Fifty-sixth Legislative Assembly of North Dakota

HOUSE BILL NO. 1492

Introduced by

Representatives Dorso, Clark, B. Thoreson

Senators Grindberg, G. Nelson

1 A BILL for an Act to provide for renaissance zones in cities and to provide tax exemptions and

2 credits for investments in renaissance zones; and to provide an effective date.

3 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

4 **SECTION 1. Definitions.** As used in this Act:

- Boundary" means the boundary established by vote of the city governing body
 and approved by the office of intergovernmental assistance.
- 7 2. "Development plan" means a written plan that addresses the criteria in
 8 subsection 1 of section 3 of this Act and includes the following:
- 9 a. A map of the proposed renaissance zone which indicates the geographic
 10 boundaries, the total area, and the present use and conditions of the land and
 11 structures within those boundaries.
- b. A description of the existing physical assets, in particular natural or historical
 assets, of the zone and a plan for the incorporation and enhancement of the
 assets within the proposed development.
- c. An outline of goals and objectives and proposed outcomes, including major
 milestones or benchmarks, by which to gauge success resulting from the
 designation of the zone.
- 18 d. A description of proposed projects including public and private investments,
 19 and the programming and planned events to support and enhance the
 20 projected investments.
- e. A description of the promotion, development, and management strategies to
 maximize investment in the zone.

1		f. A plan for the promotion and use of the renaissance fund corporation,
2		including commitments by one or more investors to the corporation, if such
3		use is intended.
4		g. Evidence of community support and commitment from residential and
5		business interests.
6	3.	"Investor" means the individual, partnership, limited partnership, limited liability
7		company, trust, or corporation making an investment in a renaissance fund
8		corporation.
9	4.	"Local zone authority" means the city or the entity designated by the city to
10		promote, develop, and manage the zone and may include any nonprofit
11		incorporated entity such as an economic development corporation, community
12		development corporation, main street organization, or chamber of commerce.
13	5.	"Original principal amount" means the funds invested in a renaissance fund
14		corporation after designation of the renaissance zone and before the sunset of that
15		zone.
16	6.	"Primary place of residence" means the place of residence of the taxpayer or
17		taxpayers, if filing jointly, in which the taxpayers reside for a minimum of six months
18		and one day of each calendar year within which the exemption is filed.
19	7.	"Zone" means a renaissance zone proposed by a city and designated by the office
20		of intergovernmental assistance.
21	8.	"Zone project" means any project contained within a designated renaissance zone
22		and approved for zone incentives by a majority vote of the city governing body or
23		zone authority.
24	SEC	TION 2. Eligibility - Local zone authority designation. Any incorporated city
25	may apply t	o designate a portion of the city as a renaissance zone, and any individual,
26	partnership,	limited partnership, limited liability company, trust, or corporation with tax liability in
27	the state ma	ay apply for a tax credit or exemption under this Act. The governing body of a city
28	may design	ate a local zone authority to implement a development plan on behalf of the city.
29	SEC	TION 3. Renaissance zones.
30	1.	A city may apply to the office of intergovernmental assistance to designate a
31		portion of that city as a renaissance zone if the following criteria are met:

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1		a.	The geographic area proposed for the renaissance zone is located wholly
2			within the boundaries of the city submitting the application.
3		b.	The application includes a development plan.
4		C.	The proposed renaissance zone is not less than four square blocks nor more
5			than twenty square blocks.
6		d.	The proposed renaissance zone has a continuous boundary and all blocks
7			are contiguous.
8		e.	The proposed land usage includes both commercial and residential property.
9		f.	The application includes the proposed duration of renaissance zone status,
10			not to exceed fifteen years.
11	2.	The	e office of intergovernmental assistance shall:
12		a.	Review all applications for renaissance zone designation against the criteria
13			established in this section and designate zones.
14		b.	Approve or reject the duration of renaissance zone status as submitted in an
15			application.
16		C.	Approve or reject the geographic boundaries and total area of the renaissance
17			zone as submitted in an application.
18		d.	Promote the renaissance zone program.
19		e.	Monitor the progress of the designated renaissance zones against submitted
20			plans in an annual plan review.
21		f.	Report on renaissance zone progress to the governor and the legislative
22			council on an annual basis until all designated zones expire.
23	3.	The	e office of intergovernmental assistance shall consider the following criteria in
24		des	ignating a renaissance zone:
25		a.	The viability of the development plan.
26		b.	The incorporation and enhancement of unique natural and historic features
27			into the development plan.
28		C.	Whether the development plan is creative and innovative in comparison to
29			other applications.

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1		d. Public and private commitment to and other resources ava	ailable for the
2		proposed renaissance zone, including the provisions for a	renaissance fund
3		corporation.	
4		e. How renaissance zone designation would relate to a broad	ler plan for the
5		community as a whole.	
6		. How the local regulatory burden, in particular that burden a	associated with the
7		renovation of historic properties and that burden associate	d with mixed use
8		development, will be eased for developers and investors in	the renaissance
9		zone.	
10		g. The strategies for the promotion, development, and managed	gement of the zone,
11		including the use of a local zone authority if designated.	
12		n. Any other information required by the office.	
13	4.	The office of intergovernmental assistance may not designate a	a portion of a city as
14		a renaissance zone unless, as a part of the application, the city	provides a
15		resolution from the governing body of the city that states if the r	enaissance zone
16		designation is granted, persons and property within the renaiss	ance zone are
17		exempt from taxes levied by that city as provided in this Act.	
18	5.	A city may not propose or be part of more than one renaissance	e zone.
19	SE	TION 4. Income tax exemptions - Confidentiality of records	- Required
20	20 contributions.		
21	1	An individual who purchases property for the individual's primar	y place of
22		esidence as part of a zone project is exempt from personal inc	ome tax for five
23		axable years beginning in the year of the investment.	
24	2.	A business that purchases or leases property for any business	purpose as part of a
25		zone project is exempt from income tax for five taxable years be	eginning in the year
26		of the investment or lease for income derived from the business	s locations within
27		he zone.	
28	3.	An individual, partnership, limited partnership, limited liability co	ompany, trust, or
29		corporation that purchases residential or commercial property a	is an investment as
30		part of a zone project is exempt from any income tax for five tax	kable years resulting
31		rom income earned from that investment.	

1	4.	The office of intergovernmental assistance, in cooperation with the state board of
2		equalization, shall administer this section and issue forms sufficient to monitor the
3		use of the exemptions. The forms, upon submission by the taxpayer, are
4		confidential and may be used only by the office of intergovernmental assistance,
5		the city or local zone authority, if designated, and the state board of equalization.
6	5.	If required by the city's development plan, a taxpayer receiving an exemption under
7		this section shall contribute up to twenty percent of the value of that exemption to
8		the local zone authority.
9	SEC	CTION 5. Property tax exemptions - Confidentiality of records - Required
10	contributio	ons.
11	1.	An individual who purchases property for the individual's primary place of
12		residence as part of a zone project is exempt from the ad valorem taxes on that
13		property for five taxable years beginning in the year of the investment.
14	2.	A business that purchases property for any business purpose, excluding
15		investment, as part of a zone project is exempt from ad valorem taxes on that
16		property for five taxable years beginning in the year of the investment.
17	3.	An individual, partnership, limited partnership, limited liability company, trust, or
18		corporation that purchases residential or commercial property as an investment in
19		a zone project is exempt from ad valorem taxes on that property resulting from that
20		investment for five taxable years beginning in the year of the investment.
21	4.	The office of intergovernmental assistance, in cooperation with the state board of
22		equalization, shall administer this section and issue forms sufficient to monitor the
23		use of the exemptions. The forms, upon submission by the taxpayer, are
24		confidential and may be used only by the office of intergovernmental assistance,
25		the city or local zone authority, if designated, and the state board of equalization.
26	5.	If required by the city's development plan, a taxpayer receiving an exemption under
27		this section shall contribute up to twenty percent of the value of that exemption to
28		the local zone authority.
29	SEC	CTION 6. Historic preservation and renovation tax credit - Confidentiality of
30	records - F	Required contributions.

1	1.	An individual, partnership, limited partnership, limited liability company, trust, or
2		corporation investing in the historic preservation or renovation of property within
3		the renaissance zone is eligible for a tax credit equal to fifty percent of that
4		investment if the investment is made between January 1, 2000, and December 31,
5		2004. The credit may be taken against any tax liability of the state except taxes on
6		real or personal property. The credit has no carry-back provisions but may be
7		carried forward to any succeeding tax year in which the taxpayer has tax liability.
8	2.	The office of intergovernmental assistance, in cooperation with the state board of
9		equalization, shall administer this section and issue forms sufficient to monitor the
10		use of the credit. The forms, upon submission by the taxpayer, are confidential
11		and may be used only by the office of intergovernmental assistance, the city or
12		local zone authority, if designated, and the state board of equalization.
13	3.	If required by the city's development plan, a taxpayer receiving a credit under this
14		section shall contribute up to twenty percent of the value of the historic
15		preservation and renovation credit to the local zone authority.
	SE	CTION 7. Renaissance fund corporation - Exemption from taxation -
16	320	
16 17		ality of records - Required contributions.
17	Confidenti	ality of records - Required contributions.
17 18	Confidenti	ality of records - Required contributions. Each city with a designated renaissance zone may establish a renaissance fund
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17 18 19 20 21 22	Confidenti 1	ality of records - Required contributions. Each city with a designated renaissance zone may establish a renaissance fund corporation, if the provisions for such a corporation are clearly established in the development plan and approved with the plan. The renaissance fund corporation may be a for-profit subsidiary of the local authority if one is designated. The purpose of a renaissance fund corporation is solely to raise funds to be used
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 17 18 19 20 21 22 23 24 25 26 27 28 	Confidenti 1 2.	ality of records - Required contributions. Each city with a designated renaissance zone may establish a renaissance fund corporation, if the provisions for such a corporation are clearly established in the development plan and approved with the plan. The renaissance fund corporation may be a for-profit subsidiary of the local authority if one is designated. The purpose of a renaissance fund corporation is solely to raise funds to be used to make investments in zone projects, and to provide financing to enterprise zone projects in a manner that will encourage capital investment in downtowns and central portions of cities, encourage the establishment or expansion of commercial businesses in downtowns and central portions of cities, and encourage the purchase of homes and encourage residency in the downtowns and central portions of cities.

- The financing may include any combination of equity investments, loans,
 guarantees, and commitments for financing. The amount of financing is not limited
 by this Act.
- 4 4. A renaissance fund corporation is exempt from all state tax levies. However, a
 5 renaissance fund corporation is not exempt from employment taxes or taxes
 6 imposed by a county or by a city.
- An investment made in a renaissance fund corporation is eligible for a fifty percent tax credit. The credit may be taken against any tax liability of the state except taxes on real or personal property. The credit has no carry-back provisions but may be carried forward to any succeeding tax year in which the taxpayer has tax liability.
- The total amount of credits allowed under this section may not exceed, in the
 aggregate, twenty-five million dollars for all taxpayers in all taxable years.
- Income to a renaissance fund corporation derived from the sale or refinancing of
 zone properties financed wholly or in part by the corporation may be dispersed as
 annual dividends equal to the income, minus ten percent, derived from all sources
 and proportional to the investment. In the event of a loss to the fund resulting in a
 temporary diminishment of the fund below the original principal amount, no annual
 dividend may be paid until the fund is restored.
- 8. Income to a renaissance fund corporation derived from interest or the temporary
 investment of its funds in certificates of deposit, bonds, treasury bills, or securities
 may be used for administration.
- 23 9. If an investment in a renaissance fund corporation which is the basis for a credit 24 under this section is redeemed by the investor within ten years of the date it is 25 purchased, the credit provided by this section for the investment must be 26 disallowed, and any credit previously claimed and allowed with respect to the 27 investment must be paid to the tax commissioner with the appropriate return of the 28 taxpayer covering the period in which the redemption occurred. When payments 29 are made to the tax commissioner under this section, the amount collected must be 30 handled in the same manner as if no credit had been allowed.

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1	10.	A renaissance fund corporation may invest in any housing, commercial, or
2		infrastructure project in a zone project.
3	11.	Each petition for investment must include a plan for sale or refinancing that results
4		in proceeds equal to or in excess of the proportional investment made by the
5		renaissance fund corporation.
6	12.	The office of intergovernmental assistance, in cooperation with the state board of
7		equalization, shall administer this section and issue forms sufficient to monitor the
8		use of the credit. The forms, upon submission by the taxpayer, are confidential
9		and may be used only by the office of intergovernmental assistance, the city or
10		local zone authority, if designated, and the state board of equalization.
11	13.	If required by the city's development plan, a taxpayer receiving a credit under this
12		section shall contribute up to twenty percent of the value of the credit to the local
13		zone authority.
14	SEC	CTION 8. Contributions - Use. A local zone authority shall use contributions
15	received ur	nder sections 4, 5, 6, and 7 of this Act for the support of the renaissance zone,
16	including p	comotion, development, and management of the zone.
17	SEC	CTION 9. Income tax secrecy exception. The secrecy provisions of section
18	57-38-57 do no apply to credits received by taxpayers under this chapter, but only when a local	
19	zone authority inquires of the tax commissioner about credits claimed under this chapter with	
20	regard to th	at local zone authority.
21	SEC	CTION 10. EFFECTIVE DATE. This Act is effective for taxable years beginning
22	after Decer	nber 31, 1998, and does not apply to any investments or activities that occurred
23	before January 1, 1999.	