**

13 With respect to any amount required to be shown on any return, form, statement, or other
14 document required to be filed with the tax commissioner and for purposes of amounts in tax
15 tables prescribed under ~~subsection 12 of~~ section 57-38-30.3 and subsection 3 of section
16 57-38-59, the amount may be rounded to the nearest dollar. The cents must be disregarded if
17 the cents amount to less than one-half dollar. If the cents amount to one-half dollar or more, the
18 amount must be increased to the next whole dollar.

19 **SECTION 11. REPEAL.** Chapter 40-63 of the North Dakota Century Code is repealed.

20 **SECTION 12. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable
21 years beginning after December 31, 2016. Sections 9 and 11 of this Act are effective for taxable
22 years beginning after December 31, 2022.