19.0294.01000

Sixty-sixth Legislative Assembly of North Dakota

Introduced by

FIRST DRAFT:
Prepared by the Legislative Council staff for the Taxation Committee
September 2018

- 1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
- 2 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century
- 3 Code, relating to the development and implementation of a talent attraction and retention
- 4 scholarship program and the provision of an income tax credit for purchases of manufacturing
- 5 machinery and equipment to automate manufacturing processes; and to provide an effective
- 6 date.

12

13

14

15

16

17

18

19

20

21

22

23

24

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

- 8 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created 9 and enacted as follows:
- North Dakota talent attraction and retention scholarship program Development and implementation.
 - 1. The Bank of North Dakota shall adopt rules to develop, implement, promote, and administer a North Dakota talent attraction and retention scholarship program in conjunction with the North Dakota university system and the dollars for scholars program with the intent of attracting and retaining students for professional or technical skills in high demand in this state.
 - Scholarships must be provided in the form of a forgivable loan administered by the Bank of North Dakota for residents of this state attending an accredited institution of higher education. To receive full loan forgiveness, the graduate shall remain and work in this state for a minimum of three years following degree completion. Additional residency requirements may be required for advanced, professional degrees as determined by the Bank of North Dakota and the North Dakota university system.
 - 3. Those eligible to participate in the program are North Dakota high school graduates or those who have completed a general equivalency degree within this state or who have

10

11

12

13

14

15

18

19

20

29

30

31

- lived in this state for at least one year. For highly specialized careers or skill sets,
 residents from outside this state will be considered if there are no or a very limited pool
 of applicants.
- 4. Scholarships are limited to a maximum of eight consecutive semesters with a student
 5 enrolling in a minimum of twelve credit hours per semester. Students shall complete at
 6 least one course on campus each semester. The maximum amount a student may
 7 receive in loan forgiveness is eight thousand five hundred dollars per year for four
 8 years. This amount may be indexed for inflation and tuition increases by the Bank of
 9 North Dakota in future years.
 - 5. The talent attraction and retention scholarship program must be a joint public and private effort. The Bank of North Dakota shall provide one dollar of funding for each one dollar of funding raised from the private sector through the dollars for scholars program. The Bank of North Dakota shall provide no more than ten million dollars for the purpose of funding the talent attraction and retention scholarship program for the biennium beginning July 1, 2019, and ending June 30, 2021.
- 16 <u>6.</u> The scholarship, which is intended to assist the student in meeting attendance costs,
 must be designed to supplement any other financial aid received by a student.
 - **SECTION 2.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

<u>Twenty-first century manufacturing workforce incentive.</u>

- 21 <u>1.</u> A taxpayer that is a primary sector business is allowed a nonrefundable credit against 22 the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing 23 machinery and equipment for the purpose of automating manufacturing processes in 24 this state to improve job quality and increase output. The amount of the credit under 25 this section is twenty percent of the cost of the manufacturing machinery and 26 equipment purchased in the taxable year. Qualified expenditures under this section 27 may not be used in the calculation of any other income tax deduction or credit allowed 28 under this chapter.
 - 2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating
 manufacturing processes" means new or used automation and robotic equipment

31

1 used to upgrade or advance a manufacturing process. The term does not include 2 replacement automation and robotic equipment that does not upgrade or 3 advance a manufacturing process. 4 "Primary sector business" has the meaning provided in section 1-01-49. b. 5 "Purchase" includes manufacturing machinery and equipment acquired under a <u>C.</u> 6 capital lease only for the taxable year in which the lease is executed. A capital 7 lease is a lease which meets generally accepted accounting principles. The 8 qualifying costs of the equipment acquired under a capital lease is the fair market 9 value of the equipment at the inception of the lease. 10 The taxpayer shall claim the total credit amount for the taxable year in which the 3. 11 manufacturing machinery and equipment are purchased. The credit under this section 12 may not exceed the taxpayer's liability as determined under this chapter for any 13 taxable year. 14 If the amount of the credit determined under this section exceeds the liability for tax <u>4.</u> 15 under this chapter, the excess may be carried forward to each of the next five 16 succeeding taxable years. 17 <u>5.</u> The aggregate amount of credits allowed each calendar year under this section may 18 not exceed two million dollars. However, if the maximum amount of allowed credits are 19 not claimed in any calendar year, any remaining unclaimed credits may be carried 20 forward and made available in the next succeeding calendar year. If the aggregate 21 amount of credits claimed under this section exceeds the amount available in a 22 calendar year, the tax commissioner shall prorate the credits among the claimants. 23 If a taxpayer entitled to the credit provided by this section is a member of a group of <u>6.</u> 24 corporations filing a North Dakota consolidated tax return using the combined 25 reporting method, the credit may be claimed against the aggregate North Dakota tax 26 liability of all the corporations included in the North Dakota consolidated return. 27 <u>7.</u> A passthrough entity entitled to the credit under this section must be considered to be 28 the taxpayer for purposes of calculating the credit. The amount of the allowable credit 29 must be determined at the passthrough entity level. The total credit determined at the 30 entity level must be passed through to the partners, shareholders, or members in

proportion to their respective interests in the passthrough entity. An individual taxpayer

1		may take the credit passed through under this subsection against the individual's state		
2		income tax liability under section 57-38-30.3.		
3	<u>8.</u>	The department of commerce shall provide the tax commissioner the name, address,		
4		and federal identification number or social security number of the taxpayer approved		
5		as qualify	ying for the credit under this section, and a list of those items approved as a	
6		qualified expenditure by the department. The taxpayer claiming the credit shall file with		
7		the taxpayer's return, on forms prescribed by the tax commissioner, the following		
8		information:		
9		a. The	name, address, and federal identification number or social security number	
10		of th	ne taxpayer that made the purchase; and	
11		b. An itemization of:		
12		<u>(1)</u>	Each item of machinery or equipment purchased for automation, including a	
13			description of the equipment or system being upgraded or advanced, and	
14			an explanation of how the upgrade or advancement will improve job quality	
15			and increase output;	
16		<u>(2)</u>	The amount paid for each item of machinery or equipment if the amount	
17			paid for the machinery or equipment is being used as a basis for calculating	
18			the credit; and	
19		<u>(3)</u>	The date on which payment for the purchase was made.	
20	<u>9.</u>	Notwithstanding the time limitations contained in section 57-38-38, this section does		
21		not prohibit the tax commissioner from conducting an examination of the credit		
22		claimed and assessing additional tax due under section 57-38-38.		
23	SECTION 3. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota			
24	Century Code is created and enacted as follows:			
25		Twe	enty-first century manufacturing workforce incentive under section 2 of this	
26		Act.		
27	SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this Act are effective for taxable years			
28	beginning after December 31, 2018.			