

Fifty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1381

Introduced by

Representatives Winrich, Aarsvold, Herbel, Maragos

Senator Christenson

1 A BILL for an Act to amend and reenact section 57-38-29 and subsection 1 of section
2 57-38-30.3 of the North Dakota Century Code, relating to individual income tax rates; to provide
3 an appropriation for foundation aid grant enhancement; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-38-29 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-38-29. Optional method of computing tax.** Notwithstanding the other provisions
8 of this chapter, an individual, estate, or trust may elect to determine state income tax liability by
9 applying the provisions of this section. A tax is hereby imposed upon every individual, to be
10 levied, collected, and paid annually with respect to the taxable income of such individual as
11 defined in this chapter, computed at the following rates:

- 12 1. On taxable income not in excess of three thousand dollars, a tax of ~~two~~ three and
13 ~~sixty-seven~~ twenty-three hundredths percent.
- 14 2. On taxable income in excess of three thousand dollars and not in excess of five
15 thousand dollars, a tax of four and eighty-four hundredths percent.
- 16 3. On taxable income in excess of five thousand dollars and not in excess of eight
17 thousand dollars, a tax of ~~five~~ six and ~~thirty-three~~ forty-five hundredths percent.
- 18 4. On taxable income in excess of eight thousand dollars and not in excess of fifteen
19 thousand dollars, a tax of ~~six~~ eight and ~~sixty-seven~~ seven hundredths percent.
- 20 5. On taxable income in excess of fifteen thousand dollars and not in excess of
21 twenty-five thousand dollars, a tax of ~~eight~~ nine and sixty-eight hundredths
22 percent.

- 1 6. On taxable income in excess of twenty-five thousand dollars and not in excess of
2 thirty-five thousand dollars, a tax of ~~nine~~ eleven and ~~thirty-three~~ twenty-nine
3 hundredths percent.
- 4 7. On taxable income in excess of thirty-five thousand dollars and not in excess of
5 fifty thousand dollars, a tax of ~~ten~~ twelve and ~~sixty-seven~~ ninety-one hundredths
6 percent.
- 7 8. On taxable income in excess of fifty thousand dollars, a tax of ~~twelve~~ fourteen and
8 fifty-two hundredths percent.

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

- 11 1. A tax is hereby imposed for each taxable year upon income earned or received in
12 that taxable year by every resident and nonresident individual, estate, and trust. A
13 taxpayer computing the tax under this section is only eligible for those adjustments
14 or credits that are specifically provided for in this section. Provided, that for
15 purposes of this section, any person required to file a state income tax return
16 under this chapter, but who has not computed a federal taxable income figure,
17 shall compute a federal taxable income figure using a pro forma return in order to
18 determine a federal taxable income figure to be used as a starting point in
19 computing state income tax under this section. The tax for individuals is equal to
20 North Dakota taxable income multiplied by the rates in the applicable rate schedule
21 in subdivisions a through d corresponding to an individual's filing status used for
22 federal income tax purposes. For an estate or trust, the schedule in subdivision e
23 must be used for purposes of this subsection. For a nonresident individual, estate,
24 or trust, the tax is equal to the tax determined in accordance with the applicable
25 schedule in subdivisions a through e multiplied by the fraction under subdivision f.
- 26 a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
27 Not over \$27,050	28 2.40 <u>2.54</u> %
29 Over \$27,050 but not over \$65,550	30 \$568.05 <u>687.07</u> plus 3.92 <u>4.74</u> % of 31 amount over \$27,050
Over \$65,550 but not over \$136,750	\$2,077.25 <u>2,511.97</u> plus 4.34 <u>5.25</u> % of

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1 amount over \$65,550
2 Over \$136,750 but not over \$297,350 ~~\$5,467.33~~ 6,249.97 plus ~~5.04~~ 6.10% of
3 amount over \$136,750
4 Over \$297,350 ~~\$13,261.57~~ 16,046.57 plus ~~5.54~~ 6.70% of
5 amount over \$297,350

6 b. Married filing jointly and surviving spouse.

7 If North Dakota taxable income is: The tax is equal to:
8 Not over \$45,200 ~~2.40~~ 2.54%
9 Over \$45,200 but not over \$109,250 ~~\$949.20~~ 1,148.08 plus ~~3.92~~ 4.74% of
10 amount over \$45,200
11 Over \$109,250 but not over \$166,500 ~~\$3,459.96~~ 4,184.05 plus ~~4.34~~ 5.25% of
12 amount over \$109,250
13 Over \$166,500 but not over \$297,350 ~~\$5,944.61~~ 7,189.68 plus ~~5.04~~ 6.10% of
14 amount over \$166,500
15 Over \$297,350 ~~\$12,539.45~~ 15,171.53 plus ~~5.54~~ 6.70% of
16 amount over \$297,350

17 c. Married filing separately.

18 If North Dakota taxable income is: The tax is equal to:
19 Not over \$22,600 ~~2.40~~ 2.54%
20 Over \$22,600 but not over \$54,625 ~~\$474.60~~ 574.04 plus ~~3.92~~ 4.74% of
21 amount over \$22,600
22 Over \$54,625 but not over \$83,250 ~~\$1,729.98~~ 2,092.03 plus ~~4.34~~ 5.25% of
23 amount over \$54,625
24 Over \$83,250 but not over \$148,675 ~~\$2,972.31~~ 3,594.84 plus ~~5.04~~ 6.10% of
25 amount over \$83,250
26 Over \$148,675 ~~\$6,269.73~~ 7,585.77 plus ~~5.54~~ 6.70% of
27 amount over \$148,675

28 d. Head of household.

29 If North Dakota taxable income is: The tax is equal to:
30 Not over \$36,250 ~~2.40~~ 2.54%
31 Over \$36,250 but not over \$93,650 ~~\$761.25~~ 920.75 plus ~~3.92~~ 4.74% of

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1		amount over \$36,250
2	Over \$93,650 but not over \$151,650	\$3,011.33 <u>3,641.51</u> plus 4.34 <u>5.25</u> % of
3		amount over \$93,650
4	Over \$151,650 but not over \$297,350	\$5,528.53 <u>6,686.51</u> plus 5.04 <u>6.10</u> % of
5		amount over \$151,650
6	Over \$297,350	\$12,871.84 <u>15,574.21</u> plus 5.54 <u>6.70</u> % of
7		amount over \$297,350

8 e. Estates and trusts.

9	If North Dakota taxable income is:	The tax is equal to:
10	Not over \$1,800	2.40 <u>2.54</u> %
11	Over \$1,800 but not over \$4,250	\$37.80 <u>45.72</u> plus 3.92 <u>4.74</u> % of
12		amount over \$1,800
13	Over \$4,250 but not over \$6,500	\$133.84 <u>161.85</u> plus 4.34 <u>5.25</u> % of
14		amount over \$4,250
15	Over \$6,500 but not over \$8,900	\$231.49 <u>279.98</u> plus 5.04 <u>6.10</u> % of
16		amount over \$6,500
17	Over \$8,900	\$352.45 <u>426.38</u> plus 5.54 <u>6.70</u> % of
18		amount over \$8,900

19 f. For a nonresident individual, estate, or trust, the tax determined under the
20 applicable schedule in subdivisions a through e must be multiplied by a
21 fraction in which:

- 22 (1) The numerator is the individual's federal adjusted gross income derived
23 from North Dakota sources; and
- 24 (2) The denominator is the individual's federal adjusted gross income from
25 all sources reduced by the net income from the amounts specified in
26 subdivisions a and b of subsection 3.

27 g. If married individuals who file a joint federal income tax return are required to
28 file separate state income tax returns under any provision of this chapter, the
29 tax under this subsection for each spouse must be determined by applying
30 the rates under subdivision b to the spouses' joint North Dakota taxable

1 income and prorating the result between the spouses based on their separate
2 North Dakota taxable incomes.

3 h. For taxable years beginning after December 31, 2001, the tax commissioner
4 shall prescribe new rate schedules that apply in lieu of the schedules set forth
5 in subdivisions a through e. The new schedules must be determined by
6 increasing the minimum and maximum dollar amounts for each income
7 bracket for which a tax is imposed by the cost-of-living adjustment for the
8 taxable year as determined by the secretary of the United States treasury for
9 purposes of section 1(f) of the United States Internal Revenue Code of 1954,
10 as amended. For this purpose, the rate applicable to each income bracket
11 may not be changed, and the manner of applying the cost-of-living adjustment
12 must be the same as that used for adjusting the income brackets for federal
13 income tax purposes.

14 **SECTION 3. APPROPRIATION.** There is appropriated out of any moneys in the
15 general fund in the state treasury, not otherwise appropriated, the sum of \$90,000,000, or so
16 much of the sum as may be necessary, to the department of public instruction for the purpose
17 of allocation of foundation aid grant enhancements in two equal annual installments to be
18 allocated among school districts in the same proportions as foundation aid grants are allocated
19 for the biennium beginning July 1, 2003, and ending June 30, 2005. It is the intent of the
20 legislative assembly that school districts use the funds appropriated under this section to
21 provide property tax relief to taxpayers and that this appropriation is to increase state funding
22 for elementary and secondary education to bring state funding closer to the sixty percent level.

23 For purposes of section 57-15-31, the amount estimated to be received by a school
24 district under this section in the taxable year must be considered estimated revenues from
25 sources other than direct property taxes and must be deducted from estimated expenditures to
26 determine the maximum property tax levy for the school district.

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