

FIRST ENGROSSMENT

Fifty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1340

Introduced by

Representatives Sandvig, Koppelman, Boehm

Senators Christmann, Kelsh, Wanzek

1 A BILL for an Act to amend and reenact paragraph 5 of subdivision d of subsection 1 of section
2 57-38-01.2 and subsection 5 of section 57-38-30.3 of the North Dakota Century Code, relating
3 to income tax deductions or credits for adoption expenses; to provide for a transfer; and to
4 provide an effective date.

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

6 **SECTION 1. AMENDMENT.** Paragraph 5 of subdivision d of subsection 1 of section
7 57-38-01.2 of the 1995 Supplement to the North Dakota Century Code is amended and
8 reenacted as follows:

9 (5) Reduced by ~~one~~ five thousand dollars for each child under the age of
10 twenty-one years adopted by the taxpayer. The reduction under this
11 paragraph may be claimed only by an adoptive parent of an adopted
12 child and the child must qualify as a dependent of the adoptive parent
13 for federal income tax purposes. The reduction may be claimed by only
14 one spouse, for spouses filing separately under this chapter. The
15 reduction provided by this paragraph may be claimed ~~only~~ for the
16 taxable year in which the adoption becomes final and ~~the~~ any unused
17 portion of the reduction may be carried forward by the taxpayer for up
18 to five taxable years. The reduction does not apply to the adoption of
19 children of the taxpayer's spouse.

20 **SECTION 2. AMENDMENT.** Subsection 5 of section 57-38-30.3 of the North Dakota
21 Century Code is amended and reenacted as follows:

22 5. For the purposes of this section, the term "federal income tax liability" means the
23 individual's, estate's, or trust's federal income tax liability as computed for federal
24 income tax purposes using tax tables, tax rate schedules, or form 8615, plus

1 additional taxes due on federal income tax schedules or forms 4970, 4972, section
2 72(m)(5) penalty tax, 5329, 6251, and 8656, less any credit for prior year minimum
3 tax (form 8801), less any credit for qualified adoption expenses, and before credit
4 for the elderly or the disabled (schedule R), credit for child and dependent care
5 expenses (form 2441), investment credit (form 3468), foreign tax credit (form
6 1116), general business credit (form 3800), jobs credit (form 5884), credit for
7 alcohol used as fuel (form 6478), credit for increasing research activities (form
8 6765), low-income housing credit (form 8586) and nonconventional fuel credit, and
9 before reduction for federal income tax withheld, estimated payments, earned
10 income credit, amount paid with form 4868, excess social security tax, and the
11 federal Railroad Retirement Tax Act, tax withheld, credit for federal tax on gasoline
12 and special fuels (form 4136), and regulated investment company credits (form
13 2439). The term does not include amounts due for self-employment tax or social
14 security tax and railroad retirement tax on tips. For purposes of this subsection,
15 additional taxes due on federal income tax form 6251 or form 8656 must be
16 reduced, but not below zero, by the amount of any investment credit used to
17 reduce the federal tax liability before calculation of the additional tax due on form
18 6251 or form 8656.

19 **SECTION 3. TRANSFER.** On or before July 1, 1998, the children's services
20 coordinating committee shall transfer the sum of \$154,000 from its operating fund to the state
21 treasurer for deposit in the state general fund to offset the state general fund revenue loss from
22 adoption expense income tax deductions or credits provided by this Act for the biennium
23 beginning July 1, 1997, and ending June 30, 1999.

24 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
25 December 31, 1996.