

HOUSE BILL NO.

Introduced by

Representative Kasper

1 A BILL for an Act amend and reenact sections 57-38-29 and 57-38-30 and subsection 1 of
2 section 57-38-30.3 of the North Dakota Century Code, relating to reduction of individual and
3 corporate income tax rates; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-38-29 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-38-29. Optional method of computing tax.** Notwithstanding the other provisions
8 of this chapter, an individual, estate, or trust may elect to determine state income tax liability by
9 applying the provisions of this section. A tax is hereby imposed upon every individual, to be
10 levied, collected, and paid annually with respect to the taxable income of such individual as
11 defined in this chapter, computed at the following rates:

- 12 1. On taxable income not in excess of three thousand dollars, a tax of ~~two and~~
13 ~~sixty-seven hundredths~~ percent.
- 14 2. On taxable income in excess of three thousand dollars and not in excess of five
15 thousand dollars, a tax of ~~four~~ three percent.
- 16 3. On taxable income in excess of five thousand dollars and not in excess of eight
17 thousand dollars, a tax of ~~five and thirty-three hundredths~~ four percent.
- 18 4. On taxable income in excess of eight thousand dollars and not in excess of fifteen
19 thousand dollars, a tax of ~~six and sixty-seven hundredths~~ five percent.
- 20 5. On taxable income in excess of fifteen thousand dollars and not in excess of
21 twenty-five thousand dollars, a tax of ~~eight~~ six percent.
- 22 6. On taxable income in excess of twenty-five thousand dollars and not in excess of
23 thirty-five thousand dollars, a tax of ~~nine and thirty-three hundredths~~ seven
24 percent.

1 7. On taxable income in excess of thirty-five thousand dollars and not in excess of
2 fifty thousand dollars, a tax of ~~ten and sixty-seven hundredths~~ eight percent.

3 8. On taxable income in excess of fifty thousand dollars, a tax of ~~twelve~~ nine percent.

4 **SECTION 2. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-38-30. Imposition and rate of tax on corporations.** A tax is hereby imposed upon
7 the taxable income of every domestic and foreign corporation which must be levied, collected,
8 and paid annually as in this chapter provided:

9 1. ~~a.~~ For the first three thousand dollars of taxable income, at the rate of ~~two and~~
10 ~~six-tenths~~ one and ninety-five hundredths percent.

11 ~~b.~~ 2. On all taxable income above three thousand dollars and not in excess of eight
12 thousand dollars, at the rate of ~~four and one-tenth~~ three and eight hundredths
13 percent.

14 ~~c.~~ 3. On all taxable income above eight thousand dollars and not in excess of twenty
15 thousand dollars, at the rate of ~~five and six-tenths~~ four and twenty hundredths
16 percent.

17 ~~d.~~ 4. On all taxable income above twenty thousand dollars and not in excess of thirty
18 thousand dollars, at the rate of ~~six and four-tenths~~ four and eighty hundredths
19 percent.

20 ~~e.~~ 5. On all taxable income above thirty thousand dollars, at the rate of ~~six and one-half~~
21 four and eighty-eight hundredths percent.

22 ~~2.~~ A corporation that has paid North Dakota alternative minimum tax in years
23 beginning before January 1, 1991, may carry over any alternative minimum tax
24 credit remaining to the extent of the regular income tax liability of the corporation
25 for a period not to exceed four taxable years.

26 **SECTION 3. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota
27 Century Code is amended and reenacted as follows:

28 1. A tax is hereby imposed for each taxable year upon income earned or received in
29 that taxable year by every resident and nonresident individual, estate, and trust. A
30 taxpayer computing the tax under this section is only eligible for those adjustments
31 or credits that are specifically provided for in this section. Provided, that for

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1 purposes of this section, any person required to file a state income tax return under
2 this chapter, but who has not computed a federal taxable income figure, shall
3 compute a federal taxable income figure using a pro forma return in order to
4 determine a federal taxable income figure to be used as a starting point in
5 computing state income tax under this section. The tax for individuals is equal to
6 North Dakota taxable income multiplied by the rates in the applicable rate schedule
7 in subdivisions a through d corresponding to an individual's filing status used for
8 federal income tax purposes. For an estate or trust, the schedule in subdivision e
9 must be used for purposes of this subsection.

10 a. Single, other than head of household or surviving spouse.

11	If North Dakota taxable income is:	The tax is equal to:
12	Not over \$27,050 <u>\$33,950</u>	2.40% <u>1.58%</u>
13	Over \$27,050 <u>\$33,950</u> but not	\$568.05 <u>\$534.71</u> plus 3.92% <u>2.94%</u> of amount
14	over \$65,550 <u>\$82,250</u>	over \$27,050 <u>\$33,950</u>
15	Over \$65,550 <u>\$82,250</u> but not	\$2,077.25 <u>\$1,954.73</u> plus 4.34% <u>3.26%</u> of amount
16	over \$136,750 <u>\$171,550</u>	over \$65,550 <u>\$82,250</u>
17	Over \$136,750 <u>\$171,550</u> but not	\$5,167.33 <u>\$4,861.45</u> plus 5.04% <u>3.78%</u> of amount
18	over \$297,350 <u>\$372,950</u>	over \$136,750 <u>\$171,550</u>
19	Over \$297,350 <u>\$372,950</u>	\$13,261.57 <u>\$12,474.37</u> plus 5.54% <u>4.16%</u> of amount
20		over \$297,350 <u>\$372,950</u>

21 b. Married filing jointly and surviving spouse.

22	If North Dakota taxable income is:	The tax is equal to:
23	Not over \$45,200 <u>\$56,750</u>	2.40% <u>1.58%</u>
24	Over \$45,200 <u>\$56,750</u> but not	\$949.20 <u>\$893.81</u> plus 3.92% <u>2.94%</u> of amount
25	over \$109,250 <u>\$137,050</u>	over \$45,200 <u>\$56,750</u>
26	Over \$109,250 <u>\$137,050</u> but not	\$3,459.96 <u>\$3,254.63</u> plus 4.34% <u>3.26%</u> of amount
27	over \$166,500 <u>\$208,850</u>	over \$109,250 <u>\$137,050</u>
28	Over \$166,500 <u>\$208,850</u> but not	\$5,944.61 <u>\$5,591.72</u> plus 5.04% <u>3.78%</u> of amount
29	over \$297,350 <u>\$372,950</u>	over \$166,500 <u>\$208,850</u>
30	Over \$297,350 <u>\$372,950</u>	\$12,539.45 <u>\$11,794.70</u> plus 5.54% <u>4.16%</u> of amount
31		over \$297,350 <u>\$372,950</u>

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1 c. Married filing separately.

2	If North Dakota taxable income is:	The tax is equal to:
3	Not over \$22,600 <u>\$28,375</u>	2.10% <u>1.58%</u>
4	Over \$22,600 <u>\$28,375</u> but not	\$474.60 <u>\$446.91</u> plus 3.92% <u>2.94%</u> of amount
5	over \$54,625 <u>\$68,525</u>	over \$22,600 <u>\$28,375</u>
6	Over \$54,625 <u>\$68,525</u> but not	\$1,729.98 <u>\$1,627.32</u> plus 4.34% <u>3.26%</u> of amount
7	over \$83,250 <u>\$104,425</u>	over \$54,625 <u>\$68,525</u>
8	Over \$83,250 <u>\$104,425</u> but not	\$2,972.31 <u>\$2,795.86</u> plus 5.04% <u>3.78%</u> of amount
9	over \$148,675 <u>\$186,475</u>	over \$83,250 <u>\$104,425</u>
10	Over \$148,675 <u>\$186,475</u>	\$6,269.73 <u>\$5,897.35</u> plus 5.54% <u>4.16%</u> of amount
11		over \$148,675 <u>\$186,475</u>

12 d. Head of household.

13	If North Dakota taxable income is:	The tax is equal to:
14	Not over \$36,250 <u>\$45,500</u>	2.10% <u>1.58%</u>
15	Over \$36,250 <u>\$45,500</u> but not	\$761.25 <u>\$716.63</u> plus 3.92% <u>2.94%</u> of amount
16	over \$93,650 <u>\$117,450</u>	over \$36,250 <u>\$45,500</u>
17	Over \$93,650 <u>\$117,450</u> but not	\$3,011.33 <u>\$2,831.96</u> plus 4.34% <u>3.26%</u> of amount
18	over \$151,650 <u>\$190,200</u>	over \$93,650 <u>\$117,450</u>
19	Over \$151,650 <u>\$190,200</u> but not	\$5,528.53 <u>\$5,199.97</u> plus 5.04% <u>3.78%</u> of amount
20	over \$297,350 <u>\$372,950</u>	over \$151,650 <u>\$190,200</u>
21	Over \$297,350 <u>\$372,950</u>	\$12,871.81 <u>\$12,107.92</u> plus 5.54% <u>4.16%</u> of amount
22		over \$297,350 <u>\$372,950</u>

23 e. Estates and trusts.

24	If North Dakota taxable income is:	The tax is equal to:
25	Not over \$1,800 <u>\$2,300</u>	2.10% <u>1.58%</u>
26	Over \$1,800 <u>\$2,300</u> but not	\$37.80 <u>\$36.23</u> plus 3.92% <u>2.94%</u> of amount
27	over \$4,250 <u>\$5,350</u>	over \$1,800 <u>\$2,300</u>
28	Over \$4,250 <u>\$5,350</u> but not	\$133.84 <u>\$125.90</u> plus 4.34% <u>3.26%</u> of amount
29	over \$6,500 <u>\$8,200</u>	over \$4,250 <u>\$5,350</u>
30	Over \$6,500 <u>\$8,200</u> but not	\$231.49 <u>\$218.66</u> plus 5.04% <u>3.78%</u> of amount
31	over \$8,900 <u>\$11,150</u>	over \$6,500 <u>\$8,200</u>

1 Over ~~\$8,900~~ \$11,150 ~~\$352.45~~ \$330.17 plus ~~5.54%~~ 4.16% of amount
2 over ~~\$8,900~~ \$11,150

- 3 f. For an individual who is not a resident of this state for the entire year, or for a
4 nonresident estate or trust, the tax is equal to the tax otherwise computed
5 under this subsection multiplied by a fraction in which:
6 (1) The numerator is the federal adjusted gross income allocable and
7 apportionable to this state; and
8 (2) The denominator is the federal adjusted gross income from all sources
9 reduced by the net income from the amounts specified in subdivisions a
10 and b of subsection 2.

11 In the case of married individuals filing a joint return, if one spouse is a
12 resident of this state for the entire year and the other spouse is a nonresident
13 for part or all of the tax year, the tax on the joint return must be computed
14 under this subdivision.

- 15 g. For taxable years beginning after December 31, ~~2004~~ 2009, the tax
16 commissioner shall prescribe new rate schedules that apply in lieu of the
17 schedules set forth in subdivisions a through e. The new schedules must be
18 determined by increasing the minimum and maximum dollar amounts for each
19 income bracket for which a tax is imposed by the cost-of-living adjustment for
20 the taxable year as determined by the secretary of the United States treasury
21 for purposes of section 1(f) of the United States Internal Revenue Code of
22 1954, as amended. For this purpose, the rate applicable to each income
23 bracket may not be changed, and the manner of applying the cost-of-living
24 adjustment must be the same as that used for adjusting the income brackets
25 for federal income tax purposes.

26 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
27 December 31, 2008.