

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~~ deductions for capital gains,
4 dividends, and interest earnings; and to provide an effective date.

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

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

8 ~~— **57-38-30. Imposition and rate of tax on corporations.**~~

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

11 ~~— 1. For the first twenty-five fifty thousand dollars of taxable income, at the rate of one and~~
12 ~~sixty-eight thirty-four hundredths percent.~~

13 ~~— 2. On all taxable income exceeding twenty-five fifty thousand dollars and not exceeding~~
14 ~~fifty one hundred thousand dollars, at the rate of four three and twenty-three thirty-eight~~
15 ~~hundredths percent.~~

16 ~~— 3. On all taxable income exceeding fifty one hundred thousand dollars, at the rate of~~
17 ~~five four and fifteen twelve hundredths percent.~~

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

20 ~~— 1. A tax is hereby imposed for each taxable year upon income earned or received in that~~
21 ~~taxable year by every resident and nonresident individual, estate, and trust. A taxpayer~~
22 ~~computing the tax under this section is only eligible for those adjustments or credits~~
23 ~~that are specifically provided for in this section. Provided, that for purposes of this~~

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

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

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

11 ~~Not over \$34,500\$50,000 1.51%1.25%~~

12 ~~Over \$34,500\$50,000 \$520.95\$625.00 plus 2.82%2.25%~~

13 ~~but not over \$83,600\$125,000 of amount over \$34,500\$50,000~~

14 ~~Over \$83,600\$125,000 \$1,905.57\$2,312.50 plus~~

15 ~~3.13%3.25%~~

16 ~~but not over \$174,400 of amount over~~

17 ~~\$83,600\$125,000~~

18 ~~Over \$174,400 \$4,747.61 plus 3.63%~~

19 ~~but not over \$379,150 of amount over \$174,400~~

20 ~~Over \$379,150 \$12,180.04 plus 3.99%~~

21 ~~of amount over~~

22 ~~\$379,150~~

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

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

25 ~~Not over \$57,700\$85,000 1.51%1.25%~~

26 ~~Over \$57,700\$85,000 \$871.27\$1,062.50 plus 2.82%2.25%~~

27 ~~but not over \$139,350\$210,000 of amount over \$57,700\$85,000~~

28 ~~Over \$139,350\$210,000 \$3,173.80\$3,875.00 plus~~

29 ~~3.13%3.25%~~

30 ~~but not over \$212,300 of amount over \$139,350\$210,000~~

31 ~~Over \$212,300 \$5,457.14 plus 3.63%~~

Sixty-third
Legislative Assembly

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

1 ~~Not over \$2,300~~~~\$5,000~~ ~~1.51%~~~~1.25%~~
2 ~~Over \$2,300~~~~\$5,000~~ ~~\$34.73~~~~\$62.50~~ plus ~~2.82%~~~~2.25%~~
3 ~~but not over \$5,450~~~~\$10,000~~ ~~of amount over \$2,300~~~~\$5,000~~
4 ~~Over \$5,450~~~~\$10,000~~ ~~\$123.56~~~~\$175.00~~ plus ~~3.13%~~~~3.25%~~
5 ~~but not over \$8,300~~ ~~of amount over \$5,450~~~~\$10,000~~
6 ~~Over \$8,300~~ ~~\$212.77~~ plus ~~3.63%~~
7 ~~but not over \$11,350~~ ~~of amount over \$8,300~~
8 ~~Over \$11,350~~ ~~\$323.48~~ plus ~~3.99%~~
9 ~~of amount over \$11,350~~
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 1. 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, of the~~
10 ~~combined amount of the taxpayer's qualified dividend income that is taxed at the~~
11 ~~same rate as long-term capital gain for federal income tax purposes under~~
12 ~~Internal Revenue Code provisions in effect on December 31, 2012, and net;~~

13 (1) Qualified dividend income that is taxed at the same rate as long-term capital
14 gain for federal income tax purposes under Internal Revenue Code
15 provisions in effect on December 31, 2012;

16 (2) Net long-term capital gain for the taxable year over the net short-term
17 capital loss for that year, as computed for purposes of the Internal Revenue
18 Code of 1986, as amended; and

19 (3) Taxable interest.

20 The adjustment provided by this subdivision is allowed only to the extent the
21 ~~qualified dividend income~~ and net long-term capital gain, and taxable interest is
22 allocated to this state.

23 ~~(2) The qualified dividend income that is taxed at the same rate as long-term~~
24 ~~capital gain for federal income tax purposes under Internal Revenue Code~~
25 ~~provisions in effect on December 31, 2008. The adjustment provided by this~~
26 ~~subdivision is allowed only to the extent the qualified dividend income is~~
27 ~~allocated to this state.~~

28 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
29 December 31, 2012.