

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2066

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact two new sections to chapter 57-02 and a new subsection to section 57-38-30.3 of the North Dakota Century Code, relating to a property tax credit for property used as a primary residence and calculation of individual income tax based on general fund revenues; to amend and reenact subsection 1 of section 57-38-30.3 of the North Dakota Century Code, relating to the imposition of a flat income tax rate for individuals, estates, and trusts; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

Primary residence credit - Qualification - Application.

1. An individual is entitled to a credit of five hundred dollars against the property tax due on the individual's primary residence. The credit may not exceed the amount of property tax due. The credit must be applied to reduce the property tax owed on the individual's primary residence after other exemptions or credits under this chapter have been applied.
2. For purposes of this section, "primary residence" means a dwelling in this state owned and occupied by an individual as that individual's primary place of residence and includes residences taxed under chapter 57-55. An individual may not have more than one primary residence.
3. An individual who does not reside in the primary residence in this state is eligible for the credit under this section if the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the primary residence previously occupied by the individual is not rented to another individual.
4. Only one credit under this section may be applied against the property taxes levied against any primary residence.
5. An individual whose primary residence is a farm structure exempt from taxation under subsection 15 of section 57-02-08 is not eligible for a credit under this section.
6. The credit may not reduce the liability for special assessments levied upon any property.
7. To claim a credit under this section, a claimant must sign and file with the county auditor, by April first, an application containing a verified statement of facts establishing the claimant's eligibility as of the date of the claim on a form and in the manner prescribed by the tax commissioner.

8. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section. The county auditors shall make these forms available upon request.

SECTION 2. A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

Primary residence credit - Certification - Distribution.

1. By January first of each year, the county auditor shall certify to the tax commissioner the sum of the credits allowed under section 1 of this Act in the county for the preceding year and provide any other information required by the tax commissioner.
2. By June first of each year, the tax commissioner shall review a sample of the applications from each county and certify to the state treasurer for payment to each county the aggregate dollar amount of credits allowed under section 1 of this Act in each county for the preceding year.
3. By June fifteenth of each year, the state treasurer shall distribute moneys to counties in the amounts certified by the tax commissioner under subsection 2.
4. Within fourteen days of receiving the payment from the state treasurer under subsection 3, but no later than June thirtieth, the county treasurer shall apportion and distribute the payment to the county and to the taxing districts of the county on the same basis as property taxes for the preceding year were apportioned and distributed.
5. Supplemental certifications by the county auditor and the tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed in this section to make corrections necessary because of errors or approval of any application for abatement filed by an individual because the credit under section 1 of this Act was not allowed.
6. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section.

SECTION 3. 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~~The tax for an estate or trust, the schedule is equal to North Dakota taxable income multiplied by

the rate in subdivision e must be used for purposes of this subsection. The tax to be computed for:

- a. Single, other than head of household or surviving spousequalifying widow or widower is one and ninety-nine hundredths percent of North Dakota taxable income exceeding forty-four thousand seven hundred twenty-five dollars.

If North Dakota taxable income is:

Over	Not over	The tax is equal to	Of amount over
\$0	\$37,450	1.10%	\$0
\$37,450	\$90,750	\$411.95 + 2.04%	\$37,450
\$90,750	\$189,300	\$1,499.27 + 2.27%	\$90,750
\$189,300	\$411,500	\$3,736.36 + 2.64%	\$189,300
\$411,500		\$9,602.44 + 2.90%	\$411,500

- b. Married filing jointly and surviving spousequalifying widow or widower is one and ninety-nine hundredths percent of North Dakota taxable income exceeding seventy-four thousand seven hundred fifty dollars.

If North Dakota taxable income is:

Over	Not over	The tax is equal to	Of amount over
\$0	\$62,600	1.10%	\$0
\$62,600	\$151,200	\$688.60 + 2.04%	\$62,600
\$151,200	\$230,450	\$2,496.04 + 2.27%	\$151,200
\$230,450	\$411,500	\$4,295.02 + 2.64%	\$230,450
\$411,500		\$9,074.74 + 2.90%	\$411,500

- c. Married filing separately is one and ninety-nine hundredths percent of North Dakota taxable income exceeding thirty-seven thousand three hundred seventy-five dollars.

If North Dakota taxable income is:

Over	Not over	The tax is equal to	Of amount over
\$0	\$31,300	1.10%	\$0
\$31,300	\$75,600	\$344.30 + 2.04%	\$31,300
\$75,600	\$115,225	\$1,248.02 + 2.27%	\$75,600
\$115,225	\$205,750	\$2,147.51 + 2.64%	\$115,225
\$205,750		\$4,537.37 + 2.90%	\$205,750

- d. Head of household is one and ninety-nine hundredths percent of North Dakota taxable income exceeding fifty-nine thousand nine hundred fifty dollars.

If North Dakota taxable income is:

Over	Not over	The tax is equal to	Of amount over
\$0	\$50,200	1.10%	\$0
\$50,200	\$129,600	\$552.20 + 2.04%	\$50,200
\$129,600	\$209,850	\$2,171.96 + 2.27%	\$129,600
\$209,850	\$411,500	\$3,993.64 + 2.64%	\$209,850
\$411,500		\$9,317.20 + 2.90%	\$411,500

- e. Estates and trusts is one and ninety-nine hundredths percent of North Dakota taxable income exceeding three thousand dollars.

If North Dakota taxable income is:

Over	Not over	The tax is equal to	Of amount over
\$0	\$2,500	1.10%	\$0
\$2,500	\$5,900	\$27.50 + 2.04%	\$2,500
\$5,900	\$9,050	\$96.86 + 2.27%	\$5,900
\$9,050	\$12,300	\$168.37 + 2.64%	\$9,050
\$12,300		\$254.17 + 2.90%	\$12,300

- 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 North Dakota taxable income threshold 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.

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

SECTION 4. A new subsection to section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

If the actual general fund revenues exceed the estimated general fund revenues for the twelve-month period ending June thirtieth of an even-numbered year by at least ten percent as determined by the director of the office of management and budget, the rates under subsection 1 must be reduced by one-half percent for the subsequent tax year beginning after December thirty-first of an even-numbered year. The tax commissioner shall publish the reduced rates and notify taxpayers of the reduced rates by November first of an even-numbered year. The tax commissioner may determine the form and manner of publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. For purposes of this subsection:

- a. "Estimated general fund revenues" means the estimated general fund revenues, excluding the July first of an odd-numbered year general fund balance, as reflected in the cashflow forecast developed by the director of the office of management and budget based on the total estimated general fund revenues for the biennium approved by the most recently adjourned special or regular session of the legislative assembly.
- b. Any reductions to the rates under subsection 1 apply to tax years beginning after December 31, 2022.
- c. The rate reductions must be equally applied to all tax brackets.
- d. The reduced rates must be rounded to the nearest one-hundredth of a percent.
- e. This subsection does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.

SECTION 5. EFFECTIVE DATE - EXPIRATION DATE. Section 1 of this Act is effective for the first taxable year beginning after December 31, 2023, and after that date is ineffective.

SECTION 6. EFFECTIVE DATE. Section 3 of this Act is effective for taxable years beginning after December 31, 2022. Section 2 of this Act becomes effective on July 1, 2024.

SECTION 7. EXPIRATION DATE. Section 2 of this Act is effective through June 30, 2025, and after that date is ineffective."

Renumber accordingly