

**Fifty-seventh Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 9, 2001**

HOUSE BILL NO. 1460
(Representatives S. Kelsh, Drovdal, Ekstrom)
(Senators Christenson, Grindberg, T. Mathern)

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

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

1. 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.
2. 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.
3. A renaissance fund corporation may provide financing to zone projects, including projects undertaken by individuals, partnerships, limited partnerships, limited liability companies, trusts, corporations, nonprofit organizations, and public entities. The financing may include any combination of equity investments, loans, guarantees, and commitments for financing. The amount of financing is not limited by this chapter.
4. A renaissance fund corporation is exempt from any tax imposed by chapter 57-35.3 or 57-38. A corporation or financial institution entitled to the exemption provided by this subsection must file required returns and report income to the tax commissioner as required by the provisions of those chapters as if the exemption did not exist. If an employer, this subsection does not exempt a renaissance fund corporation from complying with the income tax withholding laws.
5. A credit against state tax liability as determined under section 57-35.3-03, 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund corporation. The amount of the credit is fifty percent of the amount invested in the renaissance fund corporation during the taxable year. Any amount of credit which exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.
6. The total amount of credits allowed under this section may not exceed, in the aggregate, an initial limit of two million five hundred thousand dollars for all taxpayers in all taxable years. Upon exhaustion of this initial limit, an additional one million dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2000, for investments permitted under this chapter if more than sixty-five percent of the organization's net investments received have been invested as

permitted under this chapter or the organization is established after the exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one million five hundred thousand dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2002, for investments permitted under this chapter if more than sixty-five percent of the qualifying organization's net investments received have been invested as permitted under this chapter or the organization is established after the exhaustion of the initial limit.

7. 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.
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.
11. A renaissance fund corporation may invest in any housing, commercial, or infrastructure project in a zone project.
44. ~~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.

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

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Fifty-seventh Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1460.

House Vote: Yeas 87 Nays 9 Absent 2

Senate Vote: Yeas 46 Nays 3 Absent 0

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 2001.

Approved at _____ M. on _____, 2001.

Governor

Filed in this office this _____ day of _____, 2001,

at _____ o'clock _____ M.

Secretary of State