

Introduced by

Representatives Ruby, Bellew, Dietrich

Senators Erbele, Robinson, Wardner

1 A BILL for an Act to amend and reenact subsection 1 of section 57-38-30.3 of the North Dakota
2 Century Code, relating to reduction of the marriage penalty under the individual income tax; and
3 to provide an effective date.

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

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

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

20 a. Single, other than head of household or surviving spouse.

21	If North Dakota taxable income is:	The tax is equal to:
22	Not over \$27,050 <u>\$31,850</u>	2.10%
23	Over \$27,050 <u>\$31,850</u> but not over	\$568.05 <u>\$668.85</u> plus 3.92% of amount
24	\$65,550 <u>\$77,100</u>	over \$27,050 <u>\$31,850</u>

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1	Over \$65,550 <u>\$77,100</u> but not over	\$2,077.25 <u>\$2,442.65</u> plus 4.34% of amount
2	\$136,750 <u>\$160,850</u>	over \$65,550 <u>\$77,100</u>
3	Over \$136,750 <u>\$160,850</u> but not	\$5,167.33 <u>\$6,077.40</u> plus 5.04% of amount
4	over \$297,350 <u>\$349,700</u>	over \$136,750 <u>\$160,850</u>
5	Over \$297,350 <u>\$349,700</u>	\$13,261.57 <u>\$15,595.44</u> plus 5.54% of amount
6		over \$297,350 <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

8	If North Dakota taxable income is:	The tax is equal to:
9	Not over \$45,200 <u>\$63,700</u>	2.10%
10	Over \$45,200 <u>\$63,700</u> but not over	\$949.20 <u>\$1,337.70</u> plus 3.92% of amount
11	\$109,250 <u>\$128,500</u>	over \$45,200 <u>\$63,700</u>
12	Over \$109,250 <u>\$128,500</u> but not	\$3,459.96 <u>\$3,877.86</u> plus 4.34% of amount
13	over \$166,500 <u>\$195,850</u>	over \$109,250 <u>\$128,500</u>
14	Over \$166,500 <u>\$195,850</u> but not	\$5,944.61 <u>\$6,800.85</u> plus 5.04% of amount
15	over \$297,350 <u>\$349,700</u>	over \$166,500 <u>\$195,850</u>
16	Over \$297,350 <u>\$349,700</u>	\$12,539.45 <u>\$14,554.89</u> plus 5.54% of amount
17		over \$297,350 <u>\$349,700</u>

c. Married filing separately.

19	If North Dakota taxable income is:	The tax is equal to:
20	Not over \$22,600 <u>\$31,850</u>	2.10%
21	Over \$22,600 <u>\$31,850</u> but not over	\$474.60 <u>\$668.85</u> plus 3.92% of amount
22	\$54,625 <u>\$64,250</u>	over \$22,600 <u>\$31,850</u>
23	Over \$54,625 <u>\$64,250</u> but not over	\$1,729.98 <u>\$1,938.93</u> plus 4.34% of amount
24	\$83,250 <u>\$97,925</u>	over \$54,625 <u>\$64,250</u>
25	Over \$83,250 <u>\$97,925</u> but not over	\$2,972.31 <u>\$3,400.43</u> plus 5.04% of amount
26	\$148,675 <u>\$174,850</u>	over \$83,250 <u>\$97,925</u>
27	Over \$148,675 <u>\$174,850</u>	\$6,269.73 <u>\$7,277.45</u> plus 5.54% of amount
28		over \$148,675 <u>\$174,850</u>

d. Head of household.

30	If North Dakota taxable income is:	The tax is equal to:
31	Not over \$36,250 <u>\$42,650</u>	2.10%

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1	Over \$36,250 <u>\$42,650</u> but not over	\$761.25 <u>\$895.65</u> plus 3.92% of amount
2	\$93,650 <u>\$110,100</u>	over \$36,250 <u>\$42,650</u>
3	Over \$93,650 <u>\$110,100</u> but not over	\$3,044.33 <u>\$3,539.69</u> plus 4.34% of amount
4	\$151,650 <u>\$178,350</u>	over \$93,650 <u>\$110,100</u>
5	Over \$151,650 <u>\$178,350</u> but not	\$5,528.53 <u>\$6,501.74</u> plus 5.04% of amount
6	over \$297,350 <u>\$349,700</u>	over \$151,650 <u>\$178,350</u>
7	Over \$297,350 <u>\$349,700</u>	\$12,871.84 <u>\$15,137.78</u> plus 5.54% of amount
8		over \$297,350 <u>\$349,700</u>

9 e. Estates and trusts.

10	If North Dakota taxable income is:	The tax is equal to:
11	Not over \$1,800 <u>\$2,150</u>	2.10%
12	Over \$1,800 <u>\$2,150</u> but not over	\$37.80 <u>\$45.15</u> plus 3.92% of amount
13	\$4,250 <u>\$5,000</u>	over \$1,800 <u>\$2,150</u>
14	Over \$4,250 <u>\$5,000</u> but not over	\$133.84 <u>\$156.87</u> plus 4.34% of amount
15	\$6,500 <u>\$7,650</u>	over \$4,250 <u>\$5,000</u>
16	Over \$6,500 <u>\$7,650</u> but not over	\$231.49 <u>\$271.88</u> plus 5.04% of amount
17	\$8,900 <u>\$10,450</u>	over \$6,500 <u>\$7,650</u>
18	Over \$8,900 <u>\$10,450</u>	\$352.45 <u>\$413.00</u> plus 5.54% of amount
19		over \$8,900 <u>\$10,450</u>

20 f. For an individual who is not a resident of this state for the entire year, or for a
21 nonresident estate or trust, the tax is equal to the tax otherwise computed
22 under this subsection multiplied by a fraction in which:

- 23 (1) The numerator is the federal adjusted gross income allocable and
24 apportionable to this state; and
- 25 (2) The denominator is the federal adjusted gross income from all sources
26 reduced by the net income from the amounts specified in subdivisions a
27 and b of subsection 2.

28 In the case of married individuals filing a joint return, if one spouse is a
29 resident of this state for the entire year and the other spouse is a nonresident
30 for part or all of the tax year, the tax on the joint return must be computed
31 under this subdivision.

1 g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax
2 commissioner shall prescribe new rate schedules that apply in lieu of the
3 schedules set forth in subdivisions a through e. The new schedules must be
4 determined by increasing the minimum and maximum dollar amounts for each
5 income bracket for which a tax is imposed by the cost-of-living adjustment for
6 the taxable year as determined by the secretary of the United States treasury
7 for purposes of section 1(f) of the United States Internal Revenue Code of
8 1954, as amended. For this purpose, the rate applicable to each income
9 bracket may not be changed, and the manner of applying the cost-of-living
10 adjustment must be the same as that used for adjusting the income brackets
11 for federal income tax purposes.

12 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
13 December 31, 2006.