

**SENATE BILL NO. 2172**

Introduced by

Senators Trenbeath, Lyson, Thane

Representatives Klemin, Maragos, Tieman

1 A BILL for an Act to amend and reenact subsection 2 of section 57-38-30.3 of the North Dakota  
2 Century Code, relating to an income tax deduction under the simplified method of computing  
3 tax for military retirement pay and military active duty or national guard pay; and to provide an  
4 effective date.

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

6 **SECTION 1. AMENDMENT.** Subsection 2 of section 57-38-30.3 of the North Dakota  
7 Century Code is amended and reenacted as follows:

- 8 2. For purposes of this section, "North Dakota taxable income" means the federal  
9 taxable income of an individual, estate, or trust as computed under the Internal  
10 Revenue Code of 1986, as amended, adjusted as follows:
- 11 a. Reduced by interest income from obligations of the United States and income  
12 exempt from state income tax under federal statute or United States or North  
13 Dakota constitutional provisions.
  - 14 b. Reduced by the portion of a distribution from a qualified investment fund  
15 described in section 57-38-01 which is attributable to investments by the  
16 qualified investment fund in obligations of the United States, obligations of  
17 North Dakota or its political subdivisions, and any other obligation the interest  
18 from which is exempt from state income tax under federal statute or United  
19 States or North Dakota constitutional provisions.
  - 20 c. Reduced by the amount equal to the earnings that are passed through to a  
21 taxpayer in connection with an allocation and apportionment to North Dakota  
22 under chapter 57-35.3.

- 1 d. Reduced by thirty percent of the excess of the taxpayer's net long-term capital  
2 gain for the taxable year over the net short-term capital loss for that year, as  
3 computed for purposes of the Internal Revenue Code of 1986, as amended.
- 4 e. Increased by the amount of a lump sum distribution for which income  
5 averaging was elected under section 402 of the Internal Revenue Code of  
6 1986 [26 U.S.C. 402], as amended. This adjustment does not apply if the  
7 taxpayer received the lump sum distribution while a nonresident of this state  
8 and the distribution is exempt from taxation by this state under federal law.
- 9 f. Increased by an amount equal to the losses that are passed through to a  
10 taxpayer in connection with an allocation and apportionment to North Dakota  
11 under chapter 57-35.3.
- 12 g. Reduced by any amount, up to a maximum of one thousand dollars, received  
13 by any person as payment for services performed while on active duty in the  
14 armed forces of the United States or as payment for attending periodic  
15 training meetings for drill and instruction as a member of the national guard or  
16 of a reserve unit of the armed forces of the United States. However, persons  
17 servicing in the armed forces of the United States, except field grade and  
18 general officers, who are stationed outside of any state of the United States or  
19 the District of Columbia for not less than thirty days during the tax year are  
20 entitled to an additional reduction of up to three hundred dollars per month for  
21 each month or portion of a month received as payment for services performed  
22 while on active duty at any of those locations.
- 23 h. Reduced by any amount, up to a maximum of five thousand dollars, received  
24 by any person fifty years of age or older as retired military personnel pay for  
25 service in the United States army, navy, air force, coast guard, or marine  
26 corps or reserve components of any of these entities; provided, however, that  
27 the adjustment provided in this subdivision must be reduced by any amount  
28 received pursuant to the federal Social Security Act.

29 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
30 December 31, 2002.