

Sixty-first
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2060

Introduced by

Legislative Council

(Workforce Committee)

1 A BILL for an Act to amend and reenact subsection 7 of section 40-63-01, subdivision g of
2 subsection 1 of section 40-63-03, and sections 40-63-04, 40-63-05, and 40-63-06 of the North
3 Dakota Century Code, relating to renaissance zone rehabilitation of public utility infrastructure,
4 renaissance zone boundaries, and the transferability of renaissance zone historic preservation
5 and renovation tax credits; and to provide an effective date.

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

7 **SECTION 1. AMENDMENT.** Subsection 7 of section 40-63-01 of the North Dakota
8 Century Code is amended and reenacted as follows:

9 7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or
10 remodeling of a building or public utility infrastructure at a cost that is equal to or
11 exceeds fifty percent of the current true and full value for commercial buildings or
12 public utility infrastructure and twenty percent for single-family homes.

13 **SECTION 2. AMENDMENT.** Subdivision g of subsection 1 of section 40-63-03 of the
14 North Dakota Century Code is amended and reenacted as follows:

15 g. The proposed renaissance zone may have a single exception to the
16 continuous boundary and contiguous block requirements under subdivision d
17 if the area of the excepted noncontiguous blocks does not exceed three
18 square blocks ~~and if the shortest distance between the noncontinuous~~
19 ~~boundaries of the two portions of the zone does not exceed one-half mile [.
20 ~~kilometer].~~~~

21 **SECTION 3. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **40-63-04. Income tax exemptions.**

- 1 1. An individual taxpayer who purchases or rehabilitates single-family residential
2 property for the individual's primary place of residence as a zone project is exempt
3 from up to ten thousand dollars of personal income tax liability as determined
4 under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date
5 of occupancy or completion of rehabilitation.
- 6 2. Any taxpayer that purchases, leases, ~~or~~ rehabilitates, or makes leasehold
7 improvements to residential, public utility infrastructure, or commercial property for
8 any business or investment purpose as a zone project is exempt from any tax on
9 income derived from the business or investment locations within the zone for five
10 taxable years, beginning with the date of purchase, lease, or completion of
11 rehabilitation.
- 12 3. If the cost of a new business purchase, leasehold improvement, or expansion of an
13 existing business, approved as a zone project, exceeds seventy-five thousand
14 dollars, and the business is located in a city with a population of not more than two
15 thousand five hundred, an individual taxpayer may, in lieu of the exemption
16 provided in subsection 2, elect to take an income tax exemption of up to two
17 thousand dollars of personal income tax liability as determined under section
18 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone
19 project application. The election is irrevocable and binding for the duration of the
20 exemptions provided in subsection 2 or this subsection. If no election is made on
21 the zone project application, the taxpayer is only eligible for the exemption
22 provided in subsection 2.
- 23 4. If a property owner not participating in a renaissance zone project is required to
24 make changes in utility services or in a building structure because of changes
25 made to property that is part of a zone project, the owner of the nonparticipating
26 property is entitled to state income tax credits equal to the total amount of the
27 investment necessary to complete the required changes. The credit must be
28 approved by the local renaissance zone authority. The credit must be claimed in
29 the taxable year in which the related project was completed. The credit may not
30 exceed the taxpayer's tax liability, and an unused credit may be carried forward up
31 to five taxable years.

- 1 2. The following apply if a transfer of a credit under this section takes place:
- 2 a. The tax credit transferor and the purchaser of the property jointly shall file with
- 3 the tax commissioner a copy of the purchase agreement and a statement
- 4 containing the names, addresses, and taxpayer identification numbers of the
- 5 parties to the transfer, the amount of the credit being transferred, and the
- 6 taxable year or years for which the credit may be claimed. The transferor and
- 7 the purchaser also shall file a document allowing the tax commissioner to
- 8 disclose tax information to either party for the purpose of verifying the
- 9 correctness of the transferred tax credit. The purchase agreement,
- 10 supporting statement, and waiver must be filed within thirty days after the
- 11 date the purchase agreement is fully executed as provided in subdivision b.
- 12 b. The purchaser of the property shall claim the credit beginning with the
- 13 purchaser's taxable year in which the purchase agreement was fully executed
- 14 by the parties. A purchaser under this section has only such rights to claim
- 15 and use the credit under the terms that would have applied to the transferor.
- 16 c. If the amount of the credit available under this section is changed as a result
- 17 of an amended return filed by the transferor, or as the result of an audit
- 18 conducted by the internal review service or the tax commissioner, the
- 19 transferor shall report to the purchaser the adjusted credit amount within thirty
- 20 days of the amended return or within thirty days of the final determination
- 21 made by the internal revenue service or the tax commissioner. The
- 22 purchaser shall file amended returns reporting the additional tax due or
- 23 claiming a refund as provided in section 57-38-38 or 57-38-40, and the tax
- 24 commissioner may audit these returns and assess or issue refunds, even
- 25 though other time periods prescribed in these sections may have expired for
- 26 the purchaser.
- 27 d. The tax commissioner has four years after the date the purchase agreement
- 28 is fully executed to audit the returns of the transferor and the purchaser to
- 29 verify the correctness of the amount of the transferred credit and if necessary
- 30 assess the purchaser if additional tax is found due. This subdivision does not

1 limit or restrict any other time period prescribed in chapter 57-38 for the
2 assessment of tax.

3 **SECTION 6. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
4 December 31, 2008.