

**FIRST ENGROSSMENT
with Conference Committee Amendments****ENGROSSED HOUSE BILL NO. 1460**

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 net investments received have been invested as permitted under
20 this chapter or the organization is established after the exhaustion of the initial
21 limit. Upon exhaustion of the initial limit, an additional one million five hundred
22 thousand dollars in credits is available for investments in renaissance fund
23 organizations for taxable years beginning after December 31, 2002, for
24 investments permitted under this chapter if more than sixty-five percent of the
25 qualifying organization's net investments received have been invested as permitted
26 under this chapter or the organization is established after the exhaustion of the
27 initial limit.
- 28 7. Income to a renaissance fund corporation derived from the sale or refinancing of
29 zone properties financed wholly or in part by the corporation may be dispersed as
30 annual dividends equal to the income, minus ten percent, derived from all sources
31 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. A renaissance fund organization shall secure an annual audit of its financial records, prepared by an independent certified public accounting firm in accordance with generally accepted auditing standards. The audit report must include a statement of the percentage of annual net investments received by the organization after December 31, 2000, which have been invested by the organization in investments permitted under this chapter. If the audit report shows that less than fifty percent of such net investments have been so invested during the previous four years and the organization has been incorporated for four years or more, that organization may not accept any new investments until the governing body of the city in which the organization was established determines that good cause exists for the failure to reach that level of investment or until a subsequent audit report shows that fifty percent or more of such net investments have been so invested. A renaissance fund organization shall file a copy of each audit of its financial records under this subsection with the governing body of the city in which it was established, the division of community services, and the tax commissioner. The division of community services shall provide an annual report to the budget section of the legislative council showing the conclusions of audit reports filed under this subsection.

- 1 11. A renaissance fund corporation may invest in any housing, commercial, or
2 infrastructure project in a zone project.
- 3 ~~11.~~ 12. 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 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
7 December 31, 2000.