

**FIRST ENGROSSMENT
with Senate Amendments
ENGROSSED HOUSE BILL NO. 1289**

Introduced by

Representatives Kasper, Headland, Kempenich

Senator Fischer

1 A BILL ~~for an Act to amend and reenact section 57-38-30 and subsection 1 of section~~
2 ~~57-38-30.3 of the North Dakota Century Code, relating to a reduction in income tax rates for~~
3 ~~corporations, individuals, estates, and trusts; and to provide an effective date:~~ for an Act to
4 create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of
5 section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax relief
6 credit; to amend and reenact section 57-38-30 of the North Dakota Century Code, relating to a
7 corporate income tax exemption; to provide an effective date; and to provide an expiration date.

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

9 ~~— **SECTION 1. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is~~
10 ~~amended and reenacted as follows:~~

11 ~~— **57-38-30. Imposition and rate of tax on corporations.**~~

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

14 ~~— 1. a. For the first twenty five thousand dollars of taxable income, at the rate of two~~
15 ~~and one tenth eighty nine hundredths percent.~~

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

19 ~~— c. On all taxable income exceeding fifty thousand dollars, at the rate of six five and~~
20 ~~four tenths seventy six hundredths percent.~~

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

1 ~~SECTION 2. AMENDMENT.~~ Subsection 1 of section 57-38-30.3 of the North Dakota-
2 Century Code is amended and reenacted as follows:

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

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

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

17 ~~Not over \$33,950\$34,500 1.84%1.47%~~

18 ~~Over \$33,950\$34,500 \$624.68\$507.15 plus 3.44%2.75%~~

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

20 ~~Over \$82,250\$83,600 \$2,286.20\$1,857.40 plus~~

21 ~~3.81%3.05%~~

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

23 ~~Over \$171,550\$174,400 \$5,688.53\$4,626.80 plus~~

24 ~~4.42%3.54%~~

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

26 ~~\$171,550\$174,400~~

27 ~~Over \$372,950\$379,150 \$14,590.41\$11,874.95 plus~~

28 ~~4.86%3.89%~~

29 ~~of amount over~~

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

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 \$56,750 <u>\$57,700</u> _____	1.84% <u>1.47%</u>
3	_____ Over \$56,750 <u>\$57,700</u> _____	\$1,044.20 <u>\$848.19</u> plus 3.44% <u>2.75%</u>
4	_____ but not over \$137,050 <u>\$139,350</u> _____	of amount over \$56,750 <u>\$57,700</u>
5	_____ Over \$137,050 <u>\$139,350</u> _____	\$3,806.52 <u>\$3,093.57</u> plus
6		3.81% <u>3.05%</u>
7	_____ but not over \$208,850 <u>\$212,300</u> _____	of amount over
8	\$137,050 <u>\$139,350</u>	
9	_____ Over \$208,850 <u>\$212,300</u> _____	\$6,542.10 <u>\$5,318.54</u> plus
10		4.42% <u>3.54%</u>
11	_____ but not over \$372,950 <u>\$379,150</u> _____	of amount over
12	\$208,850 <u>\$212,300</u>	
13	_____ Over \$372,950 <u>\$379,150</u> _____	\$13,795.32 <u>\$11,225.03</u> plus
14		4.86% <u>3.89%</u>
15	_____ of amount over	
16	\$372,950 <u>\$379,150</u>	
17	c. Married filing separately.	
18	_____ If North Dakota taxable income is: _____	The tax is equal to:
19	_____ Not over \$28,375 <u>\$28,850</u> _____	1.84% <u>1.47%</u>
20	_____ Over \$28,375 <u>\$28,850</u> _____	\$522.10 <u>\$424.10</u> plus 3.44% <u>2.75%</u>
21	_____ but not over \$68,525 <u>\$69,675</u> _____	of amount over \$28,375 <u>\$28,850</u>
22	_____ Over \$68,525 <u>\$69,675</u> _____	\$1,903.26 <u>\$1,546.78</u> plus
23		3.81% <u>3.05%</u>
24	_____ but not over \$104,425 <u>\$106,150</u> _____	of amount over \$68,525 <u>\$69,675</u>
25	_____ Over \$104,425 <u>\$106,150</u> _____	\$3,271.05 <u>\$2,659.27</u> plus
26		4.42% <u>3.54%</u>
27	_____ but not over \$186,475 <u>\$189,575</u> _____	of amount over
28	\$104,425 <u>\$106,150</u>	
29	_____ Over \$186,475 <u>\$189,575</u> _____	\$6,897.66 <u>\$5,612.52</u> plus
30		4.86% <u>3.89%</u>

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1 _____ of amount over
2 ~~\$186,475~~\$189,575
3 _____ d. Head of household.
4 _____ If North Dakota taxable income is: _____ The tax is equal to:
5 _____ Not over ~~\$45,500~~\$46,250 _____ 1.84%1.47%
6 _____ Over ~~\$45,500~~\$46,250 _____ \$837.20\$679.88 plus 3.44%2.75%
7 _____ but not over ~~\$117,450~~\$119,400 _____ of amount over ~~\$45,500~~\$46,250
8 _____ Over ~~\$117,450~~\$119,400 _____ \$3,312.28\$2,691.50 plus
9 ~~3.81%~~3.05%
10 _____ but not over ~~\$190,200~~\$193,350 _____ of amount over
11 ~~\$117,450~~\$119,400
12 _____ Over ~~\$190,200~~\$193,350 _____ \$6,084.06\$4,946.98 plus
13 ~~4.42%~~3.54%
14 _____ but not over ~~\$372,950~~\$379,150 _____ of amount over
15 ~~\$190,200~~\$193,350
16 _____ Over ~~\$372,950~~\$379,150 _____ \$14,161.61\$11,524.30 plus
17 ~~4.86%~~3.89%
18 _____ of amount over
19 ~~\$372,950~~\$379,150
20 _____ e. Estates and trusts.
21 _____ If North Dakota taxable income is: _____ The tax is equal to:
22 _____ Not over \$2,300 _____ 1.84%1.47%
23 _____ Over \$2,300 _____ \$42.32\$33.81 plus 3.44%2.75%
24 _____ but not over ~~\$5,350~~\$5,450 _____ of amount over \$2,300
25 _____ Over ~~\$5,350~~\$5,450 _____ \$147.24\$120.44 plus 3.81%3.05%
26 _____ but not over ~~\$8,200~~\$8,300 _____ of amount over ~~\$5,350~~\$5,450
27 _____ Over ~~\$8,200~~\$8,300 _____ \$255.83\$207.36 plus 4.42%3.54%
28 _____ but not over ~~\$11,150~~\$11,350 _____ of amount over ~~\$8,200~~\$8,300
29 _____ Over ~~\$11,150~~\$11,350 _____ \$386.22\$315.33 plus 4.86%3.89%
30 _____ of amount over ~~\$11,150~~\$11,350

- 1 ~~f. For an individual who is not a resident of this state for the entire year, or for a~~
2 ~~nonresident estate or trust, the tax is equal to the tax otherwise computed under~~
3 ~~this subsection multiplied by a fraction in which:~~
- 4 ~~(1) The numerator is the federal adjusted gross income allocable and~~
5 ~~apportionable to this state; and~~
- 6 ~~(2) The denominator is the federal adjusted gross income from all sources~~
7 ~~reduced by the net income from the amounts specified in subdivisions a and~~
8 ~~b of subsection 2.~~
- 9 ~~In the case of married individuals filing a joint return, if one spouse is a resident~~
10 ~~of this state for the entire year and the other spouse is a nonresident for part or~~
11 ~~all of the tax year, the tax on the joint return must be computed under this~~
12 ~~subdivision.~~
- 13 ~~g. For taxable years beginning after December 31, 2009, the~~The tax commissioner
14 ~~shall prescribe new rate schedules that apply in lieu of the schedules set forth in~~
15 ~~subdivisions a through e. The new schedules must be determined by increasing~~
16 ~~the minimum and maximum dollar amounts for each income bracket for which a~~
17 ~~tax is imposed by the cost-of-living adjustment for the taxable year as determined~~
18 ~~by the secretary of the United States treasury for purposes of section 1(f) of the~~
19 ~~United States Internal Revenue Code of 1954~~1986, as amended. For this
20 ~~purpose, the rate applicable to each income bracket may not be changed, and~~
21 ~~the manner of applying the cost-of-living adjustment must be the same as that~~
22 ~~used for adjusting the income brackets for federal income tax purposes.~~
- 23 ~~h. The tax commissioner shall prescribe an optional simplified method of computing~~
24 ~~tax under this section that may be used by an individual taxpayer who is not~~
25 ~~entitled to claim an adjustment under subsection 2 or credit against income tax~~
26 ~~liability under subsection 7.~~

27 ~~**SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after~~
28 ~~December 31, 2010.~~

29 **SECTION 1. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is
30 amended and reenacted as follows:

1 **57-38-30. Imposition and rate of tax on corporations.**

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

- 4 1. a. For the first ~~twenty-five~~seventy-five thousand dollars of taxable income, ~~at the-~~
5 ~~rate of two and one-tenth percent~~no tax.
- 6 b. ~~On all taxable income exceeding twenty-five thousand dollars and not exceeding-~~
7 ~~fifty thousand dollars, at the rate of five and twenty-five hundredths percent.~~
- 8 ~~c.~~ e. On all taxable income exceeding ~~fifty~~seventy-five thousand dollars, at the rate of
9 six and four-tenths percent.
- 10 2. A corporation that has paid North Dakota alternative minimum tax in years beginning
11 before January 1, 1991, may carry over any alternative minimum tax credit remaining
12 to the extent of the regular income tax liability of the corporation for a period not to
13 exceed four taxable years.

14 **SECTION 2.** A new section to chapter 57-38 of the North Dakota Century Code is created
15 and enacted as follows:

16 **Individual income tax relief credit.**

17 A credit is provided against individual income tax liability as determined under section
18 57-38-30.3 in the amount of one hundred forty dollars for an individual filing a single, married
19 filing separately, or head of household return and two hundred eighty dollars for individuals filing
20 a married filing jointly or surviving spouse return.

21 **SECTION 3.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
22 Century Code is created and enacted as follows:

23 Individual income tax relief credit under section 2 of this Act.

24 **SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** Section 1 of this Act is effective for
25 the first two taxable years beginning after December 31, 2010, and is thereafter ineffective.
26 Sections 2 and 3 of this Act are effective for the first taxable year beginning after December 31,
27 2010, and are thereafter ineffective.