

SENATE BILL NO. 2325

Introduced by

Senators Nething, Andrist, Grindberg

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 income tax rates for individuals,
3 estates, and trusts; 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 and
13 ~~sixty-seven~~ fifty-four 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~~ three and eighty 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 and ~~thirty-three~~ six 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 and ~~sixty-seven~~ thirty-four 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~~ seven and sixty hundredths percent.
- 22 6. On taxable income in excess of twenty-five thousand dollars and not in excess of
23 thirty-five thousand dollars, a tax of ~~nine~~ eight and thirty-three eighty-six
24 hundredths percent.

1 7. On taxable income in excess of thirty-five thousand dollars and not in excess of
2 fifty thousand dollars, a tax of ten and ~~sixty seven~~ fourteen hundredths percent.

3 8. On taxable income in excess of fifty thousand dollars, a tax of ~~twelve~~ eleven and
4 forty hundredths percent.

5 **SECTION 2. 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: |
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| 22 | Not over \$27,050 <u>\$31,850</u> | 2.40% <u>1.90%</u> |
| 23 | Over \$27,050 <u>\$31,850</u> but not over | \$568.05 <u>\$605.15</u> plus 3.92% <u>3.72%</u> of amount |
| 24 | \$65,550 <u>\$77,100</u> | over \$27,050 <u>\$31,850</u> |
| 25 | Over \$65,550 <u>\$77,100</u> but not over | \$2,077.25 <u>\$2,288.45</u> plus 4.34% <u>4.14%</u> of amount |
| 26 | \$136,750 <u>\$160,850</u> | over \$65,550 <u>\$77,100</u> |
| 27 | Over \$136,750 <u>\$160,850</u> but not | \$5,167.33 <u>\$5,755.70</u> plus 5.04% <u>4.84%</u> of amount |
| 28 | over \$297,350 <u>\$349,700</u> | over \$136,750 <u>\$160,850</u> |
| 29 | Over \$297,350 <u>\$349,700</u> | \$13,261.57 <u>\$14,896.04</u> plus 5.54% <u>5.34%</u> of amount |
| 30 | | over \$297,350 <u>\$349,700</u> |

31 b. Married filing jointly and surviving spouse.

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| 1 | If North Dakota taxable income is: | The tax is equal to: |
| 2 | Not over \$45,200 <u>\$53,200</u> | 2.40% <u>1.90%</u> |
| 3 | Over \$45,200 <u>\$53,200</u> but not over | \$949.20 <u>\$1,010.80</u> plus 3.92% <u>3.72%</u> of amount |
| 4 | \$109,250 <u>\$128,500</u> | over \$45,200 <u>\$53,200</u> |
| 5 | Over \$109,250 <u>\$128,500</u> but not | \$3,459.96 <u>\$3,811.96</u> plus 4.34% <u>4.14%</u> of amount |
| 6 | over \$166,500 <u>\$195,850</u> | over \$109,250 <u>\$128,500</u> |
| 7 | Over \$166,500 <u>\$195,850</u> but not | \$5,944.61 <u>\$6,600.25</u> plus 5.04% <u>4.84%</u> of amount |
| 8 | over \$297,350 <u>\$349,700</u> | over \$166,500 <u>\$195,850</u> |
| 9 | Over \$297,350 <u>\$349,700</u> | \$12,539.45 <u>\$14,046.59</u> plus 5.54% <u>5.34%</u> of amount |
| 10 | | over \$297,350 <u>\$349,700</u> |

11 c. Married filing separately.

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| 12 | If North Dakota taxable income is: | The tax is equal to: |
| 13 | Not over \$22,600 <u>\$26,600</u> | 2.40% <u>1.90%</u> |
| 14 | Over \$22,600 <u>\$26,600</u> but not over | \$474.60 <u>\$505.40</u> plus 3.92% <u>3.72%</u> of amount |
| 15 | \$54,625 <u>\$64,250</u> | over \$22,600 <u>\$26,600</u> |
| 16 | Over \$54,625 <u>\$64,250</u> but not over | \$1,729.98 <u>\$1,905.98</u> plus 4.34% <u>4.14%</u> of amount |
| 17 | \$83,250 <u>\$97,925</u> | over \$54,625 <u>\$64,250</u> |
| 18 | Over \$83,250 <u>\$97,925</u> but not over | \$2,972.31 <u>\$3,300.13</u> plus 5.04% <u>4.84%</u> of amount |
| 19 | \$148,675 <u>\$174,850</u> | over \$83,250 <u>\$97,925</u> |
| 20 | Over \$148,675 <u>\$174,850</u> | \$6,269.73 <u>\$7,023.30</u> plus 5.54% <u>5.34%</u> of amount |
| 21 | | over \$148,675 <u>\$174,850</u> |

22 d. Head of household.

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| 23 | If North Dakota taxable income is: | The tax is equal to: |
| 24 | Not over \$36,250 <u>\$42,650</u> | 2.40% <u>1.90%</u> |
| 25 | Over \$36,250 <u>\$42,650</u> but not over | \$761.25 <u>\$810.35</u> plus 3.92% <u>3.72%</u> of amount |
| 26 | \$93,650 <u>\$110,100</u> | over \$36,250 <u>\$42,650</u> |
| 27 | Over \$93,650 <u>\$110,100</u> but not over | \$3,011.33 <u>\$3,319.49</u> plus 4.34% <u>4.14%</u> of amount |
| 28 | \$151,650 <u>\$178,350</u> | over \$93,650 <u>\$110,100</u> |
| 29 | Over \$151,650 <u>\$178,350</u> but not | \$5,528.53 <u>\$6,145.04</u> plus 5.04% <u>4.84%</u> of amount |
| 30 | over \$297,350 <u>\$349,700</u> | over \$151,650 <u>\$178,350</u> |
| 31 | Over \$297,350 <u>\$349,700</u> | \$12,871.81 <u>\$14,438.38</u> plus 5.54% <u>5.34%</u> of amount |

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| 1 | | over \$297,350 <u>\$349,700</u> |
| 2 | e. Estates and trusts. | |
| 3 | If North Dakota taxable income is: | The tax is equal to: |
| 4 | Not over \$1,800 <u>\$2,150</u> | 2.40% <u>1.90%</u> |
| 5 | Over \$1,800 <u>\$2,150</u> but not over | \$37.80 <u>\$40.85</u> plus 3.92% <u>3.72%</u> of amount |
| 6 | \$4,250 <u>\$5,000</u> | over \$1,800 <u>\$2,150</u> |
| 7 | Over \$4,250 <u>\$5,000</u> but not over | \$133.84 <u>\$146.87</u> plus 4.34% <u>4.14%</u> of amount |
| 8 | \$6,500 <u>\$7,650</u> | over \$4,250 <u>\$5,000</u> |
| 9 | Over \$6,500 <u>\$7,650</u> but not over | \$231.49 <u>\$256.58</u> plus 5.04% <u>4.84%</u> of amount |
| 10 | \$8,900 <u>\$10,450</u> | over \$6,500 <u>\$7,650</u> |
| 11 | Over \$8,900 <u>\$10,450</u> | \$352.45 <u>\$392.10</u> plus 5.54% <u>5.34%</u> of amount |
| 12 | | over \$8,900 <u>\$10,450</u> |

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

- 16 (1) The numerator is the federal adjusted gross income allocable and
17 apportionable to this state; and
18 (2) The denominator is the federal adjusted gross income from all sources
19 reduced by the net income from the amounts specified in subdivisions a
20 and b of subsection 2.

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

25 g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax
26 commissioner shall prescribe new rate schedules that apply in lieu of the
27 schedules set forth in subdivisions a through e. The new schedules must be
28 determined by increasing the minimum and maximum dollar amounts for each
29 income bracket for which a tax is imposed by the cost-of-living adjustment for
30 the taxable year as determined by the secretary of the United States treasury
31 for purposes of section 1(f) of the United States Internal Revenue Code of

1 1954, as amended. For this purpose, the rate applicable to each income
2 bracket may not be changed, and the manner of applying the cost-of-living
3 adjustment must be the same as that used for adjusting the income brackets
4 for federal income tax purposes.

5 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
6 December 31, 2006.