

**SECOND ENGROSSMENT
with House Amendments
REENGROSSED SENATE BILL NO. 2066**

Introduced by

Senators Schaible, Rust, Weber

Representatives Nathe, Porter, D. Ruby

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

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

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

10 **Primary residence credit - Qualification - Application.**

- 11 1. An individual is entitled to a credit of five hundred dollars against the property tax due
12 on the individual's primary residence. The credit may not exceed the amount of
13 property tax due. The credit must be applied to reduce the property tax owed on the
14 individual's primary residence after other exemptions or credits under this chapter
15 have been applied.
- 16 2. For purposes of this section, "primary residence" means a dwelling in this state owned
17 and occupied by an individual as that individual's primary place of residence and
18 includes residences taxed under chapter 57-55. An individual may not have more than
19 one primary residence.
- 20 3. An individual who does not reside in the primary residence in this state is eligible for
21 the credit under this section if the individual's absence is due to confinement in a
22 nursing home, hospital, or other care facility, for as long as the portion of the primary
23 residence previously occupied by the individual is not rented to another individual.

- 1 4. Only one credit under this section may be applied against the property taxes levied
2 against any primary residence.
- 3 5. An individual whose primary residence is a farm structure exempt from taxation under
4 subsection 15 of section 57-02-08 is not eligible for a credit under this section.
- 5 6. The credit may not reduce the liability for special assessments levied upon any
6 property.
- 7 7. To claim a credit under this section, a claimant must sign and file with the county
8 auditor, by April first, an application containing a verified statement of facts
9 establishing the claimant's eligibility as of the date of the claim on a form and in the
10 manner prescribed by the tax commissioner.
- 11 8. The tax commissioner shall prescribe, design, and make available all forms necessary
12 to effectuate this section. The county auditors shall make these forms available upon
13 request.

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

16 **Primary residence credit - Certification - Distribution.**

- 17 1. By January first of each year, the county auditor shall certify to the tax commissioner
18 the sum of the credits allowed under section 1 of this Act in the county for the
19 preceding year and provide any other information required by the tax commissioner.
- 20 2. By June first of each year, the tax commissioner shall review a sample of the
21 applications from each county and certify to the state treasurer for payment to each
22 county the aggregate dollar amount of credits allowed under section 1 of this Act in
23 each county for the preceding year.
- 24 3. By June fifteenth of each year, the state treasurer shall distribute moneys to counties
25 in the amounts certified by the tax commissioner under subsection 2.
- 26 4. Within fourteen days of receiving the payment from the state treasurer under
27 subsection 3, but no later than June thirtieth, the county treasurer shall apportion and
28 distribute the payment to the county and to the taxing districts of the county on the
29 same basis as property taxes for the preceding year were apportioned and distributed.
- 30 5. Supplemental certifications by the county auditor and the tax commissioner and
31 supplemental payments by the state treasurer may be made after the dates prescribed

1 in this section to make corrections necessary because of errors or approval of any
2 application for abatement filed by an individual because the credit under section 1 of
3 this Act was not allowed.

4 6. The tax commissioner shall prescribe, design, and make available all forms necessary
5 to effectuate this section.

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

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

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

25 ~~If North Dakota taxable income is:~~

26	Over	Not over	The tax is equal to	Of amount over
27	\$0	\$37,450	1.10%	\$0
28	\$37,450	\$90,750	\$411.95 + 2.04%	\$37,450
29	\$90,750	\$189,300	\$1,499.27 + 2.27%	\$90,750
30	\$189,300	\$411,500	\$3,736.36 + 2.64%	\$189,300
31	\$411,500		\$9,602.44 + 2.90%	\$411,500

b. Married filing jointly and surviving spouse qualifying 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.

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1	If North Dakota taxable income is:			
2	Over	Not over	The tax is equal to	Of amount over
3	\$0	\$2,500	1.10%	\$0
4	\$2,500	\$5,900	\$27.50 + 2.04%	\$2,500
5	\$5,900	\$9,050	\$96.86 + 2.27%	\$5,900
6	\$9,050	\$12,300	\$168.37 + 2.64%	\$9,050
7	\$12,300		\$254.17 + 2.90%	\$12,300

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

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

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

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

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

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