

HOUSE BILL NO.

Introduced by

Representative Drovdal

1 A BILL for an Act to amend and reenact sections 57-38-29, 57-38-30, and 57-38-30.3(1) of the
2 North Dakota Century Code, relating to individual and corporate income tax rate reductions;
3 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 is amended:

6 **57-38-29. Optional method of computing tax.** Notwithstanding the other provisions
7 of this chapter, an individual, estate, or trust may elect to determine state income tax liability by
8 applying the provisions of this section. A tax is hereby imposed upon every individual, to be
9 levied, collected, and paid annually with respect to the taxable income of such individual as
10 defined in this chapter, computed at the following rates:

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

5 **57-38-30. Imposition and rate of tax on corporations.** A tax is hereby imposed upon
6 the taxable income of every domestic and foreign corporation which must be levied, collected,
7 and paid annually as in this chapter provided:

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

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

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

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

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

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

25 **SECTION 3. AMENDMENT.** Section 57-38-30.3(1) is amended:

26 1. A tax is hereby imposed for each taxable year upon income earned or received in
27 that taxable year by every resident and nonresident individual, estate, and trust. A
28 taxpayer computing the tax under this section is only eligible for those adjustments
29 or credits that are specifically provided for in this section. Provided, that for
30 purposes of this section, any person required to file a state income tax return under
31 this chapter, but who has not computed a federal taxable income figure, shall

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1 compute a federal taxable income figure using a pro forma return in order to
2 determine a federal taxable income figure to be used as a starting point in
3 computing state income tax under this section. The tax for individuals is equal to
4 North Dakota taxable income multiplied by the rates in the applicable rate schedule
5 in subdivisions a through d corresponding to an individual's filing status used for
6 federal income tax purposes. For an estate or trust, the schedule in subdivision e
7 must be used for purposes of this subsection.

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

9	If North Dakota taxable income is:	The tax is equal to:
10	Not over \$27,050 <u>\$33,700</u>	2.10% <u>1.58%</u>
11	Over \$27,050 <u>\$33,700</u> but not	\$568.05 <u>\$530.78</u> plus 3.92% <u>2.94%</u>
12	over \$65,550 <u>\$81,600</u>	of amount over \$27,050 <u>\$33,700</u>
13	Over \$65,550 <u>\$81,600</u> but not	\$2,077.25 <u>\$1,939.04</u> plus 4.34% <u>3.26%</u>
14	over \$136,750 <u>\$170,300</u>	of amount over \$65,550 <u>\$81,600</u>
15	Over \$136,750 <u>\$170,300</u> but not	\$5,167.33 <u>\$4,826.22</u> plus 5.04% <u>3.78%</u>
16	over \$297,350 <u>\$370,200</u>	of amount over \$136,750 <u>\$170,300</u>
17	Over \$297,350 <u>\$370,200</u>	\$13,261.57 <u>\$12,382.44</u> plus 5.54% <u>4.16%</u>
18		of amount over \$297,350 <u>\$370,200</u>

19 b. Married filing jointly and surviving spouse.

20	If North Dakota taxable income is:	The tax is equal to:
21	Not over \$45,200 <u>\$56,300</u>	2.10% <u>1.58%</u>
22	Over \$45,200 <u>\$56,300</u> but not	\$949.20 <u>\$886.73</u> plus 3.92% <u>2.94%</u>
23	over \$109,250 <u>\$136,050</u>	of amount over \$45,200 <u>\$56,300</u>
24	Over \$109,250 <u>\$136,050</u> but not	\$3,459.96 <u>\$3,231.38</u> plus 4.34% <u>3.26%</u>
25	over \$166,500 <u>\$207,300</u>	of amount over \$109,250 <u>\$136,050</u>
26	Over \$166,500 <u>\$207,300</u> but not	\$5,944.61 <u>\$5,550.56</u> plus 5.04% <u>3.78%</u>
27	over \$297,350 <u>\$370,200</u>	of amount over \$166,500 <u>\$207,300</u>
28	Over \$297,350 <u>\$370,200</u>	\$12,539.45 <u>\$11,708.18</u> plus 5.54% <u>4.16%</u>
29		of amount over \$297,350 <u>\$370,200</u>

30 c. Married filing separately.

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1	If North Dakota taxable income is:	The tax is equal to:
2	Not over \$22,600 <u>\$28,150</u>	2.40% <u>1.58%</u>
3	Over \$22,600 <u>\$28,150</u> but not	\$474.60 <u>\$443.36</u> plus 3.92% <u>2.94%</u>
4	over \$54,625 <u>\$68,025</u>	of amount over \$22,600 <u>\$28,150</u>
5	Over \$54,625 <u>\$68,025</u> but not	\$1,729.98 <u>\$1,615.69</u> plus 4.34% <u>3.26%</u>
6	over \$83,250 <u>\$103,650</u>	of amount over \$54,625 <u>\$68,025</u>
7	Over \$83,250 <u>\$103,650</u> but not	\$2,972.31 <u>\$2,775.28</u> plus 5.04% <u>3.78%</u>
8	over \$148,675 <u>\$185,100</u>	of amount over \$83,250 <u>\$103,650</u>
9	Over \$148,675 <u>\$185,100</u>	\$6,269.73 <u>\$5,854.09</u> plus 5.54% <u>4.16%</u>
10		of amount over \$148,675 <u>\$185,100</u>
11	d. Head of household.	
12	If North Dakota taxable income is:	The tax is equal to:
13	Not over \$36,250 <u>\$45,200</u>	2.40% <u>1.58%</u>
14	Over \$36,250 <u>\$45,200</u> but not	\$761.25 <u>\$711.90</u> plus 3.92% <u>2.94%</u>
15	over \$93,650 <u>\$116,600</u>	of amount over \$36,250 <u>\$45,200</u>
16	Over \$93,650 <u>\$116,600</u> but not	\$3,044.33 <u>\$2,811.06</u> plus 4.34% <u>3.26%</u>
17	over \$151,650 <u>\$188,800</u>	of amount over \$93,650 <u>\$116,600</u>
18	Over \$151,650 <u>\$188,800</u> but not	\$5,528.53 <u>\$5,161.17</u> plus 5.04% <u>3.78%</u>
19	over \$297,350 <u>\$370,200</u>	of amount over \$151,650 <u>\$188,800</u>
20	Over \$297,350 <u>\$370,200</u>	\$12,871.81 <u>\$12,018.09</u> plus 5.54% <u>4.16%</u>
21		of amount over \$297,350 <u>\$370,200</u>
22	e. Estates and trusts.	
23	If North Dakota taxable income is:	The tax is equal to:
24	Not over \$1,800 <u>\$2,200</u>	2.40% <u>1.58%</u>
25	Over \$1,800 <u>\$2,200</u> but not	\$37.80 <u>\$34.76</u> plus 3.92% <u>2.94%</u>
26	over \$4,250 <u>\$5,100</u>	of amount over \$1,800 <u>\$2,200</u>
27	Over \$4,250 <u>\$5,100</u> but not	\$133.84 <u>\$120.02</u> plus 4.34% <u>3.26%</u>
28	over \$6,500 <u>\$7,800</u>	of amount over \$4,250 <u>\$5,100</u>
29	Over \$6,500 <u>\$7,800</u> but not	\$231.49 <u>\$208.04</u> plus 5.04% <u>3.78%</u>
30	over \$8,900 <u>\$10,700</u>	of amount over \$6,500 <u>\$7,800</u>

1 Over ~~\$8,900~~ \$10,700 ~~\$352.45~~ \$317.66 plus ~~5.54%~~ 4.16%
2 of amount over ~~\$8,900~~ \$10,700

- 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, 2001, the tax commissioner
16 shall prescribe new rate schedules that apply in lieu of the schedules set forth
17 in subdivisions a through e. The new schedules must be determined by
18 increasing the minimum and maximum dollar amounts for each income
19 bracket for which a tax is imposed by the cost-of-living adjustment for the
20 taxable year as determined by the secretary of the United States treasury for
21 purposes of section 1(f) of the United States Internal Revenue Code of 1954,
22 as amended. For this purpose, the rate applicable to each income bracket
23 may not be changed, and the manner of applying the cost-of-living adjustment
24 must be the same as that used for adjusting the income brackets for federal
25 income tax purposes.

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