

**HOUSE BILL NO. 1277**

Introduced by

Representatives Kasper, Beadle, Becker, Dosch, Headland, Kempenich, Monson, Ruby,  
Thoreson

Senators Berry, Miller, Sorvaag

1 A BILL for an Act to amend and reenact section 57-38-30, subsection 1 of section 57-38-30.3,  
2 and subdivision d of subsection 2 of section 57-38-30.3 of the North Dakota Century Code,  
3 relating to corporate and individual income tax rate reductions; and to provide an effective date.

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

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

7 **57-38-30. Imposition and rate of tax on corporations.**

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

- 10 1. For the first ~~twenty-five~~fifty thousand dollars of taxable income, at the rate of one and  
11 ~~sixty-eight~~thirty-four hundredths percent.
- 12 2. On all taxable income exceeding ~~twenty-five~~fifty thousand dollars and not exceeding  
13 fiftyone hundred thousand dollars, at the rate of ~~four~~three and ~~twenty-three~~thirty-eight  
14 hundredths percent.
- 15 3. On all taxable income exceeding fiftyone hundred thousand dollars, at the rate of  
16 ~~five~~four and ~~fifteen~~twelve hundredths percent.

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

- 19 1. A tax is hereby imposed for each taxable year upon income earned or received in that  
20 taxable year by every resident and nonresident individual, estate, and trust. A taxpayer  
21 computing the tax under this section is only eligible for those adjustments or credits  
22 that are specifically provided for in this section. Provided, that for purposes of this  
23 section, any person required to file a state income tax return under this chapter, but

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1 who has not computed a federal taxable income figure, shall compute a federal  
2 taxable income figure using a pro forma return in order to determine a federal taxable  
3 income figure to be used as a starting point in computing state income tax under this  
4 section. The tax for individuals is equal to North Dakota taxable income multiplied by  
5 the rates in the applicable rate schedule in subdivisions a through d corresponding to  
6 an individual's filing status used for federal income tax purposes. For an estate or  
7 trust, the schedule in subdivision e must be used for purposes of this subsection.

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

9	If North Dakota taxable income is:	The tax is equal to:
10	Not over <del>\$34,500</del> <u>\$50,000</u>	<del>1.51%</del> <u>1.25%</u>
11	Over <del>\$34,500</del> <u>\$50,000</u>	<del>\$520.95</del> <u>\$625.00</u> plus <del>2.82%</del> <u>2.25%</u>
12	but not over <del>\$83,600</del> <u>\$125,000</u>	of amount over <del>\$34,500</del> <u>\$50,000</u>
13	Over <del>\$83,600</del> <u>\$125,000</u>	<del>\$1,905.57</del> <u>\$2,312.50</u> plus
14	<del>3.13%</del> <u>3.25%</u>	
15	but not over <del>\$174,400</del>	of amount over
16	<del>\$83,600</del> <u>\$125,000</u>	
17	Over <del>\$174,400</del>	<del>\$4,747.61</del> plus <del>3.63%</del>
18	but not over <del>\$379,150</del>	of amount over <del>\$174,400</del>
19	Over <del>\$379,150</del>	<del>\$12,180.04</del> plus <del>3.99%</del>
20		of amount over
21	<del>\$379,150</del>	

22 b. Married filing jointly and surviving spouse.

23	If North Dakota taxable income is:	The tax is equal to:
24	Not over <del>\$57,700</del> <u>\$85,000</u>	<del>1.51%</del> <u>1.25%</u>
25	Over <del>\$57,700</del> <u>\$85,000</u>	<del>\$871.27</del> <u>\$1,062.50</u> plus <del>2.82%</del> <u>2.25%</u>
26	but not over <del>\$139,350</del> <u>\$210,000</u>	of amount over <del>\$57,700</del> <u>\$85,000</u>
27	Over <del>\$139,350</del> <u>\$210,000</u>	<del>\$3,173.80</del> <u>\$3,875.00</u> plus
28	<del>3.13%</del> <u>3.25%</u>	
29	but not over <del>\$212,300</del>	of amount over
30	<del>\$139,350</del> <u>\$210,000</u>	
31	Over <del>\$212,300</del>	<del>\$5,457.14</del> plus <del>3.63%</del>

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1	but not over <del>\$379,150</del>	of amount over <del>\$212,300</del>
2	Over <del>\$379,150</del>	<del>\$11,513.79 plus 3.99%</del>
3		of amount over <del>\$379,150</del>
4	c. Married filing separately.	
5	If North Dakota taxable income is:	The tax is equal to:
6	Not over <del>\$28,850</del> <u>\$42,500</u>	<del>1.51%</del> <u>1.25%</u>
7	Over <del>\$28,850</del> <u>\$42,500</u>	<del>\$435.64</del> <u>\$531.25</u> plus <del>2.82%</del> <u>2.25%</u>
8	but not over <del>\$69,675</del> <u>\$105,000</u>	of amount over <del>\$28,850</del> <u>\$42,500</u>
9	Over <del>\$69,675</del> <u>\$105,000</u>	<del>\$1,586.90</del> <u>\$1,937.50</u> plus
10	<del>3.13%</del> <u>3.25%</u>	
11	but not over <del>\$106,150</del>	of amount over
12	<del>\$69,675</del> <u>\$105,000</u>	
13	Over <del>\$106,150</del>	<del>\$2,728.57 plus 3.63%</del>
14	but not over <del>\$189,575</del>	of amount over <del>\$106,150</del>
15	Over <del>\$189,575</del>	<del>\$5,756.90 plus 3.99%</del>
16		of amount over <del>\$189,575</del>
17	d. Head of household.	
18	If North Dakota taxable income is:	The tax is equal to:
19	Not over <del>\$46,250</del> <u>\$65,000</u>	<del>1.51%</del> <u>1.25%</u>
20	Over <del>\$46,250</del> <u>\$65,000</u>	<del>\$698.38</del> <u>\$812.50</u> plus <del>2.82%</del> <u>2.25%</u>
21	but not over <del>\$119,400</del> <u>\$180,000</u>	of amount over <del>\$46,250</del> <u>\$65,000</u>
22	Over <del>\$119,400</del> <u>\$180,000</u>	<del>\$2,761.21</del> <u>\$3,400.00</u> plus
23	<del>3.13%</del> <u>3.25%</u>	
24	but not over <del>\$193,350</del>	of amount over
25	<del>\$119,400</del> <u>\$180,000</u>	
26	Over <del>\$193,350</del>	<del>\$5,075.84 plus 3.63%</del>
27	but not over <del>\$379,150</del>	of amount over <del>\$193,350</del>
28	Over <del>\$379,150</del>	<del>\$11,820.38 plus 3.99%</del>
29		of amount over <del>\$379,150</del>
30	e. Estates and trusts.	
31	If North Dakota taxable income is:	The tax is equal to:

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1	Not over <del>\$2,300</del> <u>\$5,000</u>	<del>1.51%</del> <u>1.25%</u>
2	Over <del>\$2,300</del> <u>\$5,000</u>	<del>\$34.73</del> <u>\$62.50</u> plus <del>2.82%</del> <u>2.25%</u>
3	but not over <del>\$5,450</del> <u>\$10,000</u>	of amount over <del>\$2,300</del> <u>\$5,000</u>
4	Over <del>\$5,450</del> <u>\$10,000</u>	<del>\$123.56</del> <u>\$175.00</u> plus <del>3.13%</del> <u>3.25%</u>
5	but not over <del>\$8,300</del>	of amount over <del>\$5,450</del> <u>\$10,000</u>
6	Over <del>\$8,300</del>	<del>\$212.77</del> plus <del>3.63%</del>
7	but not over <del>\$11,350</del>	of amount over <del>\$8,300</del>
8	Over <del>\$11,350</del>	<del>\$323.48</del> plus <del>3.99%</del>
9		of amount over <del>\$11,350</del>

- 10 f. For an individual who is not a resident of this state for the entire year, or for a  
11 nonresident estate or trust, the tax is equal to the tax otherwise computed under  
12 this subsection multiplied by a fraction in which:
- 13 (1) The numerator is the federal adjusted gross income allocable and  
14 apportionable to this state; and
- 15 (2) The denominator is the federal adjusted gross income from all sources  
16 reduced by the net income from the amounts specified in subdivisions a and  
17 b of subsection 2.

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

- 22 g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the  
23 schedules set forth in subdivisions a through e. The new schedules must be  
24 determined by increasing the minimum and maximum dollar amounts for each  
25 income bracket for which a tax is imposed by the cost-of-living adjustment for the  
26 taxable year as determined by the secretary of the United States treasury for  
27 purposes of section 1(f) of the United States Internal Revenue Code of 1954, as  
28 amended. For this purpose, the rate applicable to each income bracket may not  
29 be changed, and the manner of applying the cost-of-living adjustment must be  
30 the same as that used for adjusting the income brackets for federal income tax  
31 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 3. AMENDMENT.** Subdivision d of subsection 2 of section 57-38-30.3 of the  
6 North Dakota Century Code is amended and reenacted as follows:

- 7           d. Reduced by ~~thirty percent of:~~

- 8           (1) ~~The excess one hundred percent of the first seventy-five thousand dollars,~~  
9           ~~and ninety percent of any amount exceeding seventy-five thousand dollars,~~  
10           ~~of the combined amount of the taxpayer's qualified dividend income that is~~  
11           ~~taxed at the same rate as long-term capital gain for federal income tax~~  
12           ~~purposes under Internal Revenue Code provisions in effect on~~  
13           ~~December 31, 2012, and net long-term capital gain for the taxable year over~~  
14           ~~the net short-term capital loss for that year, as computed for purposes of the~~  
15           ~~Internal Revenue Code of 1986, as amended. The adjustment provided by~~  
16           ~~this subdivision is allowed only to the extent the qualified dividend income~~  
17           ~~and net long-term capital gain is allocated to this state.~~
- 18           (2) ~~The qualified dividend income that is taxed at the same rate as long-term~~  
19           ~~capital gain for federal income tax purposes under Internal Revenue Code~~  
20           ~~provisions in effect on December 31, 2008. The adjustment provided by this~~  
21           ~~subdivision is allowed only to the extent the qualified dividend income is~~  
22           ~~allocated to this state.~~

23           **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
24 December 31, 2012.