

HOUSE BILL NO. 1223

Introduced by

Representatives Dockter, Larson, Looyesen, Nathe, Owens, Silbernagel

Senators Burckhard, Poolman, Unruh

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 corporate and individual income tax
3 rate reductions; to repeal section 57-38-30.3 of the North Dakota Century Code, relating to
4 elimination of the individual income tax; to provide effective dates; and to provide an expiration
5 date.

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

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

9 **57-38-30. Imposition and rate of tax on corporations.**

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

- 12 1. For the first ~~twenty-five~~one hundred thousand dollars of taxable income, at the rate of
13 one and ~~forty-eight~~ hundredths percent.
- 14 2. On all taxable income exceeding ~~twenty-five~~one hundred thousand dollars and not
15 exceeding ~~fifty thousand~~ dollars, at the rate of three and ~~seventy-three~~ hundredths
16 percent.
- 17 3. ~~On all taxable income exceeding fifty thousand dollars, at the rate of four and~~
18 ~~fifty-three~~ hundredths percent.

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

- 21 1. A tax is hereby imposed for each taxable year upon income earned or received in that
22 taxable year by every resident and nonresident individual, estate, and trust. A taxpayer
23 computing the tax under this section is only eligible for those adjustments or credits
24 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:

11	Over	Not over	The tax is equal to	Of amount over
12	\$0	\$36,250	1.22%	\$0
13	\$36,250	\$87,850	\$442.25 + 2.27%	\$36,250
14	\$87,850	\$183,250	\$1,613.57 + 2.52%	\$87,850
15	\$183,250	\$398,350	\$4,017.65 + 2.93%	\$183,250
16	\$398,350		\$10,320.08 + 3.22%	\$398,350
17	<u>\$0</u>	<u>\$25,000</u>	<u>0%</u>	<u>\$0</u>
18	<u>\$25,000</u>	<u>\$50,000</u>	<u>1%</u>	<u>\$25,000</u>
19	<u>\$50,000</u>	<u>\$75,000</u>	<u>\$250 + 1.5%</u>	<u>\$50,000</u>
20	<u>\$75,000</u>		<u>\$625 + 2%</u>	<u>\$75,000</u>

21 b. Married filing jointly and surviving spouse.

22 If North Dakota taxable income is:

23	Over	Not over	The tax is equal to	Of amount over
24	\$0	\$60,650	1.22%	\$0
25	\$60,650	\$146,400	\$739.93 + 2.27%	\$60,650
26	\$146,400	\$223,050	\$2,686.46 + 2.52%	\$146,400
27	\$223,050	\$398,350	\$4,618.04 + 2.93%	\$223,050
28	\$398,350		\$9,754.33 + 3.22%	\$398,350
29	<u>\$0</u>	<u>\$50,000</u>	<u>0%</u>	<u>\$0</u>
30	<u>\$50,000</u>	<u>\$100,000</u>	<u>1%</u>	<u>\$50,000</u>

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1	<u>\$100,000</u>	<u>\$150,000</u>	<u>\$500 + 1.5%</u>	<u>\$100,000</u>
2	<u>\$150,000</u>		<u>\$1,250 + 2%</u>	<u>\$150,000</u>
3	c. Married filing separately.			
4	If North Dakota taxable income is:			
5	Over	Not over	The tax is equal to	Of amount over
6	\$0	\$30,325	1.22%	\$0
7	\$30,325	\$73,200	\$369.97 + 2.27%	\$30,325
8	\$73,200	\$111,525	\$1,343.23 + 2.52%	\$73,200
9	\$111,525	\$199,175	\$2,309.02 + 2.93%	\$111,525
10	\$199,175		\$4,877.17 + 3.22%	\$199,175
11	<u>\$0</u>	<u>\$25,000</u>	0%	<u>\$0</u>
12	<u>\$25,000</u>	<u>\$50,000</u>	1%	<u>\$25,000</u>
13	<u>\$50,000</u>	<u>\$75,000</u>	<u>\$250 + 1.5%</u>	<u>\$50,000</u>
14	<u>\$75,000</u>		<u>\$625 + 2%</u>	<u>\$75,000</u>
15	d. Head of household.			
16	If North Dakota taxable income is:			
17	Over	Not over	The tax is equal to	Of amount over
18	\$0	\$48,600	1.22%	\$0
19	\$48,600	\$125,450	\$592.92 + 2.27%	\$48,600
20	\$125,450	\$203,150	\$2,337.42 + 2.52%	\$125,450
21	\$203,150	\$398,350	\$4,295.46 + 2.93%	\$203,150
22	\$398,350		\$10,014.82 + 3.22%	\$398,350
23	<u>\$0</u>	<u>\$35,000</u>	0%	<u>\$0</u>
24	<u>\$35,000</u>	<u>\$75,000</u>	1%	<u>\$35,000</u>
25	<u>\$75,000</u>	<u>\$87,500</u>	<u>\$400 + 1.5%</u>	<u>\$75,000</u>
26	<u>\$87,500</u>		<u>\$587.50 + 2%</u>	<u>\$87,500</u>
27	e. Estates and trusts.			
28	If North Dakota taxable income is:			
29	Over	Not over	The tax is equal to	Of amount over
30	\$0	\$2,450	1.22%	\$0
31	\$2,450	\$5,700	\$29.89 plus 2.27%	\$2,450

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1	\$5,700	\$8,750	\$103.67 plus 2.52%	\$5,700
2	\$8,750	\$11,950	\$180.53 plus 2.93%	\$8,750
3	\$11,950		\$274.29 plus 3.22%	\$11,950
4	\$0	\$2,000	0%	\$0
5	\$2,000	\$3,500	1%	\$2,000
6	\$3,500	\$5,000	\$15 + 1.5%	\$3,500
7	\$5,000		\$37.50 + 2%	\$5,000

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

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

- 20 g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the
21 schedules set forth in subdivisions a through e. The new schedules must be
22 determined by increasing the minimum and maximum dollar amounts for each
23 income bracket for which a tax is imposed by the cost-of-living adjustment for the
24 taxable year as determined by the secretary of the United States treasury for
25 purposes of section 1(f) of the United States Internal Revenue Code of 1954, as
26 amended. For this purpose, the rate applicable to each income bracket may not
27 be changed, and the manner of applying the cost-of-living adjustment must be
28 the same as that used for adjusting the income brackets for federal income tax
29 purposes.
- 30 h. The tax commissioner shall prescribe an optional simplified method of computing
31 tax under this section that may be used by an individual taxpayer who is not

1 entitled to claim an adjustment under subsection 2 or credit against income tax
2 liability under subsection 7.

3 **SECTION 3. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota
4 Century Code is amended and reenacted as follows:

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

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

18 If North Dakota taxable income is:

19	Over	Not over	The tax is equal to	Of amount over
20	\$0	\$36,250	1.22%	\$0
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23	\$183,250	\$398,350	\$4,017.65 + 2.93%	\$183,250
24	\$398,350		\$10,320.08 + 3.22%	\$398,350
25	<u>\$0</u>	<u>\$50,000</u>	<u>0%</u>	<u>\$0</u>
26	<u>\$50,000</u>		<u>1%</u>	<u>\$50,000</u>

27 b. Married filing jointly and surviving spouse.

28 If North Dakota taxable income is:

29	Over	Not over	The tax is equal to	Of amount over
30	\$0	\$60,650	1.22%	\$0

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1	\$60,650	\$146,400	\$739.93 + 2.27%	\$60,650
2	\$146,400	\$223,050	\$2,686.46 + 2.52%	\$146,400
3	\$223,050	\$398,350	\$4,618.04 + 2.93%	\$223,050
4	\$398,350		\$9,754.33 + 3.22%	\$398,350
5	<u>\$0</u>	<u>\$100,000</u>	<u>0%</u>	<u>\$0</u>
6	<u>\$100,000</u>		<u>1%</u>	<u>\$100,000</u>

7 c. Married filing separately.

8 If North Dakota taxable income is:

9	Over	Not over	The tax is equal to	Of amount over
10	\$0	\$30,325	1.22%	\$0
11	\$30,325	\$73,200	\$369.97 + 2.27%	\$30,325
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13	\$111,525	\$199,175	\$2,309.02 + 2.93%	\$111,525
14	\$199,175		\$4,877.17 + 3.22%	\$199,175
15	<u>\$0</u>	<u>\$50,000</u>	<u>0%</u>	<u>\$0</u>
16	<u>\$50,000</u>		<u>1%</u>	<u>\$50,000</u>

17 d. Head of household.

18 If North Dakota taxable income is:

19	Over	Not over	The tax is equal to	Of amount over
20	\$0	\$48,600	1.22%	\$0
21	\$48,600	\$125,450	\$592.92 + 2.27%	\$48,600
22	\$125,450	\$203,150	\$2,337.42 + 2.52%	\$125,450
23	\$203,150	\$398,350	\$4,295.46 + 2.93%	\$203,150
24	\$398,350		\$10,014.82 + 3.22%	\$398,350
25	<u>\$0</u>	<u>\$70,000</u>	<u>0%</u>	<u>\$0</u>
26	<u>\$70,000</u>		<u>1%</u>	<u>\$70,000</u>

27 e. Estates and trusts.

28 If North Dakota taxable income is:

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	Over	Not over	The tax is equal to	Of amount over
1				
2	\$0	\$2,450	1.22%	\$0
3	\$2,450	\$5,700	\$29.89 plus 2.27%	\$2,450
4	\$5,700	\$8,750	\$103.67 plus 2.52%	\$5,700
5	\$8,750	\$11,950	\$180.53 plus 2.93%	\$8,750
6	\$11,950		\$274.29 plus 3.22%	\$11,950
7	<u>\$0</u>	<u>\$4,000</u>	<u>0%</u>	<u>\$0</u>
8	<u>\$4,000</u>		<u>1%</u>	<u>\$4,000</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. 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 4. REPEAL.** Section 57-38-30.3 of the North Dakota Century Code is repealed.

6 **SECTION 5. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable years
7 beginning after December 31, 2014. Section 2 of this Act is effective for the first taxable year
8 beginning after December 31, 2014, and is thereafter ineffective. Section 3 of this Act is
9 effective for the first taxable year beginning after December 31, 2015, and is thereafter
10 ineffective. Section 4 of this Act is effective for taxable years beginning after December 31,
11 2016.