

**HOUSE BILL NO. 1141**

Introduced by

Representatives Owens, Dahl, Dietrich, Koppelman

Senators Hacker, Wardner

1 A BILL for an Act to create and enact a new subdivision to subsection 1 of section 57-38-01.2, a  
2 new subdivision to subsection 1 of section 57-38-01.3, and a new subdivision to subsection 2 of  
3 section 57-38-30.3 of the North Dakota Century Code, relating to an individual and corporate  
4 income tax deduction for income from small business activity in this state; and to provide an  
5 effective date.

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

7 **SECTION 1.** A new subdivision to subsection 1 of section 57-38-01.2 of the North  
8 Dakota Century Code is created and enacted as follows:

9 Reduced by up to two hundred fifty thousand dollars of the taxable income of  
10 the small business attributable to sources in this state. For purposes of this  
11 subdivision, "small business" means a business that:

- 12 (1) Through a process employing knowledge and labor adds value to a  
13 product for resale;  
14 (2) Has its principal office in this state and primarily does business within  
15 this state;  
16 (3) Has twenty-five or fewer employees or less than two million five  
17 hundred thousand dollars gross revenue for the taxable year;  
18 (4) Is independently owned and operated; and  
19 (5) Is not engaged in farming, ranching, or dairy cattle operations.

20 **SECTION 2.** A new subdivision to subsection 1 of section 57-38-01.3 of the North  
21 Dakota Century Code is created and enacted as follows:

22 Reduced by up to two hundred fifty thousand dollars of the taxable income of  
23 the small business attributable to sources in this state. For purposes of this  
24 subdivision, "small business" means a business that:

- 1                   (1) Through a process employing knowledge and labor adds value to a  
2                                   product for resale;
- 3                   (2) Has its principal office in this state and primarily does business within  
4                                   this state;
- 5                   (3) Has twenty-five or fewer employees or less than two million five  
6                                   hundred thousand dollars gross revenue for the taxable year;
- 7                   (4) Is independently owned and operated; and
- 8                   (5) Is not engaged in farming, ranching, or dairy cattle operations.

9                   **SECTION 3.** A new subdivision to subsection 2 of section 57-38-30.3 of the North  
10 Dakota Century Code is created and enacted as follows:

11                                   Reduced by up to two hundred fifty thousand dollars of the taxable income of  
12                                   the small business attributable to sources in this state. For purposes of this  
13                                   subdivision, "small business" means a business that:

- 14                   (1) Through a process employing knowledge and labor adds value to a  
15                                   product for resale;
- 16                   (2) Has its principal office in this state and primarily does business within  
17                                   this state;
- 18                   (3) Has twenty-five or fewer employees or less than two million five  
19                                   hundred thousand dollars gross revenue for the taxable year;
- 20                   (4) Is independently owned and operated; and
- 21                   (5) Is not engaged in farming, ranching, or dairy cattle operations.

22                   **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
23 December 31, 2006.