

Introduced by

Representatives S. Kelsh, Drovdal, Ekstrom

Senators Christenson, Grindberg, T. Mathern

1 A BILL for an Act to amend and reenact section 40-63-07 of the North Dakota Century Code,
2 relating to the limitation on the total amount of tax credits for investments in renaissance fund
3 corporations; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 40-63-07 of the 1999 Supplement to the North
6 Dakota Century Code is amended and reenacted as follows:

7 **40-63-07. Renaissance fund corporation - Exemption from taxation.**

- 8 1. Each city with a designated renaissance zone may establish a renaissance fund
9 corporation, if the provisions for such a corporation are clearly established in the
10 development plan and approved with the plan. The renaissance fund corporation
11 may be a for-profit subsidiary of the local authority if one is designated.
- 12 2. The purpose of a renaissance fund corporation is solely to raise funds to be used
13 to make investments in zone projects, and to provide financing to enterprise zone
14 projects in a manner that will encourage capital investment in downtowns and
15 central portions of cities, encourage the establishment or expansion of commercial
16 businesses in downtowns and central portions of cities, and encourage the
17 purchase of homes and encourage residency in the downtowns and central
18 portions of cities.
- 19 3. A renaissance fund corporation may provide financing to zone projects, including
20 projects undertaken by individuals, partnerships, limited partnerships, limited
21 liability companies, trusts, corporations, nonprofit organizations, and public entities.
22 The financing may include any combination of equity investments, loans,
23 guarantees, and commitments for financing. The amount of financing is not limited
24 by this chapter.

- 1 4. A renaissance fund corporation is exempt from any tax imposed by chapter
2 57-35.3 or 57-38. A corporation or financial institution entitled to the exemption
3 provided by this subsection must file required returns and report income to the tax
4 commissioner as required by the provisions of those chapters as if the exemption
5 did not exist. If an employer, this subsection does not exempt a renaissance fund
6 corporation from complying with the income tax withholding laws.
- 7 5. A credit against state tax liability as determined under section 57-35.3-03,
8 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund
9 corporation. The amount of the credit is fifty percent of the amount invested in the
10 renaissance fund corporation during the taxable year. Any amount of credit which
11 exceeds a taxpayer's tax liability for the taxable year may be carried forward for up
12 to five taxable years after the taxable year in which the investment was made.
- 13 6. The total amount of credits allowed under this section may not exceed, in the
14 aggregate, an initial limit of two million five hundred thousand dollars for all
15 ~~taxpayers in all taxable years.~~ Upon exhaustion of this initial limit, an additional
16 one million dollars in credits is available for investments in renaissance fund
17 organizations for taxable years beginning after December 31, 2000, for
18 investments permitted under this chapter if more than sixty-five percent of the
19 organization's funds have been invested as permitted under this chapter or the
20 organization is established after the exhaustion of the initial limit. Upon exhaustion
21 of the initial limit, an additional one million five hundred thousand dollars in credits
22 is available for investments in renaissance fund organizations for taxable years
23 beginning after December 31, 2002, for investments permitted under this chapter if
24 more than sixty-five percent of the qualifying organization's funds have been
25 invested as permitted under this chapter or the organization is established after the
26 exhaustion of initial limit.
- 27 7. Income to a renaissance fund corporation derived from the sale or refinancing of
28 zone properties financed wholly or in part by the corporation may be dispersed as
29 annual dividends equal to the income, minus ten percent, derived from all sources
30 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.

9. If an investment in a renaissance fund corporation which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is purchased, the credit provided by this section for the investment must be disallowed, and any credit previously claimed and allowed with respect to the investment must be paid to the tax commissioner with the appropriate return of the taxpayer covering the period in which the redemption occurred. When payments are made to the tax commissioner under this section, the amount collected must be handled in the same manner as if no credit had been allowed.

10. If an investor redeems an investment more than ten years after the date of that investment in a renaissance zone corporation and at least eighty percent of that investment has not been invested by the renaissance zone corporation in zone projects or in financing zone projects, the credit under subsection 5 is disallowed for that investment and any credit previously taken by that investor with respect to that investment must be repaid. For purposes of this subsection, a renaissance zone corporation shall file a report with the tax commissioner by April first of each year showing the amount and date of receipt by the renaissance zone corporation of each investment by each investor and the date and amount of each investment by the renaissance zone corporation in zone projects or in financing zone projects. Investments received by the renaissance zone corporation are presumed to be invested by the renaissance zone corporation in zone projects or in financing zone projects in the order in which they were received.

11. A renaissance fund corporation may invest in any housing, commercial, or infrastructure project in a zone project.

~~11.~~ 12. Each petition for investment must include a plan for sale or refinancing that results in proceeds equal to or in excess of the proportional investment made by the renaissance fund corporation.

1 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
2 December 31, 2000.