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Fifty-ninth
Legislative Assembly
of North Dakota

**HOUSE BILL NO. 1466**

Introduced by

Representative Brusegaard

1    A BILL for an Act to amend and reenact section 10-06.1-12 of the North Dakota Century Code,

2    relating to farming and ranching by a corporation or limited liability company.

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

4    **SECTION 1.  AMENDMENT.**  Section 10-06.1-12 of the North Dakota Century Code is

5    amended and reenacted as follows:

6    **10-06.1-12.  Corporation or limited liability company allowed to engage in the**

7    **business of farming or ranching - Requirements.**

8    <u>1.</u>    This chapter does not prohibit a domestic corporation or a domestic limited liability

9        company from owning real estate and engaging in the business of farming or

10        ranching, if the corporation meets all the requirements of chapter 10-19.1 or the

11        limited liability company meets all the requirements of chapter 10-32 which are not

12        inconsistent with this chapter.  The following requirements also apply:

13    ~~1.~~  <u>a.</u>    If a corporation, the corporation must not have more than fifteen shareholders.

14            If a limited liability company, the limited liability company must not have more

15            than fifteen members.

16    ~~2.~~  <u>b.</u>    Each shareholder or member must be related to each of the other

17            shareholders or members within one of the following degrees of kinship or

18            affinity:  parent, son, daughter, stepson, stepdaughter, grandparent,

19            grandson, granddaughter, brother, sister, uncle, aunt, nephew, niece,

20            great-grandparent, great-grandchild, first cousin, or the spouse of a person so

21            related.

22    ~~3.~~  <u>c.</u>    Each shareholder or member must be an individual or one of the following:

23        ~~a.~~  <u>(1)</u>    A trust for the benefit of an individual or a class of individuals who are

24              related to every shareholder of the corporation or member of the limited

1          liability company within the degrees of kinship or affinity specified in this

2          section.

3     b.   (2)   An estate of a decedent who was related to every shareholder of the

4          corporation or member of the limited liability company within the

5          degrees of kinship or affinity specified in this section.

6     4.   d.   A trust or an estate may not be a shareholder or member if the beneficiaries

7          of the trust or the estate together with the other shareholders or members are

8          more than fifteen in number.

9     5.   e.   Each individual who is a shareholder or member must be a citizen of the

10          United States or a permanent resident alien of the United States.

11    6.   f.   If a corporation, the officers and directors of the corporation must be

12          shareholders who are actively engaged in operating the farm or ranch and at

13          least one of the corporation's shareholders must be an individual residing on

14          or operating the farm or ranch.  If a limited liability company, the governors

15          and managers of the limited liability company must be members who are

16          actively engaged in operating the farm or ranch and at least one of its

17          members must be an individual residing on or operating the farm or ranch.

18    7.   g.   An annual average of at least sixty-five percent of the gross income of the

19          corporation or limited liability company over the previous five years, or for

20          each year of its existence, if less than five years, must have been derived

21          from farming or ranching operations.

22    8.   h.   The income of the corporation or limited liability company from nonfarm rent,

23          nonfarm royalties, dividends, interest, and annuities cannot exceed twenty

24          percent of the gross income of the corporation or limited liability company.

25    2.   This chapter does not prohibit any corporation or limited liability company from

26          owning real estate and engaging in the business of farming or ranching if the

27          corporation is engaged in the business of farming or ranching in any contiguous

28          state.