

Individual Income Tax Statistics – Form ND-2
Presented to the Interim Taxation Committee
By Kathryn Strombeck, Research Analyst, Office of Tax Commissioner
September 5, 2007

Chairman Stenehjem, members of the Taxation Committee, for the record, my name is Kathryn Strombeck, Research Analyst with the Office of Tax Commissioner. I am here today to provide you with statistics on the state's optional individual income tax return, Form ND-2.

A little background: Until 1980, there was only one individual income tax filing method in our state. It had many of the same deductions and credits currently available on today's Form ND-2. The tax rates ranged from 1% to 7.5% on taxable income over \$30,000. Those rates enabled North Dakota to be ranked in the "middle of the pack" among states with broad-based income taxes.

In 1980, an initiated measure was passed by the citizens that created the Oil Extraction Tax, and authorized an *Energy Cost Relief Credit* of \$100 for all individual income tax filers. The 1981 Legislative Assembly enacted additional income tax relief by creating an optional "short form" tax return, *Form 37-S*. It had a single tax rate with the tax computed as 7.5% of a taxpayer's federal tax liability. These two features – the tax rate of 7.5% of the federal tax liability and the \$100 Energy Cost Relief Credit – made North Dakota the state with the lowest individual income tax liabilities among states with an income tax. The existing form then became known as "the long form" and was kept alive, at least in part, due to contracts under the beginning farmer program deductions. This was the beginning of our two-form system. From the outset, the tax computed on this new "short form" was significantly less than the tax computed on the "long form," Form 37.

In 1983, the legislature repealed the Energy Cost Relief credit, raised the short form rate from 7.5% to 10.5% of the federal tax liability, and raised the long-form rates by an equal percentage. In the intervening 24 years, each increase in the “short form” rate(s) has been matched by a similar percentage increase in the “long form” rates to avoid causing inadvertent shifting among the two methods. This has resulted in a growing disparity between the tax due under the two methods. Some increases in the short form rate only kept the state whole, reversing the negative fiscal impact of federal tax decreases that the state could not afford to allow to occur. The long form rates continued to be increased in the same manner even though that filing method was not as directly tied to federal rate changes. As a result, fewer and fewer taxpayers found it beneficial to file that long form, as the tax computation disparity grew.

To avoid being forced to respond to every Congressional act and federal tax liability change, and enabling the state to set its own course for individual income taxes, the 2001 Legislative Assembly decoupled from the federal tax liability and instituted federal taxable income as the starting point for the state’s main tax return. The 2001 legislature set revenue neutral rates and brackets, based on the federal brackets in existence at that time. This limited future fluctuations in state income tax revenues that would occur solely because of Congressional action.

That brings us to where we are today. We still have two income tax systems. Now, they are both, more or less “long forms”. Both start with federal taxable income. Both have several deductions and credits in common. But they have vastly different tax rates, usually resulting in vastly different liabilities, as borne out by the huge difference in numbers of filers using each method.

Rates currently range from 2.1% to 5.54% of taxable income on the main form, Form ND-1. The brackets are annually indexed for inflation, and they continue to be among the lowest in the nation. That situation is much different on Form ND-2 however. These rates range from 2.67% to 12% of taxable income, and are at the high end when compared to tax rates around the country. They are not indexed for inflation.

Form ND-2 cannot be e-filed and is not supported by electronic filing vendors.

The first two tables attached to this testimony show all individual income tax deductions and tax credits that were available in 2005. There is a column for those available on Form ND-1, and those available on the optional form, ND-2. Many are available on both. In the ND-2 column is a number in parentheses. This is the count of 2005 ND-2 returns that claimed that deduction or credit.

At the bottom of the second table, you'll see the current numbers of taxpayers who filed Form ND-2 for tax year 2005. Two percent of taxpayers filed ND-2 returns, and collectively they paid only four-tenths of one percent of the total tax liabilities for tax year 2005. The overall average tax liability per return is \$765; on Form ND-2, it is \$158.

The deductions and credits shown on these tables are, obviously, the only things that make ND-2 a viable option for the two percent of taxpayers who file using this method. The most meaningful deductions and credits are:

- A. **The deduction for medical expenses not allowed on federal Schedule A:** The federal itemized deduction for medical expenses is only allowed on the portion that exceeds 7.5% of adjusted gross income. This ND-2 deduction allows taxpayers to claim the medical expenses not allowed a federal deduction. The deduction is large, and growing larger as medical costs continue to increase. The average medical deduction claimed by these 2900 filers was \$4640.
- B. **The federal tax deduction:** While this deduction makes intuitive sense, (why tax income that has already been "spent" on another jurisdictions' tax?), it is a large deduction with a huge fiscal impact. Without this deduction – everything else being equal – rates could be reduced 15-20%.
- C. **Long-term care credit:** This is the most utilized tax credit available only on ND-2, although there have been many attempts to move this credit to Form ND-1.

Over ten percent of the taxpayers claiming this tax credit were nonresidents, so some of the nursing home cost savings will accrue to other states.

Generally, it takes at least two deductions or credits – and often many more than that - to make Form ND-2 work for a taxpayer. Based on sampling, the average savings for the typical ND-2 filer over what their liability would be on Form ND-1 is approximately \$25. Some use a combination of credits and deductions and save much more than that; for others the saving is just a few dollars, but since they prepared both forms to determine the differential, they file the one that offers even a minuscule benefit to them.

The dual system is complex. Of the approximate 6500 ‘paper-filed’ ND-2 returns we have processed this year, only 233 of them have been filed on the state’s form by the taxpayers themselves. The rest have been filed through the use of tax practitioners. The costs associated with dual return preparation offsets some of the savings to the taxpayer.

The committee asked for the fiscal impact of moving all ND-2 deductions and credits to Form ND-1. An estimate of this can be found in the third table in your handout. Not unexpectedly, the largest fiscal impact of moving these items onto ND-1 goes hand in hand with those items that offer the greatest benefit on Form ND-2: the federal tax deduction, the medical expense deduction, and the long term care tax credit.

The committee also asked for the estimated rate reductions that would be needed on ND-1, so that if the ND-2 option was repealed, no taxpayer would be hurt. There are approximately 1000 Form ND-2 filers with zero net tax liability, many of whom would have a liability if filing Form ND-1. The bottom bracket of Form ND-1 would have to be reduced from 2.1% to zero to accomplish that goal of avoiding a tax increase – however slight – to Form ND-2 filers.* An alternative may be to repeal the optional form, and offer a tax credit of a set dollar amount, for example, to filers forced to file Form ND-1 who had filed Form ND-2 in the previous year. Although it could probably not be structured to be revenue-neutral to every single taxpayer, it could offer some benefit to our former ND-2 filers while having a pre-determined and limited overall fiscal impact.

In conclusion, since 1980, the "long form" has been utilized as a vehicle upon which to continue to offer certain credits and deductions while limiting their negative fiscal impact. The disparity between the two systems has grown, and usage has steadily decreased. Any entity examining North Dakota's income tax rates may have an unfavorable impression if they stumble across only the high ND-2 rates. A significant amount of time and effort is expended by our staff on forms design, programming, and taxpayer assistance working with Form ND-2, considering its being utilized by only two percent of taxpayers. Form ND-2 consumes the resources of tax practitioners as well. Perhaps most importantly is the cost to the taxpayer in time, effort and expense associated with preparing - and comparing - two separate state income tax returns.

As you undertake this study of the dual income tax systems, as always, Commissioner Fong and the staff of the Tax Department will offer whatever assistance we can. Are there any questions?

Comparison of all deductions allowed on Form ND-1 and Form ND-2

The number in parentheses () in the column for Form ND-2 shows the number of 2005 returns on which the deduction was claimed. If there's no number, separate statistics are not available.

For each item in the list, an X in either (or both of the columns on the right indicates the form on which the item is allowed by law.

► Generally, the taxpayers who benefited from using Form ND-2 needed to have more than one deduction and/or tax credit to overcome the higher tax rates on Form ND-2 as compared to those on Form ND-1.

	Form ND-1 (Main Method)	Form ND-2 (Optional method)
1 Interest on U.S. obligations exemption	X	X
2 Native American income exemption	X	X
3 U.S. Railroad Retirement Board benefit exemption	X	X
4 Nonresident military income adjustment	X	X
5 30% net long-term capital gain exclusion	X	
6 Income from a pass-through entity subject to the ND financial institution tax	X	X
7 Renaissance zone income exemption	X	X
8 New or expanding business income exemption	X	X
9 National Guard/Reserve member federal duty income exclusion	X	X
10 Regular U.S. armed forces active duty pay exclusion (up to \$1,000)		X (80)
11 Regular U.S. armed forces overseas active duty pay exclusion (up to \$300 per month)		X (23)
12 Regular U.S. armed forces retirement pay exclusion (up to \$5,000)		X (30)
13 Federal civil service retirement pay exclusion (up to \$5,000)		X
14 ND city firefighter relief association pay exclusion (up to \$5,000)		X
15 ND city police officer retirement pay exclusion (up to \$5,000)		X
ND highway patrol officer retirement pay exclusion (up to \$5,000)		X
Beginning farmer deduction: Interest on contract for deed for sale of farmland		X (<5)
18 Beginning farmer deduction: Income from lease of farmland (up to \$25,000)		X (9)
19 Beginning farmer deduction: Gain from sale of farmland		X (<5)
20 Deduction for interest from banks or similar institutions (up to \$300/\$600, if joint)		X (628)
21 Beginning entrepreneur deduction: Interest on contract for deed for sale of business		X (0)
22 Beginning entrepreneur deduction: Income from lease of business (up to \$25,000)		X (<5)
23 Beginning entrepreneur deduction: Gain from sale of business		X (0)
24 Deduction for investment in a venture capital corporation (up to \$5,000/\$10,000, joint)		X (0)
25 Deduction of medical expenses in excess of 7.5% of adjusted gross income		X (2,904)
26 \$300 exemption if married filing jointly, head of household, or qualifying widower		X (4,475)
27 Deduction of \$1,750 for adopting a child under age 21 (year of adoption)		X
28 Deduction of up to \$1,000 of cost of adopting a child under age 21 who is mentally retarded, blind or disabled (year of adoption)		X
29 Deduction of \$750 for an adopted child under age 21 who is mentally retarded, blind or disabled (annual)		X
30 Exclusion of gain from sale of property due to exercise of eminent domain		X (0)
31 Exclusion of gain from sale of stock in a corporation that relocates to ND		X (0)
32 Federal income tax deduction		X (6,333)

Comparison of all tax credits allowed on Form ND-1 and Form ND-2

- ▶ The number in parentheses () in the column for Form ND-2 shows the number of 2005 returns on which the deduction was claimed. If there's no number, separate statistics are not available.
- ▶ Generally, the taxpayers who benefited from using Form ND-2 needed to have more than one deduction and/or tax credit to overcome the higher tax rates on Form ND-2 as compared to those on Form ND-1.

For each item in the list, an X in either (or both of the columns on the right indicates the form on which the item is allowed by law.

	Form ND-1 (Main Method)	Form ND-2 (Optional method)
1 Credit for income tax paid to another state (ND resident only)	X	X
2 Family member care credit	X	X
3 Seed capital investment credit	X	X
4 Agricultural commodity processing facility investment credit	X	X
5 Renaissance zone credit	X	X
6 Credit for unused federal credit for prior year minimum tax	X	
7 Credit for contribution to a nonprofit private college in ND		X (7)
8 Credit for contribution to a nonprofit private high school in ND		X (12)
9 Long-term care insurance credit		X (504)
10 ND venture capital corporation investment credit		X 0
11 ND Small Business Investment Company investment credit		X 0
12 ND nonprofit development corporation investment credit		X 0
13 Credit for installing a geothermal, solar, or wind energy device in ND		X (<5)
14 Credit for employing a person who is developmentally disabled or chronically mentally ill		X (<5)

Additional pertinent information:

- ▶ The total net tax liability for the 2005 tax year generated by--

Form ND-2	\$1,057,525	(0.4%)
All returns	\$253,125,457	(100.0%)
- ▶ Of the total Form ND-2 returns filed, only 2,950 were filed by North Dakota residents.

Number of Form ND-2 filed	6,677	(2.00%)	(2,203 are ND residents)
Number of Form ND-1 filed	324,029	(98.00%)	
- ▶ The administrative cost savings of repealing Form ND-2 is estimated to be \$25,000 per year.
- ▶ A repeal would result in an estimated positive fiscal impact of \$150,000 per year.
- ▶ Based on a sampling of Form ND-2 returns, the average savings for Form ND-2 filers was approx \$25
- ▶ The tax rates on Form ND-2 are significantly higher than those on Form ND-1--

	Form ND-1	Form ND-2
Lowest rate	2.10%	2.67%
Highest rate	5.54%	12.00%

The highest rate effective at \$50,000 (ND-2) and at \$336,000 (ND-1)

**Estimated Biennial Fiscal Impact
Of Allowing Select Tax Deductions
and Tax Credits on Form ND-1
(Currently Available on Form ND-2 only)**

<u>Deductions Currently Allowed on Form ND-2 Only</u>	<u>Estimated Biennial Fiscal Impact of Allowing on Form ND-1</u>	
Military pay exclusion	\$ (430,000)	to \$ (538,000)
Additional military pay exclusion	(65,000)	to (81,000)
Military retirement pay exclusion	(3,000,000)	to (6,000,000)
Income from federal civil service pension, etc.	(785,000)	to (981,000)
Interest income from sale of land to beginning farmer	(10,000)	to (13,000)
Rental income from leasing land to beginning farmer	(108,000)	to (135,000)
Gain from sale of land to beginning farmer	(25,000)	to (31,000)
Interest income from North Dakota financial institutions	(2,315,000)	to (2,894,000)
Interest/Rental income and Gain from sale to a beginning entrepreneur	(486,000)	to (608,000)
Medical expenses not allowed due to federal AGI limits	(5,000,000)	to (7,000,000)
Additional exemption for MFJ, HH, or QW	(2,085,000)	to (2,606,000)
Federal income tax deduction	<u>(75,000,000)</u>	<u>to (82,500,000)</u>
 Subtotal: Estimated Biennial Fiscal Impact of Tax Deductions if they were made available on Form ND-1	 \$ (89,309,000)	 to \$ (103,387,000)
 <u>Tax Credits Currently Allowed on Form ND-2 Only</u>		
Credit for contributions to nonprofit private colleges in ND	\$ (1,400,000)	to (2,100,000)
Credit for contributions to nonprofit private high schools in ND	(1,200,000)	to (1,800,000)
Long-term care insurance credit	<u>(7,600,000)</u>	<u>to (9,500,000)</u>
 Subtotal: Estimated Biennial Fiscal Impact of Tax Credits if they were made available on Form ND-1	 <u>\$ (10,200,000)</u>	 <u>to \$ (13,400,000)</u>
 Total: Estimated Biennial Fiscal Impact of Tax Deductions and Tax Credits if they were made available on Form ND-1	 \$ (99,509,000)	 to \$ (116,787,000)



Form North Dakota Office of State Tax Commissioner
ND-2 Optional individual income tax return



2005

2005 CALENDAR YEAR, or other tax year beginning _____, 2005, and ending _____, 20____
 name (First, MI, Last name)

If joint return, spouse's name (First, MI, Last name)
 Mailing address
 City State Zip code

Your social security number
 Spouse's social security number

Filing status used on federal return: *(Fill in only one)*
 1. Single 4. Head of household
 2. Married filing jointly 5. Qualifying widow(er) with dependent child
 3. Married filing separately — enter spouse's name _____

Were you required to pay estimated federal income tax for 2005? *(See page 7)*
 Yes No

School district code: _____ Income Source Code: _____
(See page 16) *(See page 7)*

Check only if applicable: Amended Extension
(See page 7)

Tax computation schedule

1. North Dakota taxable income from Schedule 2, line 31, or Schedule 3, Part 1, line 26 ----- (A) 1 _____
2. North Dakota income tax: Use Form ND-2 Tax Rate Table on page 13 of instructions to calculate tax ----- 2 _____
3. Credit for income tax paid to another state *(Attach Schedule 4)* ----- (D) 3 _____
4. Credit for contributions to nonprofit private colleges in ND ----- (?) 4 _____
5. Credit for contributions to nonprofit private high schools in ND ----- (-) 5 _____
6. Long-term care insurance credit ----- (1L) 6 _____
7. Other credits *(Attach supporting statement)* ----- (1T) 7 _____
8. Venture capital corporation investment credit ----- (1K) 8 _____
9. ND Small Business Investment Company investment credit ----- (1B) 9 _____
10. Nonprofit development corporation investment credit ----- (1F) 10 _____
- Qualified business seed capital investment credit ----- (1M) 11 _____
12. **Net tax liability** *(Line 2 less lines 3 through 11) If less than zero, enter -0-* ----- (E) 12 _____
13. North Dakota income tax withheld *(Attach supporting W-2s and 1099s)* ----- (F) 13 _____
14. Estimated tax paid, including extension payment on 2005 Form 400-EXT and overpayment applied from 2004 return ----- (&) 14 _____
15. Total payments *(Add lines 13 and 14)* ----- 15 _____
16. **Overpayment** *(If line 15 is greater than line 12, subtract line 12 from line 15. If line 12 is greater than line 15, go to line 21.) If less than \$5, enter -0-* ----- (G) 16 _____
17. Amount of line 16 you wish to apply to your 2006 estimated tax ----- (1Q) 17 _____
18. Amount of line 16 you wish to contribute to the Watchable Wildlife Fund ----- (1P) 18 _____
19. Amount of line 16 you wish to contribute to the Trees For ND Program Trust Fund (1D) 19 _____
20. **Refund** *(Line 16 less lines 17, 18, and 19) If less than \$5, enter -0-* ----- (1R) 20 _____
21. **Tax due** *(If line 12 is greater than line 15, subtract line 15 from line 12) If less than \$5, enter -0-* ----- (Z) 21 _____
22. Voluntary contribution to the Watchable Wildlife Fund *(if tax due on line 21)* ----- (1U) 22 _____
23. Voluntary contribution to the Trees For ND Program Trust Fund *(if tax due on line 21)* ----- (1E) 23 _____
24. **Balance due** *(Line 21 plus lines 22, 23, and if applicable, 25) Pay to: ND State Tax Commissioner* ----- 24 _____
25. Interest on underpaid estimated tax from Form 400-UT ----- (1C) 25 _____

I declare under the penalties of North Dakota Century Code §12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return. **Privacy Act** - see inside front cover of booklet.

Your signature	Date	Your daytime phone number
Spouse's signature	Date	
Preparer's signature	EIN/SSN/PTIN	Date

OPR Tax Department use only
ND-2

- Attach a complete copy of your 2005 federal income tax return
- Mail to: Office of State Tax Commissioner, 600 E. Boulevard Ave., Dept. 127, Bismarck, ND 58505-0550

Schedule North Dakota Office of State Tax Commissioner
2 **Schedule for full-year resident using**
Form ND-2



2005
 Form ND-2

A. Federal adjusted gross income from line 37 of Form 1040, or line 21 of Form 1040A,
 or line 4 of Form 1040EZ ----- **(H) A** _____

1. Federal taxable income from line 43 of Form 1040, or line 27 of Form 1040A,
 or line 6 of Form 1040EZ (If zero, see page 8 of instructions) ----- **(I) 1** _____

North Dakota additions

2. Interest from state and local government obligations (except North Dakota) ----- **(J) 2** _____

3. State and local income taxes from Form 1040, Schedule A, line 5 [However, see
 instructions if line A above exceeds \$145,950 (\$72,975, if married filing separately)] **(L) 3** _____

4. Other (See instructions) (Attach supporting statement) ----- **4** _____

5. Total additions (Add lines 2, 3, and 4) ----- **(M) 5** _____

6. Balance (Add lines 1 and 5) ----- **6** _____

North Dakota subtractions

7. Interest from U.S. obligations ----- **(N) 7** _____

8. Military pay exclusion ----- **(O) 8** _____

9. Additional military pay exclusion for overseas duty ----- **(2F) 9** _____

10. Military retirement pay exclusion ----- **(#) 10** _____

11. Income from a federal civil service pension, a North Dakota city firefighter or
 police officer pension, or the North Dakota highway patrol pension fund ----- **(Q) 11** _____

12. Interest income from sale of land to a qualifying beginning farmer ----- **(2H) 12** _____

13. Rental income from leasing of land to a qualifying beginning farmer ----- **(2I) 13** _____

14. Gain from sale of land to a qualifying beginning farmer ----- **(2J) 14** _____

15. Interest income from North Dakota financial institutions ----- **(2K) 15** _____

16. Interest income from sale of a business to a qualifying beginning entrepreneur ----- **(2L) 16** _____

17. Rental income from leasing a business to a qualifying beginning entrepreneur ----- **(2M) 17** _____

18. Gain from sale of a business to a qualifying beginning entrepreneur ----- **(2N) 18** _____

19. Exclusion for investment in ND venture capital corporation ----- **(2A) 19** _____

20. Medical expenses not allowed due to 7.5% of adjusted gross income limitation
 (Enter smaller of line 1 or line 3, Sch. A, Form 1040) ----- **(R) 20** _____

21. Additional exemption: If your Filing Status (at top of Form ND-2) is Married
 filing jointly, Head of household, or Qualifying widow(er), enter \$300 ----- **21** _____

22. Other (See instructions) (Attach supporting statement) ----- **(T) 22** _____

23. Total subtractions (Add lines 7 through 22) ----- **(U) 23** _____

24. Balance (Subtract line 23 from line 6) ----- **24** _____

25. Federal income tax - see instructions for amount to enter on this line ----- **(V) 25** _____

26. Adjusted gross income from line A at top of page ----- **(W) 26** _____

27. If an entry was made on lines 7 through 18, or line 22, see
 the instructions for the amount to enter on this line.
 Otherwise, enter amount from line 25 on line 30, and go to
 line 31 ----- **(X) 27** _____

28. Subtract line 27 from line 26 ----- **28** _____

29. North Dakota income ratio (Divide line 28 by line 26 and round to nearest two
 decimal places. If line 28 equals line 26, enter 1.00) ----- **29** _____

30. Federal income tax deduction (Multiply line 25 by line 29) ----- **(Y) 30** _____

31. North Dakota taxable income (Subtract line 30 from line 24) Enter here and on Form ND-2, Tax Computation
 Schedule, line 1 ----- **31** _____



ND-1 Individual income tax return 2005

Please type or print in black or blue ink. See page 16 of instructions for the proper way to fill out this form.

Your Social Security Number

Spouse's Social Security Number

Fill in if this is a
COMPOSITE RETURN (CF)

Your name (First, MI, Last name)

► If fiscal year filer, enter fiscal year end:
(See page 9)

If joint return, spouse's name (First, MI, Last name)

MM/DD/YYYY

Mailing address

► Fill in only if applicable: Amended
(See page 9) Extension

City State Zip code

- A. Filing status used**
- 1. Single
 - 2. Married filing jointly
 - 3. Married filing separately - enter spouse's name ►
 - 4. Head of household
 - 5. Qualifying widow(er) with dependent child

► Were you required to pay
estimated federal income tax
for 2005? (See page 9) Yes
 No

B. School district code:
(See page 17)

C. Income source code:
(See page 9)

US Dollars

D. Federal adjusted gross income from line 37 of Form 1040, line 21 of Form 1040A,
or line 4 of Form 1040EZ (SX) D

1. Federal taxable income from line 43 of Form 1040, line 27 of Form 1040A,
or line 6 of Form 1040EZ (If zero, see page 9 of instructions) (SS) 1

Additions

- 2. Lump-sum distribution from Federal Form 4972** (NA) 2
- 3. Loss from pass-through entity subject to North Dakota's
financial institution tax (Attach statement from entity)** (NB) 3
- adjustment to federal taxable income, if claiming
planned gift credit (From Schedule PG, line 13)** (NK) 4
- 5. Add lines 1, 2, 3, and 4** 5

Subtractions

- 6. Interest from U.S. obligations**
(Attach supporting statement) (SN) 6
- 7. Net long-term capital gain exclusion**
(From worksheet on page 10 of instructions) (NC) 7
- 8. Exempt income of a Native American** (S4) 8
- 9. Benefits received from U.S. Railroad Retirement Board**
(Attach copy of Form RRB-1099, RRB-1099-R, or both) (S5) 9
- 10. Income from pass-through entity subject to North Dakota's
financial institution tax (Attach statement from entity)** (S6) 10
- 11. Renaissance zone income exemption**
(Attach Schedule RZ) (S7) 11
- 12. New or expanding business income exemption under
N.D.C.C. ch. 40-57.1 (Attach supporting statement)** (NH) 12
- 13. National Guard/Reserve member federal active duty
pay exclusion (Attach copy of mobilization orders)** (NI) 13
- 14. Nonresident only: Servicemembers Civil Relief Act
adjustment (See page 11 of instructions)** (NJ) 14
- 15. Human organ donor expense deduction**
(Attach supporting statement) (NL) 15
- 16. North Dakota taxable income.** Subtract lines 6 through 15 from line 5.
If less than zero, enter 0 (ND) 16

Tax. Enter the tax as explained below: (SB) 17

- If **full-year resident**, enter amount from Tax Table on page 18 of instructions. If you have farm income, see page 12 of instructions.
- If **full-year nonresident** or **part-year resident**, enter amount from Schedule ND-1NR, line 20.



US Dollars

18. Enter your **tax** from line 17 of page 1 ----- 18

Credits

- 19. Credit for income tax paid to another state
(Attach Schedule CR) ----- (SD) 19
- 20. Family member care credit *(Attach Schedule FC)* ----- (S2) 20
- 21. Renaissance zone credit *(Attach Schedule RZ)* ----- (S3) 21
- 22. Ag commodity investment credit *(from worksheet on page 11 of instructions)* *(Attach copy of investment reporting form)* ----- (NE) 22
- 23. Seed capital investment credit *(from worksheet on page 12 of instructions)* *(Attach copy of investment reporting form)* ----- (NG) 23
- 24. Credit for planned gift to qualified North Dakota nonprofit organization. *(From Schedule PG, line 7)* ----- (NM) 24
- 25. Credit for biodiesel fuel supplier *(Attach supporting statement)* ----- (NN) 25
- 26. Credit for biodiesel fuel seller *(Attach supporting statement)* ----- (NO) 26
- 27. **Net tax liability.** Subtract lines 19 through 26 from line 18. *If less than zero, enter 0* ----- (SE) 27

Withholding and/or tax already paid

- 28. North Dakota withholding *(Attach supporting W-2s and 1099s)* ----- (SF) 28
- 29. Estimated tax paid, including extension payment on Form 400-EXT and overpayment applied from 2004 return ----- (S&) 29
- 30. Total payments. Add lines 28 and 29 ----- 30

Refund

- 31. **Overpayment** - If line 30 is MORE than line 27, subtract line 27 from line 30 and enter result; otherwise, go to line 36. *If result is less than \$5.00, enter 0* ----- (SG) 31
- 32. Amount of line 31 that you want applied to your 2006 estimated tax ----- (SQ) 32
- 33. Amount of line 31 that you wish to contribute to the Watchable Wildlife Fund ----- (SP) 33
- 34. Amount of line 31 that you wish to contribute to the Trees For ND Program Trust Fund ----- (SW) 34
- 35. **Refund.** Subtract lines 32 through 34 from line 31. *If result is less than \$5.00, enter 0* ----- (SR) 35

To **direct deposit** your refund, complete items a, b, and c. *(See page 15.)*

- a. Routing number:
- b. Account number:

- c. Type of account:
 - Checking
 - Savings

Tax Due

- 36. **Tax due** - If line 30 is LESS than line 27, subtract line 30 from line 27 and enter result. *If result is less than \$5.00, enter 0* ----- (SZ) 36
- 37. Amount that you wish to contribute to the Watchable Wildlife Fund *(but only if there is a tax due on line 36)* ----- (SU) 37
- 38. Amount that you wish to contribute to the Trees For ND Program Trust Fund *(but only if there is a tax due on line 36)* ----- (SY) 38
- 39. **Balance due.** Add lines 36, 37, 38, and, if applicable, line 40. Pay to: **ND State Tax Commissioner** ----- 39
- 40. Interest on underpaid estimated tax from Form 400-UT ----- (SO) 40

I declare under the penalties of North Dakota Century Code §12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return. **Privacy Act** - see inside front cover of booklet.

Your signature	Date	Your daytime phone number
Spouse's signature	Date	
Signature of paid preparer	EIN/SSN/PTIN	Date

Tax Department use only

OPR

► **Attach a copy of your 2005 federal income tax return**

► **Mail to: Office of State Tax Commissioner, 600 E. Boulevard Ave., Dept. 127, Bismarck, ND 58505-0550**