

Sixty-eighth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2391

Introduced by

Senators Sickler, Rummel, Vedaa

1 A BILL for an Act to amend and reenact subsection 7 of section 40-63-01, sections 40-63-03,
2 40-63-04, and 40-63-05, and subsection 5 of section 40-63-07 of the North Dakota Century
3 Code, relating to renaissance zones and income and property tax incentives related to
4 renaissance zones.

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

6 **SECTION 1. AMENDMENT.** Subsection 7 of section 40-63-01 of the North Dakota Century
7 Code is amended and reenacted as follows:

8 7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or
9 remodeling of a building or public utility infrastructure at a cost that is equal to or
10 exceeds:

11 a. For an income tax or property tax exemption under this chapter which exceeds
12 five taxable years, seventy-five percent of the current true and full value for
13 residential property, excluding owner-occupied single-family residential property,
14 or commercial buildings, property for a business investment purpose.

15 b. For an income tax or property tax exemption under this chapter of five taxable
16 years or less, fifty percent of the current true and full value for residential
17 property, excluding owner-occupied single-family residential property, or
18 commercial buildings or property.

19 c. Fifty percent of the current true and full value for public utility infrastructure, and
20 twenty.

21 d. Twenty percent of the current true and full value for owner-occupied single-family
22 homes residential property.

23 **SECTION 2. AMENDMENT.** Section 40-63-03 of the North Dakota Century Code is
24 amended and reenacted as follows:

1 **40-63-03. Renaissance zones.**

2 1. A city may apply to the department of commerce division of community services to
3 designate a portion of that city as a renaissance zone if the following criteria are met:

4 a. The geographic area proposed for the renaissance zone is located wholly within
5 the boundaries of the city submitting the application.

6 b. The application includes a development plan.

7 c. The proposed renaissance zone is not more than thirty-four square blocks,
8 except in a city with a population of greater than five thousand the renaissance
9 zone may exceed thirty-four square blocks at the rate of one additional block for
10 each additional five thousand population to a maximum size of forty-nine blocks.
11 Population is based upon the most recent federal decennial census or federal
12 census estimate.

13 If a city finds that renaissance zone projects have satisfactorily completed
14 one or more blocks within the renaissance zone, the city may apply for and the
15 department of commerce division of community services may approve withdrawal
16 of those blocks from the renaissance zone and replacement of those blocks with
17 other blocks that otherwise meet the requirements of this chapter.

18 d. Except as provided under subdivision g, the proposed renaissance zone has a
19 continuous boundary and all blocks are contiguous.

20 e. The proposed land usage includes both commercial and residential property.

21 f. The application includes the proposed duration of renaissance zone status, not to
22 exceed fifteen years. Upon application by the city, the department of commerce
23 division of community services may extend the duration of renaissance zone
24 status in increments of up to fiveten years.

25 g. The proposed renaissance zone may have ~~a single exception~~up to two
26 exceptions to the continuous boundary and contiguous block requirements under
27 subdivision d if the ~~area~~areas of the excepted noncontiguous blocks ~~does~~do not
28 exceed three square blocks each.

29 2. The department of commerce division of community services shall:

30 a. Review all applications for renaissance zone designation against the criteria
31 established in this section and designate zones.

- 1 b. Approve or reject the duration of renaissance zone status as submitted in an
2 application.
- 3 c. Approve or reject the geographic boundaries and total area of the renaissance
4 zone as submitted in an application.
- 5 d. Promote the renaissance zone program.
- 6 e. Monitor the progress of the designated renaissance zones against submitted
7 plans in an annual plan review.
- 8 f. Report on renaissance zone progress to the governor and the legislative
9 management on an annual basis until all designated zones expire.
- 10 3. The department of commerce division of community services shall consider the
11 following criteria in designating a renaissance zone:
 - 12 a. The viability of the development plan.
 - 13 b. The incorporation and enhancement of unique natural and historic features into
14 the development plan.
 - 15 c. Whether the development plan is creative and innovative in comparison to other
16 applications.
 - 17 d. Public and private commitment to and other resources available for the proposed
18 renaissance zone, including the provisions for a renaissance fund organization.
 - 19 e. How renaissance zone designation would relate to a broader plan for the
20 community as a whole.
 - 21 f. How the local regulatory burden, in particular that burden associated with the
22 renovation of historic properties and that burden associated with mixed use
23 development, will be eased for developers and investors in the renaissance zone.
 - 24 g. The strategies for the promotion, development, and management of the zone,
25 including the use of a local zone authority if designated.
 - 26 h. Any other information required by the office.
- 27 4. The department of commerce division of community services may not designate a
28 portion of a city as a renaissance zone unless, as a part of the application, the city
29 provides a resolution from the governing body of the city that states if the renaissance
30 zone designation is granted, persons and property within the renaissance zone are
31 exempt from taxes as provided in sections 40-63-04 through 40-63-07.

- 1 5. A city may not propose or be part of more than one renaissance zone.
- 2 6. a. A parcel of property may be exempted from property taxes under section
3 40-63-05 ~~only more than once, but during.~~ During the five taxable years of
4 eligibility for ~~that an~~ exemption from property taxes under section 40-63-05, the
5 property tax exemption transfers with the transfer of the property to a qualifying
6 user. A parcel of property which previously received a property tax exemption
7 under section 40-63-05 may not be eligible for a subsequent property tax
8 exemption under section 40-63-05 until thirty years have lapsed from the
9 completion date of the most recent project on the property.
- 10 b. The ownership or lease of, or investment in, a parcel of property may qualify for
11 exemption or credit under section 40-63-04 ~~only more than once, but during.~~
12 During the five taxable years of eligibility for that an exemption or credit under
13 section 40-63-04, the exemption or credit ~~under section 40-63-04~~ transfers with
14 the transfer of the property to a qualified user and with respect to the year in
15 which the transfer is made must be prorated for use of the property during that
16 year.
- 17 7. A city may apply to the department of commerce division of community services at any
18 time during the duration of a zone to expand a previously approved renaissance zone
19 that is less than the maximum size allowed under subdivision c of subsection 1. If the
20 expansion is approved by the department of commerce division of community
21 services, the blocks in the expansion are eligible for up to fifteen years of renaissance
22 zone status.
- 23 8. The use of grant funds as the sole source of investment in the purchase of a building
24 or space in a building does not qualify a taxpayer for any tax exemption or credit
25 available under the chapter, and grant funds may not be counted in determining if the
26 cost of rehabilitation meets or exceeds the current true and full value of the building.
- 27 9. If a portion of an approved renaissance zone is not progressing, the city may request
28 the department of commerce division of community services to permit deleting that
29 portion and to make an adjustment of the boundaries to add another equal, contiguous
30 area to the original zone.

1 10. If within a renaissance zone there is property that is included in a tax increment
2 financing district, the city in which the property is located shall provide the department
3 of commerce an annual report regarding any such property at the time requested by
4 the department of commerce. The report required under this subsection must identify
5 the property, provide the expected duration of inclusion of the property in the tax
6 increment financing district and the renaissance zone, and identify any property and
7 income tax benefits of the property and the expected duration of those benefits. The
8 department of commerce shall deliver an annual report compiling the information
9 required under this subsection to the legislative management interim committee on
10 taxation issues or upon request of any other interim committee of the legislative
11 management.

12 **SECTION 3. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **40-63-04. Income tax exemptions.**

- 15 1. An individual taxpayer who purchases or rehabilitates single-family residential property
16 for the individual's primary place of residence as a zone project is exempt from up to
17 ten thousand dollars of personal income tax liability as determined under section
18 57-38-30.3 for fiveup to eight taxable years beginning with the date of occupancy or
19 completion of rehabilitation.
- 20 2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to
21 residential, public utility infrastructure, or commercial property for any business or
22 investment purpose as a zone project is exempt from tax on income derived from the
23 business or investment locations within the zone for fiveup to eight taxable years,
24 beginning with the date of purchase, lease, or completion of rehabilitation.
- 25 a. The maximum amount of income that a taxpayer may exempt from tax under this
26 subsection for any taxable year is five hundred thousand dollars. The limitation in
27 this subdivision applies to the sum of the exempt income derived from the
28 taxpayer's business and investment interests in all zone projects.
- 29 b. If a zone project consists of a physical expansion of an existing building owned
30 and used by the taxpayer for business or investment purposes, the amount of
31 income exempt from tax under this subsection is limited to an amount equal to

1 the income derived from the business, or from the investment use of the building,
2 during the taxable year multiplied by a ratio equal to the square footage added by
3 the expansion divided by the total square footage of the building after expansion.

4 3. If the cost of a new business purchase, leasehold improvement, or expansion of an
5 existing business, approved as a zone project, exceeds seventy-five thousand dollars,
6 and the business is located in a city with a population of not more than two thousand
7 five hundred, an individual taxpayer may, in lieu of the exemption provided in
8 subsection 2, elect to take an income tax exemption of up to two thousand dollars of
9 individual income tax liability as determined under section 57-38-30.3. The election
10 must be made on the taxpayer's return as originally and timely filed. The election is
11 irrevocable and binding for the duration of the exemptions provided in subsection 2 or
12 this subsection. If an election is not made on the original return, the taxpayer is only
13 eligible for the exemption provided in subsection 2.

14 4. If a property owner not participating in a renaissance zone project is required to make
15 changes in utility services or in a building structure because of changes made to
16 property that is part of a zone project, the owner of the nonparticipating property is
17 entitled to state income tax credits equal to the total amount of the investment
18 necessary to complete the required changes. The credit must be approved by the local
19 renaissance zone authority. The credit must be claimed in the taxable year in which
20 the related project was completed. The credit may not exceed the taxpayer's tax
21 liability, and an unused credit may be carried forward up to five taxable years.

22 5. The exemptions provided by this section do not eliminate any duty to file a return or to
23 report income as required under chapter 57-38.

24 **SECTION 4. AMENDMENT.** Section 40-63-05 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **40-63-05. Property tax exemptions.**

27 1. A municipality may grant a partial or complete exemption from ad valorem taxation on
28 single-family residential property, exclusive of the land on which it is situated, if the
29 property was purchased or rehabilitated by an individual for the individual's primary
30 place of residence as a zone project. An exemption granted under this subsection may

1 not extend beyond fiveeight taxable years following the date of acquisition or
2 completion of rehabilitation.

3 2. A municipality may grant a partial or complete exemption from ad valorem taxation on
4 buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone
5 project for any business or investment purpose. The state board of equalization may
6 grant a partial or complete exemption from ad valorem taxation on public utility
7 infrastructure rehabilitated as a zone project. An exemption under this subsection may
8 not extend beyond fiveeight taxable years following the date of purchase or completion
9 of rehabilitation.

10 **SECTION 5. AMENDMENT.** Subsection 5 of section 40-63-07 of the North Dakota Century
11 Code is amended and reenacted as follows:

12 5. The total amount of credits allowed under this section may not exceed, in the
13 aggregate, ten million five hundred thousand dollars for investments in renaissance
14 fund organizations. A renaissance fund organization that has received investments
15 that qualify for the credits under this subsection shall use those investments to finance
16 projects within a renaissance zone. If the total amount of credits allowed under this
17 section have been claimed, the renaissance fund organization allowance must
18 terminate and additional credits may not be made available for investments in a
19 renaissance fund organization.