

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

CHAPTER C**STATE CORPORATE AND STATE INCOME TAX RATES**

This initiated measure would amend sections 57-38-30 and 57-38-30.3 of the North Dakota Century Code by lowering the state corporate income tax rates by fifteen percent and the adjusted state individual income tax rates by fifty percent for tax years beginning after December 31, 2008.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF NORTH DAKOTA:

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

1. a. For the first three thousand dollars of taxable income, at the rate of ~~two and six tenths percent~~ two and twenty-one hundredths percent.
- b. On all taxable income above three thousand dollars and not in excess of eight thousand dollars, at the rate of ~~four and one tenth percent~~ three and forty-eight hundredths percent.
- c. On all taxable income above eight thousand dollars and not in excess of twenty thousand dollars, at the rate of ~~five and six tenths percent~~ four and seventy-six hundredths percent.
- d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of ~~six and four tenths percent~~ five and forty-four hundredths percent.
- e. On all taxable income above thirty thousand dollars, at the rate of ~~six and one half percent~~ five and fifty-two hundredths percent.

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

5 **SECTION 2. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century
6 Code is amended and reenacted as follows:

7 1. A tax is hereby imposed for each taxable year upon income earned or received in
8 that taxable year by every resident and nonresident individual, estate, and trust. A
9 taxpayer computing the tax under this section is only eligible for those adjustments
10 or credits that are specifically provided for in this section. Provided, that for
11 purposes of this section, any person required to file a state income tax return under
12 this chapter, but who has not computed a federal taxable income figure, shall
13 compute a federal taxable income figure using a pro forma return in order to
14 determine a federal taxable income figure to be used as a starting point in
15 computing state income tax under this section. The tax for individuals is equal to
16 North Dakota taxable income multiplied by the rates in the applicable rate schedule
17 in subdivisions a through d corresponding to an individual's filing status used for
18 federal income tax purposes. For an estate or trust, the schedule in subdivision e
19 must be used for purposes of this subsection.

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

21 If North Dakota taxable income is:	The tax is equal to:
22 Not over \$27, 050	2.40% <u>1.05%</u>
23 Over \$27,050 but not over \$65,550	\$568.05 <u>\$284.03</u> plus 3.92% <u>1.96%</u>
24	of amount over \$27,050
25 Over \$65,550 but not over \$136,750	\$2,077.25 <u>\$1,038.63</u> plus 4.34% <u>2.17%</u>
26	of amount over \$65,550
27 Over \$136,750 but not over \$297,350	\$5,167.33 <u>\$2,583.67</u> plus 5.04% <u>2.52%</u>
28	of amount over \$136,750
29 Over \$297,350	\$13,261.57 <u>\$6,630.79</u> plus 5.54% <u>2.77%</u>
30	of amount over \$297,350

31 b. Married filing jointly and surviving spouse.

Sixty-first
Legislative Assembly

1	If North Dakota taxable income is:	The tax is equal to:
2	Not over \$45,200	2.40% <u>1.05%</u>
3	Over \$45,200 but not over \$109,250	\$949.29 <u>\$474.60</u> plus 3.92% <u>1.96%</u>
4		of amount over \$45,200
5	Over \$109,250 but not over \$166,500	\$3,459.96 <u>\$1,729.98</u> plus 4.34% <u>2.17%</u>
6		of amount over \$109,250
7	Over \$166,500 but not over \$297,350	\$5,944.61 <u>\$2,972.31</u> plus 5.04% <u>2.52%</u>
8		of amount over \$166,500
9	Over \$297,350	\$12,539.45 <u>\$6,269.73</u> plus 5.54% <u>2.77%</u>
10		of amount over \$297,350

c. Married filing separately.

12	If North Dakota taxable income is:	The tax is equal to:
13	Not over \$22,600	2.40% <u>1.05%</u>
14	Over \$22,600 but not over \$54,625	\$474.60 <u>\$237.30</u> plus 3.92% <u>1.96%</u>
15		of amount over \$22,600
16	Over \$54,625 but not over \$83,250	\$1,729.98 <u>\$864.99</u> plus 4.34% <u>2.17%</u>
17		of amount over \$54,625
18	Over \$83,250 but not over \$148,675	\$2,972.31 <u>\$1,486.16</u> plus 5.04% <u>2.52%</u>
19		of amount over \$93,650
20	Over \$148,675	\$6,269.73 <u>\$3,134.87</u> plus 5.54% <u>2.77%</u>
21		of amount over \$148,675

d. Head of household.

23	If North Dakota taxable income is:	The tax is equal to:
24	Not over \$36,250	2.40% <u>1.05%</u>
25	Over \$36,250 but not over \$93,650	\$761.25 <u>\$380.63</u> plus 3.92% <u>1.96%</u>
26		of amount over \$36,250
27	Over \$93,650 but not over \$151,650	\$3,011.33 <u>\$1,505.67</u> plus 4.34% <u>2.17%</u>
28		of amount over \$151,650
29	Over \$151,650 but not over \$297,350	\$5,528.53 <u>\$2,764.27</u> plus 5.04% <u>2.77%</u>
30		of amount over \$151,650

Sixty-first
Legislative Assembly

1	Over \$297,350	\$12,871.81 <u>\$6,435.91</u> plus 5.54% <u>2.77%</u>
2		of amount over \$297.350
3	e. Estates and trusts.	
4	If North Dakota taxable income is:	The tax is equal to:
5	Not over \$1,800	2.40% <u>1.05%</u>
6	Over \$1,800 but not over \$4,250	\$37.80 <u>\$18.90</u> plus 3.92% <u>1.96%</u>
7		of amount over \$1,800
8	Over \$4,250 but not over \$6,500	\$133.84 <u>\$66.92</u> plus 4.34% <u>2.17%</u>
9		of amount over \$4,250
10	Over \$6,500 but not over \$8,900	\$231.49 <u>\$115.75</u> plus 5.54% <u>2.52%</u>
11		of amount over \$6,500
12	Over \$8,900	\$352.45 <u>\$176.23</u> plus 5.54% <u>2.77%</u>
13		of amount over \$8,900

- 14 f. For an individual who is not a resident of this state for the entire year, or for a
15 nonresident estate or trust, the tax is equal to the tax otherwise computed
16 under this subsection multiplied by a fraction in which:
- 17 (1) The numerator is the federal adjusted gross income allocable and
18 apportionable to this state; and
- 19 (2) The denominator is the federal adjusted gross income from all sources
20 reduced by the net income from the amounts specified in subdivisions a
21 and b of subsection 2.

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

- 26 g. For taxable years beginning after December 31, 2001, the tax commissioner
27 shall prescribe new rate schedules that apply in lieu of the schedules set forth
28 in subdivisions a through e. The new schedules must be determined by
29 increasing the minimum and maximum dollar amounts for each income
30 bracket for which a tax is imposed by the cost-of-living adjustment for the
31 taxable year as determined by the secretary of the United States Treasury for

1 purposes of section 1(f) of the United States Internal Revenue Code of 1954,
2 as amended. For this purpose, the rate applicable to each income bracket
3 may not be changed, and the manner of applying the cost-of-living adjustment
4 must be the same used for adjusting the income brackets for federal income
5 tax purposes.

6 **SECTION 3. APPLICATION.** The income brackets in subsection 1 of section 57-38-30.3 as
7 provided in section 2 of this Act are the statutory bracket amounts as enacted for taxable year
8 2001 and do not reflect cost-of-living adjustments that have been made since that time under
9 subdivision g of subsection 1 of section 57-38-30.3. For purposes of this Act, the tax
10 commissioner shall determine income brackets for each taxable year by applying the
11 appropriate cost-of-living adjustment determined under subdivision g of subsection 1 of section
12 57-38-30.3 for each taxable year after taxable year 2001.

13 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
14 December 31", 2008.