Sixty-eighth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1158

Introduced by

Representatives Headland, Bosch, Dockter, Grueneich, Hagert, Heinert

Senators Axtman, Conley, Kannianen, Meyer, K. Roers, Wanzek

A BILL for an Act 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 of one and one-half percent for individuals, estates, and trusts; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. 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 spouse~~qualifying widow or widower is one and one-half 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 spouse~~qualifying widow or widower is one and one-half 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 one-half 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 one-half 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 one-half 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~~rates that apply in lieu of the ~~schedules~~rates set forth in subdivisions a through e. The new ~~schedules~~rates 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 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2022.