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Sixty-first
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT
with Senate Amendments

ENGROSSED HOUSE BILL NO. 1392

Introduced by

Representative Belter

Senator Cook

A BILL for an Act to create and enact a new subdivision to subsection 1 of section 57-38-01.3 of the North Dakota Century Code, relating to an income tax deduction for actual distributions of an interest charge domestic international sales corporation without economic substance owned by individuals or passthrough entities; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

<u>Reduced, for an interest charge domestic international sales corporation without economic substance owned by individuals or passthrough entities, by the amount of actual or deemed distributions of the interest charge domestic international sales corporation to its owners. For purposes of this subsection, "without economic substance" means, in the case of an interest charge domestic international sales corporation subject to Internal Revenue Code section 992, that the interest charge domestic international sales corporation has elected to use intercompany pricing rules of Internal Revenue Code section 994, rather than the Internal Revenue Code section 482 method. For purposes of this subsection, a passthrough entity means an entity that for the applicable tax year is treated as an S corporation under this chapter or a cooperative, general partnership, limited partnership, limited liability partnership, trust, or limited liability company that for the applicable tax year is not taxed as a corporation under this chapter.</u>

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2008.