

Sixty-second
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1289

Introduced by

Representatives Kasper, Headland, Kempenich

Senator Fischer

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 income tax rates for individuals, estates, and trusts; and~~
3 ~~to provide an effective date for an Act to amend and reenact sections 57-15-01.1, 57-35.3-03,~~
4 ~~57-35.3-05, 57-35.3-07, 57-35.3-08, and 57-38-30, subsection 1 of section 57-38-30.3, and~~
5 ~~sections 57-64-01, 57-64-02, 57-64-03, and 57-64-04 of the North Dakota Century Code and~~
6 ~~section 13 of chapter 520 of the 2007 Session Laws, relating to reduction of the rate of the~~
7 ~~financial institutions tax and adjustment of the allocation of the tax, a reduction in income tax~~
8 ~~rates for corporations, individuals, estates, and trusts, and allocation of state funding to school~~
9 ~~districts for mill levy reduction grants and property tax levies of school districts; to repeal~~
10 ~~chapter 57-16 of the North Dakota Century Code, relating to certain excess levies of school~~
11 ~~districts; to provide an appropriation; to provide for a transfer; to provide for legislative~~
12 ~~management studies; and to provide an effective date.~~

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

14 ~~— **SECTION 1. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota~~
15 ~~Century Code is amended and reenacted as follows:~~
16 ~~— 1. — A tax is hereby imposed for each taxable year upon income earned or received in that~~
17 ~~taxable year by every resident and nonresident individual, estate, and trust. A taxpayer~~
18 ~~computing the tax under this section is only eligible for those adjustments or credits~~
19 ~~that are specifically provided for in this section. Provided, that for purposes of this~~
20 ~~section, any person required to file a state income tax return under this chapter, but~~
21 ~~who has not computed a federal taxable income figure, shall compute a federal~~
22 ~~taxable income figure using a pro forma return in order to determine a federal taxable~~
23 ~~income figure to be used as a starting point in computing state income tax under this~~
24 ~~section. The tax for individuals is equal to North Dakota taxable income multiplied by~~

1 the rates in the applicable rate schedule in subdivisions a through d corresponding to
2 an individual's filing status used for federal income tax purposes. For an estate or
3 trust, the schedule in subdivision e must be used for purposes of this subsection.

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

5 ~~If North Dakota taxable income is: The tax is equal to:~~

6 ~~Not over \$33,950\$34,500 1.841.56%~~

7 ~~Over \$33,950\$34,500 \$624.68\$538.20 plus 3.442.92%~~

8 ~~but not over \$82,250\$83,600 of amount over \$33,950\$34,500~~

9 ~~Over \$82,250\$83,600 \$2,286.201,971.92 plus 3.813.24%~~

10 ~~but not over \$171,550\$174,400 of amount over \$82,250\$83,600~~

11 ~~Over \$171,550\$174,400 \$5,688.534,913.84 plus 4.423.76%~~

12 ~~but not over \$372,950\$379,150 of amount over~~

13 ~~\$171,550\$174,400~~

14 ~~Over \$372,950\$379,150 \$14,590.4112,612.44 plus~~

15 ~~4.864.13% of amount over~~

16 ~~\$372,950\$379,150~~

17 ~~b. Married filing jointly and surviving spouse.~~

18 ~~If North Dakota taxable income is: The tax is equal to:~~

19 ~~Not over \$56,750\$57,700 1.841.56%~~

20 ~~Over \$56,750\$57,700 \$1,044.20900.12 plus 3.442.92%~~

21 ~~but not over \$137,050\$139,350 of amount over \$56,750\$57,700~~

22 ~~Over \$137,050\$139,350 \$3,806.523,284.30 plus 3.813.24%~~

23 ~~but not over \$208,850\$212,300 of amount over~~

24 ~~\$137,050\$139,350~~

25 ~~Over \$208,850\$212,300 \$6,542.105,647.88 plus 4.423.76%~~

26 ~~but not over \$372,950\$379,150 of amount over~~

27 ~~\$208,850\$212,300~~

28 ~~Over \$372,950\$379,150 \$13,795.3211,921.44 plus~~

29 ~~4.864.13% of amount over~~

30 ~~\$372,950\$379,150~~

31 ~~c. Married filing separately.~~

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1	_____ If North Dakota taxable income is: _____	_____ The tax is equal to: _____
2	_____ Not over \$28,375 \$28,850 _____	_____ 1.841.56% _____
3	_____ Over \$28,375 \$28,850 _____	_____ \$522.10450.06 plus 3.442.92% _____
4	_____ but not over \$68,525 \$69,675 _____	_____ of amount over \$28,375 \$28,850 _____
5	_____ Over \$68,525 \$69,675 _____	_____ \$1,903.261.642.15 plus 3.813.24% _____
6	_____ but not over \$104,425 \$106,150 _____	_____ of amount over \$68,525 \$69,675 _____
7	_____ Over \$104,425 \$106,150 _____	_____ \$3,271.052.823.94 plus 4.423.76% _____
8	_____ but not over \$186,475 \$189,575 _____	_____ of amount over \$104,425 _____
9	_____ Over \$186,475 \$189,575 _____	_____ \$6,897.665.960.72 plus 4.864.13% _____
10	_____ _____	_____ of amount over _____
11	_____ _____	_____ \$186,475 \$189,575 _____
12	_____ d. Head of household. _____	
13	_____ If North Dakota taxable income is: _____	_____ The tax is equal to: _____
14	_____ Not over \$45,500 \$46,250 _____	_____ 1.841.56% _____
15	_____ Over \$45,500 \$46,250 _____	_____ \$837.20721.50 plus 3.442.92% _____
16	_____ but not over \$117,450 \$119,400 _____	_____ of amount over \$45,500 \$46,250 _____
17	_____ Over \$117,450 \$119,400 _____	_____ \$3,312.282.857.48 plus 3.813.24% _____
18	_____ but not over \$190,200 \$193,350 _____	_____ of amount over _____
19	_____ _____	_____ \$117,450 \$119,400 _____
20	_____ Over \$190,200 \$193,350 _____	_____ \$6,084.065.253.46 plus 4.423.76% _____
21	_____ but not over \$372,950 \$379,150 _____	_____ of amount over _____
22	_____ _____	_____ \$190,200 \$193,350 _____
23	_____ Over \$372,950 \$379,150 _____	_____ \$14,161.6112.239.54 plus _____
24	_____ _____	_____ 4.864.13% of amount over _____
25	_____ _____	_____ \$372,950 \$379,150 _____
26	_____ e. Estates and trusts. _____	
27	_____ If North Dakota taxable income is: _____	_____ The tax is equal to: _____
28	_____ Not over \$2,300 _____	_____ 1.841.56% _____
29	_____ Over \$2,300 _____	_____ \$42.3235.88 plus 3.442.92% _____
30	_____ but not over \$5,350 \$5,450 _____	_____ of amount over \$2,300 _____
31	_____ Over \$5,350 \$5,450 _____	_____ \$147.24127.86 plus 3.813.24% _____

1 ~~_____ but not over \$8,200\$8,300 _____ of amount over \$5,350\$5,450~~

2 ~~_____ Over \$8,200\$8,300 _____ \$255.83220.20 plus 4.423.76%~~

3 ~~_____ but not over \$11,150\$11,350 _____ of amount over \$8,200\$8,300~~

4 ~~_____ Over \$11,150\$11,350 _____ \$386.22334.88 plus 4.864.13%~~

5 ~~_____ of amount over \$11,150\$11,350~~

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

9 ~~_____ (1) The numerator is the federal adjusted gross income allocable and~~
10 ~~apportionable to this state; and~~

11 ~~_____ (2) The denominator is the federal adjusted gross income from all sources~~
12 ~~reduced by the net income from the amounts specified in subdivisions a and~~
13 ~~b of subsection 2.~~

14 ~~_____ In the case of married individuals filing a joint return, if one spouse is a resident~~
15 ~~of this state for the entire year and the other spouse is a nonresident for part or~~
16 ~~all of the tax year, the tax on the joint return must be computed under this~~
17 ~~subdivision.~~

18 ~~_____ g. For taxable years beginning after December 31, 2009, the tax commissioner shall~~
19 ~~prescribe new rate schedules that apply in lieu of the schedules set forth in~~
20 ~~subdivisions a through e. The new schedules must be determined by increasing~~
21 ~~the minimum and maximum dollar amounts for each income bracket for which a~~
22 ~~tax is imposed by the cost of living adjustment for the taxable year as determined~~
23 ~~by the secretary of the United States treasury for purposes of section 1(f) of the~~
24 ~~United States Internal Revenue Code of 1954, as amended. For this purpose, the~~
25 ~~rate applicable to each income bracket may not be changed, and the manner of~~
26 ~~applying the cost of living adjustment must be the same as that used for~~
27 ~~adjusting the income brackets for federal income tax purposes.~~

28 ~~_____ h. The tax commissioner shall prescribe an optional simplified method of computing~~
29 ~~tax under this section that may be used by an individual taxpayer who is not~~
30 ~~entitled to claim an adjustment under subsection 2 or credit against income tax~~
31 ~~liability under subsection 7.~~

1 ~~—SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after~~
2 ~~December 31, 2010.~~

3 **SECTION 1. AMENDMENT.** Section 57-15-01.1 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **57-15-01.1. Protection of taxpayers and taxing districts.**

6 Each taxing district may levy the lesser of the amount in dollars as certified in the budget of
7 the governing body, or the amount in dollars as allowed in this section, subject to the following:

- 8 1. No taxing district may levy more taxes expressed in dollars than the amounts allowed
9 by this section.
- 10 2. For purposes of this section:
 - 11 a. "Base year" means the taxing district's taxable year with the highest amount
12 levied in dollars in property taxes of the three taxable years immediately
13 preceding the budget year. For a park district general fund, the "amount levied in
14 dollars in property taxes" is the sum of amounts levied in dollars in property taxes
15 for the general fund under section 57-15-12 including any additional levy
16 approved by the electors, the insurance reserve fund under section 32-12.1-08,
17 the employee health care program under section 40-49-12, the public recreation
18 system under section 40-55-09 including any additional levy approved by the
19 electors, forestry purposes under section 57-15-12.1 except any additional levy
20 approved by the electors, pest control under section 4-33-11, and handicapped
21 person programs and activities under section 57-15-60;
 - 22 b. "Budget year" means the taxing district's year for which the levy is being
23 determined under this section;
 - 24 c. "Calculated mill rate" means the mill rate that results from dividing the base year
25 taxes levied by the sum of the taxable value of the taxable property in the base
26 year plus the taxable value of the property exempt by local discretion or
27 charitable status, calculated in the same manner as the taxable property; and
 - 28 d. "Property exempt by local discretion or charitable status" means property
29 exempted from taxation as new or expanding businesses under chapter 40-57.1;
30 improvements to property under chapter 57-02.2; or buildings belonging to
31 institutions of public charity, new single-family residential or townhouse or

1 condominium property, property used for early childhood services, or pollution
2 abatement improvements under section 57-02-08.

- 3 3. A taxing district may elect to levy the amount levied in dollars in the base year. Any
4 levy under this section must be specifically approved by a resolution approved by the
5 governing body of the taxing district. Before determining the levy limitation under this
6 section, the dollar amount levied in the base year must be:
- 7 a. Reduced by an amount equal to the sum determined by application of the base
8 year's calculated mill rate for that taxing district to the final base year taxable
9 valuation of any taxable property and property exempt by local discretion or
10 charitable status which is not included in the taxing district for the budget year but
11 was included in the taxing district for the base year.
 - 12 b. Increased by an amount equal to the sum determined by the application of the
13 base year's calculated mill rate for that taxing district to the final budget year
14 taxable valuation of any taxable property or property exempt by local discretion or
15 charitable status which was not included in the taxing district for the base year
16 but which is included in the taxing district for the budget year.
 - 17 c. Reduced to reflect expired temporary mill levy increases authorized by the
18 electors of the taxing district. For purposes of this subdivision, an expired
19 temporary mill levy increase does not include a school district general fund mill
20 rate exceeding one hundred ten mills which has expired or has not received
21 approval of electors for an extension under subsection 2 of section 57-64-03.
 - 22 d. Increased, for a school district determining its levy limitation under this section,
23 by the amount the school district's mill levy reduction grant under section
24 57-64-02 for the base year exceeds the amount of the school district's mill levy
25 reduction grant under section 57-64-02 for the budget year.
 - 26 e. Reduced for a school district determining its levy limitation under this section, by
27 the amount the school district's mill levy reduction grant under section 57-64-02
28 for the budget year exceeds the amount of the school district's mill levy reduction
29 grant under section 57-64-02 for the base year.

- 1 4. In addition to any other levy limitation factor under this section, a taxing district may
2 increase its levy in dollars to reflect new or increased mill levies authorized by the
3 legislative assembly or authorized by the electors of the taxing district.
- 4 5. Under this section a taxing district may supersede any applicable mill levy limitations
5 otherwise provided by law, or a taxing district may levy up to the mill levy limitations
6 otherwise provided by law without reference to this section, but the provisions of this
7 section do not apply to the following:
- 8 a. Any irrevocable tax to pay bonded indebtedness levied pursuant to section 16 of
9 article X of the Constitution of North Dakota.
- 10 b. The one-mill levy for the state medical center authorized by section 10 of article X
11 of the Constitution of North Dakota.
- 12 6. A school district choosing to determine its levy authority under this section may apply
13 subsection 3 only to the amount in dollars levied for general fund purposes under
14 section 57-15-14 or, if the levy in the base year included separate general fund and
15 special fund levies under sections 57-15-14 and 57-15-14.2, the school district may
16 apply subsection 3 to the total amount levied in dollars in the base year for both the
17 general fund and special fund accounts. School district levies under any section other
18 than section 57-15-14 may be made within applicable limitations but those levies are
19 not subject to subsection 3.
- 20 7. Optional levies under this section may be used by any city or county that has adopted
21 a home rule charter unless the provisions of the charter supersede state laws related
22 to property tax levy limitations.

23 **SECTION 2. AMENDMENT.** Section 57-35.3-03 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **57-35.3-03. Imposition and basis of tax.**

26 An annual tax is imposed upon each financial institution for the grant to it of the privilege of
27 transacting, or for the actual transacting by it, of business within this state during any part of
28 each tax year. The tax is based upon and measured by the taxable income of the financial
29 institution for the calendar year. The rate of tax is ~~seven~~six and one-half percent of taxable
30 income, but the amount of tax may not be less than fifty dollars.

1 **SECTION 3. AMENDMENT.** Section 57-35.3-05 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-35.3-05. Credits.**

- 4 1. a. There is allowed a credit against the tax imposed by sections 57-35.3-01 through
5 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of
6 charitable contributions made by the taxpayer during the taxable year to nonprofit
7 private institutions of higher education located within the state or to the North
8 Dakota independent college fund. The amount allowable as a credit under this
9 subdivision for any taxable year may not exceed ~~five and seven-tenths~~four and
10 six-tenths percent of the tax before credits allowed under this section, or two
11 thousand five hundred dollars, whichever is less.
- 12 b. There is allowed a credit against the tax imposed by sections 57-35.3-01 through
13 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of
14 charitable contributions made by the taxpayer during the taxable year to nonprofit
15 private institutions of secondary education located within the state. The amount
16 allowable as a credit under this subdivision for any taxable year may not exceed
17 ~~five and seven-tenths~~four and six-tenths percent of the tax before credits allowed
18 under this section, or two thousand five hundred dollars, whichever is less.
- 19 c. For the purposes of this subsection, the term "nonprofit private institution of
20 higher education" means only a nonprofit private educational institution located in
21 North Dakota which normally maintains a regular faculty and curriculum and
22 which normally has a regularly organized body of students in attendance at the
23 place where its educational activities are carried on, and which regularly offers
24 education at a level above the twelfth grade. The term "nonprofit private
25 institution of secondary education" means only a nonprofit private educational
26 institution located in North Dakota which normally maintains a regular faculty and
27 curriculum approved by the department of public instruction and which normally
28 has a regularly organized body of students in attendance at the place where its
29 educational activities are carried on, and which regularly offers education to
30 students in the ninth through twelfth grades.

- 1 d. For the purposes of this subsection, a taxpayer may elect to treat a contribution
2 as made in the preceding taxable year if the contribution and election are made
3 not later than the time prescribed for filing the return for the taxable year.
- 4 2. a. There is allowed a credit against the tax imposed by sections 57-35.3-01 through
5 57-35.3-12 in an amount equal to any overpayment of tax paid pursuant to
6 chapter 57-35 or 57-35.1, for a taxable year beginning before January 1, 1997, to
7 the extent that the overpayment would have been an allowable deduction from
8 tax payable for the current taxable year, under section 57-35-12 or 57-35.1-07, if
9 chapters 57-35 and 57-35.1 applied to the current taxable year. The amount
10 allowable as a credit under this subsection for any taxable year may not exceed
11 five-sevenths of the tax before credits allowed under this section.
- 12 b. For purposes of determining distributions to and from the counties under section
13 57-35.3-09:
- 14 (1) The balance in the financial institution tax distribution fund and the amount
15 of the payment received by each county from the state shall be determined
16 as if any credit allowed under subdivision a had not been claimed and the
17 full amount of the tax otherwise due had been timely paid;
- 18 (2) The credited amount must be deducted from the distributions that would
19 otherwise be made to and from the county that received the tax
20 overpayment until the sum of the deductions equals the credit; and
- 21 (3) The deductions from distributions made by a county to each distributee
22 must be proportionate to the overpayment of tax received by each
23 distributee.
- 24 3. There is allowed a credit against the tax imposed by sections 57-35.3-01 through
25 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of
26 contributions made by the taxpayer during the taxable year for tuition scholarships for
27 participation in rural leadership North Dakota conducted through the North Dakota
28 state university extension service. Contributions by a taxpayer may be earmarked for
29 use by a designated recipient. The amount allowable as a credit under this subsection
30 for any taxable year may not exceed ~~five and seven tenths~~ four and six tenths percent

1 of the tax before credits allowed under this section, or two thousand five hundred
2 dollars, whichever is less.

3 **SECTION 4. AMENDMENT.** Section 57-35.3-07 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **57-35.3-07. Payment of tax.**

6 ~~Two-sevenths~~Three-thirteenths of the tax before credits allowed under section 57-35.3-05,
7 less the credit allowed under subsection 1 of section 57-35.3-05, must be paid to the
8 commissioner on or before April fifteenth of the year in which the return is due, regardless of
9 any extension of the time for filing the return granted under section 57-35.3-06.

10 ~~Five-sevenths~~Ten-thirteenths of the tax before credits allowed under section 57-35.3-05, less
11 the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner
12 on or before January fifteenth of the year after the return is due. Payment must be made by
13 check, draft, or money order, payable to the commissioner, or as prescribed by the
14 commissioner under subsection 15 of section 57-01-02.

15 **SECTION 5. AMENDMENT.** Section 57-35.3-08 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-35.3-08. Disposition of tax.**

18 The commissioner shall deposit the portion of the tax payable in the year the return is due
19 in the general fund of the state treasury and shall deposit the portion of the tax payable in the
20 year after the return is due in the financial institution tax distribution fund of the state treasury,
21 ~~which is hereby created~~. Interest, penalty, and late tax payments attributable to each portion of
22 the tax must be deposited in the appropriate fund.

23 **SECTION 6. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **57-38-30. Imposition and rate of tax on corporations.**

26 A tax is hereby imposed upon the taxable income of every domestic and foreign corporation
27 which must be levied, collected, and paid annually as in this chapter provided:

- 28 1. a. For the first twenty-five thousand dollars of taxable income, at the rate of ~~two~~one
29 and ~~one-tenth~~sixty-eight hundredths percent.

b. On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty thousand dollars, at the rate of ~~five~~four and ~~twenty-five~~twenty-three hundredths percent.

c. On all taxable income exceeding fifty thousand dollars, at the rate of ~~six~~five and ~~four-tenths~~fifteen hundredths percent.

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 7. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

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

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

If North Dakota taxable income is:

The tax is equal to:

Not over ~~\$33,950~~\$34,500

~~1.84%~~1.51%

Over ~~\$33,950~~\$34,500

~~\$624.68~~\$520.95 plus ~~3.44%~~2.82%

but not over ~~\$82,250~~\$83,600

of amount over ~~\$33,950~~\$34,500

Over ~~\$82,250~~\$83,600

~~\$2,286.20~~\$1,950.57 plus

~~3.81%~~3.13%

but not over ~~\$171,550~~\$174,400

of amount over ~~\$82,250~~\$83,600

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1	Over \$171,550 <u>\$174,400</u>	\$5,688.53 <u>\$4,747.61</u> plus
2	4.42% <u>3.63%</u>	
3	but not over \$372,950 <u>\$379,150</u>	of amount over
4	\$171,550 <u>\$174,400</u>	
5	Over \$372,950 <u>\$379,150</u>	\$14,590.41 <u>\$12,180.04</u> plus
6	4.86% <u>3.99%</u>	
7		of amount over
8	\$372,950 <u>\$379,150</u>	
9	b. Married filing jointly and surviving spouse.	
10	If North Dakota taxable income is:	The tax is equal to:
11	Not over \$56,750 <u>\$57,700</u>	1.84% <u>1.51%</u>
12	Over \$56,750 <u>\$57,700</u>	\$1,044.20 <u>\$871.27</u> plus 3.44% <u>2.82%</u>
13	but not over \$137,050 <u>\$139,350</u>	of amount over \$56,750 <u>\$57,700</u>
14	Over \$137,050 <u>\$139,350</u>	\$3,806.52 <u>\$3,173.80</u> plus
15	3.81% <u>3.13%</u>	
16	but not over \$208,850 <u>\$212,300</u>	of amount over
17	\$137,050 <u>\$139,350</u>	
18	Over \$208,850 <u>\$208,850</u>	\$6,542.10 <u>\$5,457.14</u> plus
19	4.42% <u>3.63%</u>	
20	but not over \$372,950 <u>\$379,150</u>	of amount over
21	\$208,850 <u>\$212,300</u>	
22	Over \$372,950 <u>\$379,150</u>	\$13,795.32 <u>\$11,513.79</u> plus
23	4.86% <u>3.99%</u>	
24		of amount over
25	\$372,950 <u>\$379,150</u>	
26	c. Married filing separately.	
27	If North Dakota taxable income is:	The tax is equal to:
28	Not over \$28,375 <u>\$28,850</u>	1.84% <u>1.51%</u>
29	Over \$28,375 <u>\$28,850</u>	\$522.10 <u>\$424.10</u> plus 3.44% <u>2.81%</u>
30	but not over \$68,525 <u>\$69,675</u>	of amount over \$28,375 <u>\$28,850</u>

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1	Over \$68,525 <u>\$69,675</u>	\$1,903.26 <u>\$1,586.90</u> plus
2	3.81% <u>3.13%</u>	
3	but not over \$104,425 <u>\$106,150</u>	of amount over \$68,525 <u>\$69,675</u>
4	Over \$104,425 <u>\$106,150</u>	\$3,271.05 <u>\$2,728.57</u> plus
5	4.42% <u>3.63%</u>	
6	but not over \$186,475 <u>\$189,575</u>	of amount over
7	\$104,425 <u>\$69,675</u>	
8	Over \$186,475 <u>\$189,575</u>	\$6,897.66 <u>\$5,756.90</u> plus
9	4.86% <u>3.99%</u>	
10		of amount over
11	\$186,475 <u>\$189,575</u>	
12	d. Head of household.	
13	If North Dakota taxable income is:	The tax is equal to:
14	Not over \$45,500 <u>\$46,250</u>	1.84% <u>1.51%</u>
15	Over \$45,500 <u>\$46,250</u>	\$837.20 <u>\$698.38</u> plus 3.44% <u>2.82%</u>
16	but not over \$117,450 <u>\$119,400</u>	of amount over \$45,500 <u>\$46,250</u>
17	Over \$117,450 <u>\$119,400</u>	\$3,312.28 <u>\$2,761.21</u> plus
18	3.81% <u>3.13%</u>	
19	but not over \$190,200 <u>\$193,350</u>	of amount over
20	\$117,450 <u>\$119,400</u>	
21	Over \$190,200 <u>\$193,350</u>	\$6,084.06 <u>\$5,075.84</u> plus
22	4.42% <u>3.63%</u>	
23	but not over \$372,950 <u>\$379,150</u>	of amount over
24	\$190,200 <u>\$193,350</u>	
25	Over \$372,950 <u>\$379,150</u>	\$14,161.64 <u>\$11,820.38</u> plus
26	4.86% <u>3.99%</u>	
27		of amount over
28	\$372,950 <u>\$379,150</u>	
29	e. Estates and trusts.	
30	If North Dakota taxable income is:	The tax is equal to:
31	Not over \$2,300	1.84% <u>1.51%</u>

1	Over \$2,300	\$42.32 <u>\$34.73</u> plus 3.44% <u>2.82%</u>
2	but not over \$5,350 <u>\$5,450</u>	of amount over \$2,300
3	Over \$5,350 <u>\$5,450</u>	\$147.24 <u>\$123.56</u> plus 3.81% <u>3.13%</u>
4	but not over \$8,200 <u>\$8,300</u>	of amount over \$5,350 <u>\$5,450</u>
5	Over \$8,200 <u>\$8,300</u>	\$255.83 <u>\$212.77</u> plus 4.42% <u>3.63%</u>
6	but not over \$11,150 <u>\$11,350</u>	of amount over \$8,200 <u>\$8,300</u>
7	Over \$11,150 <u>\$11,350</u>	\$386.22 <u>\$323.48</u> plus 4.86% <u>3.99%</u>
8		of amount over \$11,150 <u>\$11,350</u>

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

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

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

g. ~~For taxable years beginning after December 31, 2009, the~~The tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

- 1 h. The tax commissioner shall prescribe an optional simplified method of computing
2 tax under this section that may be used by an individual taxpayer who is not
3 entitled to claim an adjustment under subsection 2 or credit against income tax
4 liability under subsection 7.

5 **SECTION 8. AMENDMENT.** Section 57-64-01 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-64-01. Definitions.**

8 For purposes of this chapter:

- 9 1. "Combined education mill rate" means the combined number of mills levied by a
10 school district for the general fund, high school tuition, and high school transportation.
11 2. "Qualifying school district" means a school district that meets the conditions and
12 requirements of this chapter to receive a mill levy reduction grant.
13 ~~3. "Weighted student unit" means weighted student unit as determined for the school~~
14 ~~district under chapter 15.1-27.~~

15 **SECTION 9. AMENDMENT.** Section 57-64-02 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-64-02. Mill levy reduction allocation and grant.**

18 Each qualifying school district in the state is entitled to a mill levy reduction allocation and
19 grant as provided in this chapter, subject to legislative appropriation to the superintendent of
20 public instruction.

- 21 1. The mill levy reduction allocation rate for each qualifying school district is equal to the
22 payments to the school district based on the per student payment rate as determined
23 for the school year under chapter 15.1-27.
24 2. The grant to a qualifying school district may not exceed the smallest of:
25 a. The allocation determined under subsection 1;
26 b. The taxable valuation of property in the school district in the previous taxable
27 year times the number of mills determined by subtracting one hundred mills from
28 the combined education mill rate of the school district for taxable year 2008; or
29 c. The taxable valuation of property in the school district in the previous taxable
30 year times seventy-five mills.

1 3. The grant to a qualifying school district may not be less than the grant to that school
2 district in the preceding school year.

3 4. The grant to a qualifying school district may not exceed the grant to that school district
4 in the preceding school year by a percentage that is more than the percentage
5 increase in statewide taxable valuation which was determined for the previous taxable
6 year.

7 5. For purposes of this section, "taxable valuation" means the valuation to which the mill
8 rate is applied to determine the amount of ad valorem taxes or payments in lieu of
9 taxes, and includes taxable valuation determined for agricultural, residential, and
10 commercial property; gas company property, pipeline property, power company
11 property, and railroad property assessed by the state board of equalization under
12 chapter 57-06; mobile homes under chapter 57-55; land controlled by the game and
13 fish department subject to valuation under chapter 57-02.1; land owned by the board
14 of university and school lands or the state treasurer subject to valuation under chapter
15 57-02.3; national guard land subject to valuation under chapter 37-07.3; farmland or
16 ranchland owned by nonprofit organizations for conservation purposes subject to
17 valuation under section 10-06.1-10; land acquired by the state water commission for
18 the Devils Lake project subject to valuation under chapter 61-02; a workforce safety
19 and insurance building and associated real property subject to valuation under section
20 65-02-32; and carbon dioxide pipeline property subject to valuation under section
21 57-06-17.2. For purposes of this section, "taxable valuation" includes the taxable
22 valuation of the homestead credit reimbursed by the state under section 57-02-08.2
23 and the disabled veterans' credit reimbursed by the state under section 57-02-08.8.

24 ~~4.6.~~ The superintendent of public instruction shall report to each qualifying school district
25 by July fifteenth of each year the mill levy reduction grant in dollars available to that
26 school district during the upcoming school year.

27 ~~5.7.~~ By December first, January first, February first, and March first of each school year,
28 the superintendent of public instruction shall forward to each qualifying school district
29 installments equal to twenty-five percent of the total mill levy reduction grant the
30 district is eligible to receive during that school year.

1 ~~6.8.~~ Allocations to a school district under this chapter are not considered per student
2 payments or state aid for purposes of chapter 15.1-27.

3 ~~7.9.~~ For all purposes under law relating to allocation of funds among political subdivisions
4 based on property tax levies, property taxes levied by a school district are the amount
5 that would have been levied without the mill reduction grant provided to the school
6 district under this chapter.

7 **SECTION 10. AMENDMENT.** Section 57-64-03 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **57-64-03. School district levy compliance.**

- 10 1. To be eligible to receive a grant under this chapter, a qualifying school district must
11 establish a spending level that does not result in a general fund mill rate exceeding
12 one hundred ten mills. The certificate of levy form filed with the county auditor by a
13 qualifying school district must reflect the revenue to be received by the school district
14 under this chapter and that the general fund mill rate for the school district will not
15 exceed one hundred ten mills unless:
- 16 a. The district has approval of a majority of the electors of the school district for a
17 higher levy;
 - 18 b. The higher levy is the result of a school district reorganization in compliance with
19 chapter 15.1-12; ~~or~~
 - 20 c. The higher levy does not produce an amount in dollars exceeding the amount
21 allowed under section 57-15-01.1 ~~for taxable year 2008~~ reduced by the amount
22 of the school district's mill levy reduction grant under section 57-64-02 for the
23 budget year; or
 - 24 d. The district has authority for a higher levy under subdivision b of subsection 2.
- 25 2. The authority under subdivision a or b of subsection 1 for a school district to levy a
26 general fund mill rate exceeding one hundred ten mills applies for not more than ten
27 taxable years at a time after taxable year 2008 unless a majority of the electors of the
28 school district approve an extension of that authority. Approval by electors of extension
29 of levy authority under subdivision a or b of subsection 1 is effective for not more than
30 ten taxable years at a time. A ballot measure for approval by electors of extension of
31 levy authority under subdivision a or b of subsection 1 is subject to the following:

1 a. The ballot measure must specify the number of mills for the general fund mill rate
2 for which approval is sought.

3 b. If a ballot measure for approval of extension of levy authority ~~to levy a specific~~
4 ~~number of mills~~under this section is not approved by a majority of the electors of
5 the school district voting on the question, the school district general fund levy
6 limitation for subsequent years is subject to the limitations as determined for the
7 school district's budget year under section 57-15-01.1 or 57-15-14, whichever
8 produces the higher levy limitation.

9 **SECTION 11. AMENDMENT.** Section 57-64-04 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-64-04. Levy reduction priority.**

12 In setting mill rates for qualified school districts, the county auditor shall apply funds
13 allocated to a school district under this chapter for mill levy reduction first to reduce the number
14 of mills levied for general fund purposes and, if allocation funds remain after the general fund
15 mill rate is reduced to zero, the balance must be applied to reduce the high school tuition levy
16 and, if allocation funds remain after the high school tuition levy mill rate is reduced to zero, then
17 to reduce the high school transportation levy of the qualified school district.

18 **SECTION 12. REPEAL.** Chapter 57-16 of the North Dakota Century Code is repealed.

19 **SECTION 13. APPROPRIATION.** There is appropriated out of any moneys in the general
20 fund in the state treasury, not otherwise appropriated, the sum of \$341,790,000, or so much of
21 the sum as may be necessary, to the superintendent of public instruction for the purpose of
22 allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium
23 beginning July 1, 2011, and ending June 30, 2013.

24 **SECTION 14. TRANSFER - PROPERTY TAX RELIEF SUSTAINABILITY FUND -**
25 **GENERAL FUND.** The office of management and budget shall transfer the sum of
26 \$295,000,000 from the property tax relief sustainability fund to the general fund on July 1, 2011.

27 **SECTION 15. AMENDMENT.** Section 13 of chapter 520 of the 2007 Session Laws is
28 amended and reenacted as follows:

29 **SECTION 13. LEGISLATIVE ~~COUNCIL~~MANAGEMENT STUDY.** The
30 legislative ~~council~~management shall study in each interim through 2012 the feasibility
31 and desirability of property tax reform and providing property tax relief to taxpayers of

1 the state, with the goal of reduction of each taxpayer's annual property tax bill to an
2 amount that is not more than one and one-half percent of the true and full value of
3 property, and including examination of the proper measure of education funding from
4 local taxation and state resources and the variability of funding resources among
5 taxing districts and examination of improved collection and reporting of property tax
6 information to identify residency of property owners with minimized administrative
7 difficulty. The legislative management shall consider the sustainability of state-funded
8 property tax relief in view of the compounding effect of ongoing property taxable
9 valuation increases. The legislative ~~council~~ management shall report its findings and
10 recommendations, together with any legislation necessary to implement the
11 recommendations, to the legislative assembly subsequent to each interim.

12 **SECTION 16. LEGISLATIVE MANAGEMENT STUDY - FINANCIAL INSTITUTIONS AND**
13 **CORPORATE INCOME TAXATION.** During the 2011-12 interim, the legislative management
14 shall consider studying the feasibility and desirability of revision of the financial institutions
15 taxes, including the feasibility of taxing financial institutions under the state corporate income
16 tax laws. The study under this section must include consideration of corporate income taxes,
17 including corporate income apportionment factors and potential impact of federal legislation on
18 state corporate income taxes. The legislative management shall report its findings and
19 recommendations, together with any legislation required to implement the recommendations, to
20 the sixty-third legislative assembly.

21 **SECTION 17. EFFECTIVE DATE.** Sections 1 through 7 of this Act are effective for taxable
22 years beginning after December 31, 2010. The remainder of this Act is effective July 1, 2011.