FIRST ENGROSSMENT
wth Senate Amendments

Fifty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1340

Introduced by

Representatives Sandvig, Koppelman, Boehm

Senators Christmann, Kelsh, Wanzek

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

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

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

5. For the purposes of this section, the term "federal income tax liability" means the individual's, estate's, or trust's federal income tax liability as computed for federal income tax purposes using tax tables, tax rate schedules, or form 8615, plus additional taxes due on federal income tax schedules or forms 4970, 4972, section

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

SECTION 3. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 1996.