

**HOUSE BILL NO. 1375**

Introduced by

Representatives Froelich, Kerzman

1 A BILL for an Act to create and enact a new section to chapter 4-14.1 and a new subdivision to  
2 subsection 1 of section 57-38-01.2 of the North Dakota Century Code, relating to property tax  
3 reimbursement and an income tax deduction for income of beginning farmers; to amend and  
4 reenact subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an  
5 income tax deduction for income of beginning farmers; to provide an appropriation; and to  
6 provide an effective date.

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

8 **SECTION 1.** A new section to chapter 4-14.1 of the North Dakota Century Code is  
9 created and enacted as follows:

10 **Beginning farmer property tax reimbursement.**

11 1. The agricultural products utilization commission shall reimburse a beginning farmer  
12 for property taxes paid on agricultural property owned or rented by the beginning  
13 farmer in this state for each of the first five taxable years the individual is a farm or  
14 ranch owner or operator in this state. A beginning farmer seeking property tax  
15 reimbursement under this section shall file an application on a form provided by the  
16 agricultural products utilization commission and a copy of the receipt of the county  
17 treasurer for property taxes paid for which the person is seeking reimbursement.  
18 An application under this section must be filed before September First of the year  
19 following the taxable year for which taxes were paid. Reimbursement to a  
20 beginning farmer under this section is limited to the lesser of the amount of  
21 property taxes paid by the beginning farmer on eligible property for the taxable  
22 year and:

23 a. Two thousand five hundred dollars for the first taxable year as a beginning  
24 farmer.

- 1           b. Two thousand dollars for the second taxable year as a beginning farmer.
- 2           c. One thousand five hundred dollars for the third taxable year as a beginning
- 3           farmer.
- 4           d. One thousand dollars for the fourth taxable year as a beginning farmer.
- 5           e. Five hundred dollars for the fifth taxable year as a beginning farmer.
- 6        2. The total amount of reimbursements of property taxes by the agricultural products
- 7           utilization commission under this section may not exceed seven hundred fifty
- 8           thousand dollars for any taxable year. Reimbursements are payable in the order in
- 9           which completed and approved applications are received by the agricultural
- 10           products utilization commission.
- 11        3. For purposes of this section, "beginning farmer" has the same meaning as in
- 12           section 57-38-67.

13        **SECTION 2.** A new subdivision to subsection 1 of section 57-38-01.2 of the North  
14 Dakota Century Code is created and enacted as follows:

15        Reduced by federal taxable income of the individual from farming or ranching as a  
16        beginning farmer during each of the first five taxable years the individual is a farm or  
17        ranch owner or operator in this state. For purposes of this subdivision, "beginning  
18        farmer" has the same meaning as in section 57-38-67.

19        **SECTION 3. AMENDMENT.** Subsection 2 of section 57-38-30.3 of the North Dakota  
20 Century Code is amended and reenacted as follows:

- 21        2. For purposes of this section, "North Dakota taxable income" means the federal
- 22           taxable income of an individual, estate, or trust as computed under the Internal
- 23           Revenue Code of 1986, as amended, adjusted as follows:
  - 24           a. Reduced by interest income from obligations of the United States and income
  - 25           exempt from state income tax under federal statute or United States or North
  - 26           Dakota constitutional provisions.
  - 27           b. Reduced by the portion of a distribution from a qualified investment fund
  - 28           described in section 57-38-01 which is attributable to investments by the
  - 29           qualified investment fund in obligations of the United States, obligations of
  - 30           North Dakota or its political subdivisions, and any other obligation the interest

- 1 from which is exempt from state income tax under federal statute or United  
2 States or North Dakota constitutional provisions.
- 3 c. Reduced by the amount equal to the earnings that are passed through to a  
4 taxpayer in connection with an allocation and apportionment to North Dakota  
5 under chapter 57-35.3.
- 6 d. Reduced by thirty percent of the excess of the taxpayer's net long-term capital  
7 gain for the taxable year over the net short-term capital loss for that year, as  
8 computed for purposes of the Internal Revenue Code of 1986, as amended.
- 9 e. Increased by the amount of a lump sum distribution for which income  
10 averaging was elected under section 402 of the Internal Revenue Code of  
11 1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the  
12 taxpayer received the lump sum distribution while a nonresident of this state  
13 and the distribution is exempt from taxation by this state under federal law.
- 14 f. Increased by an amount equal to the losses that are passed through to a  
15 taxpayer in connection with an allocation and apportionment to North Dakota  
16 under chapter 57-35.3.
- 17 g. Reduced by federal taxable income of the individual from farming or ranching  
18 as a beginning farmer during each of the first five taxable years the individual  
19 is a farm or ranch owner or operator in this state. For purposes of this  
20 subdivision, "beginning farmer" has the same meaning as in section 57-38-67.

21 **SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the  
22 general fund and the state treasury, not otherwise appropriated, the sum of \$1,500,000, or so  
23 much of the sum as may be necessary, to the agricultural products utilization commission for  
24 the purpose of beginning farmer property tax reimbursement under section 1 of this Act, for the  
25 biennium beginning July 1, 2003, and ending June 30, 2005.

26 **SECTION 5. EFFECTIVE DATE.** Sections 1, 2, and 3 of this Act are effective for  
27 taxable years beginning after December 31, 2002.