

Fifty-eighth  
Legislative Assembly  
of North Dakota

## ENGROSSED 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 a directive to the agricultural  
6 products utilization commission concerning use of appropriated funds; and to provide an  
7 effective date.

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

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

11 **Beginning farmer property tax reimbursement.**

12 1. The agricultural products utilization commission shall reimburse a beginning farmer  
13 for property taxes paid on agricultural property owned by the beginning farmer in  
14 this state for each of the first five taxable years the individual is a farm or ranch  
15 owner in this state. A beginning farmer seeking property tax reimbursement under  
16 this section shall file an application on a form provided by the agricultural products  
17 utilization commission and a copy of the receipt of the county treasurer for property  
18 taxes paid for which the person is seeking reimbursement. An application under  
19 this section must be filed before September first of the year following the taxable  
20 year for which taxes were paid. Reimbursement to a beginning farmer under this  
21 section is limited to the lesser of the amount of property taxes paid by the  
22 beginning farmer on eligible property for the taxable 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 in a taxable year may not exceed one-half
- 8        of the funds available for reimbursements for the biennium. Reimbursements must
- 9        be prorated among qualified applicants if completed and approved applications for
- 10       reimbursement are received by the agricultural products utilization commission
- 11       which exceed funds available for reimbursement.
- 12       3. For purposes of this section, "beginning farmer" means an individual who is a
- 13       resident of this state and meets the qualifications for a beginning farmer as
- 14       established by the industrial commission for Bank of North Dakota loan programs.

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

17           Reduced by net income as determined on schedule f of the federal income

18           tax return of the individual during each of the first five taxable years the

19           individual is a farm or ranch owner in this state. For purposes of this

20           subdivision, "beginning farmer" means an individual who is a resident of this

21           state and meets the qualifications for a beginning farmer as established by

22           the industrial commission for Bank of North Dakota loan programs.

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

- 25        2. For purposes of this section, "North Dakota taxable income" means the federal  
26        taxable income of an individual, estate, or trust as computed under the Internal  
27        Revenue Code of 1986, as amended, adjusted as follows:
- 28        a. Reduced by interest income from obligations of the United States and income  
29        exempt from state income tax under federal statute or United States or North  
30        Dakota constitutional provisions.

- 1           b. Reduced by the portion of a distribution from a qualified investment fund  
2           described in section 57-38-01 which is attributable to investments by the  
3           qualified investment fund in obligations of the United States, obligations of  
4           North Dakota or its political subdivisions, and any other obligation the interest  
5           from which is exempt from state income tax under federal statute or United  
6           States or North Dakota constitutional provisions.
- 7           c. Reduced by the amount equal to the earnings that are passed through to a  
8           taxpayer in connection with an allocation and apportionment to North Dakota  
9           under chapter 57-35.3.
- 10          d. Reduced by thirty percent of the excess of the taxpayer's net long-term capital  
11          gain for the taxable year over the net short-term capital loss for that year, as  
12          computed for purposes of the Internal Revenue Code of 1986, as amended.
- 13          e. Increased by the amount of a lump sum distribution for which income  
14          averaging was elected under section 402 of the Internal Revenue Code of  
15          1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the  
16          taxpayer received the lump sum distribution while a nonresident of this state  
17          and the distribution is exempt from taxation by this state under federal law.
- 18          f. Increased by an amount equal to the losses that are passed through to a  
19          taxpayer in connection with an allocation and apportionment to North Dakota  
20          under chapter 57-35.3.
- 21          g. Reduced by net income as determined on schedule f of the federal income  
22          tax return of the individual during each of the first five taxable years the  
23          individual is a farm or ranch owner in this state. For purposes of this  
24          subdivision, "beginning farmer" means an individual who is a resident of this  
25          state and meets the qualifications for a beginning farmer as established by  
26          the industrial commission for Bank of North Dakota loan programs.

27           **SECTION 4. USE OF AGRICULTURAL PRODUCTS UTILIZATION COMMISSION**

28   **APPROPRIATED FUNDS.** The agricultural products utilization commission shall provide  
29 beginning farmer property tax reimbursement under section 1 of this Act for the biennium  
30 beginning July 1, 2003, and ending June 30, 2005, in an amount not exceeding fifty percent of

1 the total funds appropriated to the agricultural products utilization commission for all purposes  
2 for the biennium beginning July 1, 2003, and ending June 30, 2005.

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