

**HOUSE BILL NO. 1124
with Senate Amendments
HOUSE BILL NO. 1124**

Sixty-second
Legislative Assembly
of North Dakota

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to create and enact a new subsection to section 57-38-01.8 and a new
2 subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to
3 the individual income tax credit for installation of geothermal and wind energy devices; to
4 amend and reenact subsection 3 of section 57-35.3-05, section 57-35.3-07, subsections 1 and
5 6 of section 57-38-01.21, section 57-38-01.28, subsection 1 of section 57-38-01.31, section
6 57-38-29.3, subsections 2 and 3 of section 57-38-30.3, section 57-38-59.2, subsection 1 of
7 section 57-38.3-02, subsection 3 of section 57-38.3-04, section 57-38.4-01, and subsection 1 of
8 section 57-38.4-02 of the North Dakota Century Code, relating to the tuition scholarship tax
9 credit for financial institution tax purposes, the tax credit for planned gifts and qualified
10 endowments, the marriage penalty tax credit, the employer tax credit for mobilized employees,
11 the long-term care partnership plan insurance coverage tax credit, the qualified dividend and
12 long-term capital gain income tax exclusion, return filing requirements for individuals,
13 withholding on lottery winnings, setoff of income tax refunds by the internal revenue service,
14 and the use of the domestic disclosure spreadsheet for the water's edge method election for
15 reporting income; and to provide an effective date.

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

17 **SECTION 1. AMENDMENT.** Subsection 3 of section 57-35.3-05 of the North Dakota
18 Century Code is amended and reenacted as follows:

19 3. There is allowed a credit against the tax imposed by sections 57-35.3-01 through
20 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of
21 contributions made by the taxpayer during the taxable year for tuition scholarships for
22 participation in rural leadership North Dakota conducted through the North Dakota
23 state university extension service. Contributions by a taxpayer may be earmarked for
24 use by a designated recipient. ~~The amount allowable as a credit under this subsection~~

1 for any taxable year may not exceed five and seven tenths percent of the tax before
2 credits allowed under this section, or two thousand five hundred dollars, whichever is
3 less.

4 **SECTION 2. AMENDMENT.** Section 57-35.3-07 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-35.3-07. Payment of tax.**

7 Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the
8 ~~credit~~credits allowed under ~~subsections~~subsections 1 and 3 of section 57-35.3-05, must be paid
9 to the tax commissioner on or before April fifteenth of the year in which the return is due,
10 regardless of any extension of the time for filing the return granted under section 57-35.3-06.
11 Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed
12 under subsection 2 of section 57-35.3-05, must be paid to the tax commissioner on or before
13 January fifteenth of the year after the return is due. Payment must be made ~~by check, draft, or~~
14 ~~money order, payable to in the manner prescribed by the tax commissioner, or as prescribed by~~
15 ~~the commissioner under subsection 15 of section 57-01-02.~~

16 **SECTION 3.** A new subsection to section 57-38-01.8 of the North Dakota Century Code is
17 created and enacted as follows:

18 An individual taxpayer filing a North Dakota return pursuant to the provisions of this
19 chapter may claim a credit against the tax liability under section 57-38-30.3 for the
20 cost of a geothermal or wind energy device installed after December 31, 2008, and
21 before January 1, 2015, in a building or on property owned or leased by the taxpayer
22 in North Dakota. The credit must be in an amount equal to three percent per year for
23 five years of the actual cost of acquisition and installation of the geothermal or wind
24 energy device.

25 **SECTION 4. AMENDMENT.** Subsections 1 and 6 of section 57-38-01.21 of the North
26 Dakota Century Code are amended and reenacted as follows:

- 27 1. For purposes of this section:
- 28 a. "Permanent, irrevocable fund" means a fund comprising cash, securities, mutual
29 funds, or other investment assets established for a specific charitable, religious,
30 educational, or eleemosynary purpose and invested for the production or growth
31 of income, or both, which may either be added to principal or expended.

1 b. "Planned gift" means an irrevocable contribution to a North Dakota qualified
2 nonprofit organization or qualified endowment held by or for a North Dakota
3 qualified nonprofit organization, when the contribution uses any of the following
4 techniques that are authorized under the Internal Revenue Code:

- 5 (1) Charitable remainder unitrusts, as defined by 26 U.S.C. 664;
- 6 (2) Charitable remainder annuity trusts, as defined by 26 U.S.C. 664;
- 7 (3) Pooled income fund trusts, as defined by 26 U.S.C. 642(c)(5);
- 8 (4) Charitable lead unitrusts qualifying under 26 U.S.C. 170(f)(2)(B);
- 9 (5) Charitable lead annuity trusts qualifying under 26 U.S.C. 170(f)(2)(B);
- 10 (6) Charitable gift annuities undertaken pursuant to 26 U.S.C. 1011(b);
- 11 (7) Deferred charitable gift annuities undertaken pursuant to 26 U.S.C. 1011(b);
- 12 (8) Charitable life estate agreements qualifying under 26 U.S.C. 170(f)(3)(B); or
- 13 (9) Paid-up life insurance policies meeting the requirements of 26 U.S.C. 170.

14 "Planned gift" does not include a contribution using a charitable remainder
15 unitrust or charitable remainder annuity trust unless the agreement provides that
16 the trust may not terminate and beneficiaries' interest in the trust may not be
17 assigned or contributed to the qualified nonprofit organization or qualified
18 endowment sooner than the earlier of the date of death of the beneficiaries or five
19 years from the date of the contribution.

20 "Planned gift" does not include a deferred charitable gift annuity unless the
21 payment of the annuity is required to begin within the life expectancy of the
22 annuitant or of the joint life expectancies of the annuitants, if more than one
23 annuitant, as determined using the actuarial tables used by the internal revenue
24 service in determining federal charitable income tax deductions on the date of the
25 contribution.

26 "Planned gift" does not include a charitable gift annuity or deferred
27 charitable gift annuity unless the annuity agreement provides that the interest of
28 the annuitant or annuitants in the gift annuity may not be assigned to the qualified
29 nonprofit organization or qualified endowment sooner than the earlier of the date
30 of death of the annuitant or annuitants or five years after the date of the
31 contribution.

1 "Planned gift" does not include a charitable gift annuity or deferred
2 charitable gift annuity unless the annuity is a qualified charitable gift annuity for
3 federal income tax purposes.

4 c. "Qualified endowment" means a permanent, irrevocable fund held by a North
5 Dakota incorporated or established organization that is:
6 (1) A qualified nonprofit organization; or
7 (2) A bank or trust company holding the fund on behalf of a qualified nonprofit
8 organization.

9 d. "Qualified nonprofit organization" means a North Dakota incorporated or
10 established tax-exempt organization under 26 U.S.C. 501(c) to which
11 contributions qualify for federal charitable income tax deductions with an
12 established business presence or situs in North Dakota.

13 6. The amount of the contribution upon which an allowable credit is computed must be
14 added to federal taxable income in computing North Dakota taxable income in ~~the any~~
15 taxable year in which the ~~credit is first claimed~~ charitable gift reduces federal taxable
16 income, but only to the extent that the contribution reduced federal taxable income.

17 **SECTION 5. AMENDMENT.** Section 57-38-01.28 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **57-38-01.28. Marriage penalty credit.**

20 1. A married couple filing a joint return under section 57-38-30.3 is allowed a credit of not
21 to exceed three hundred dollars per couple as determined under this section. The tax
22 commissioner shall adjust the maximum amount of the credit under this subsection
23 each taxable year at the time and rate adjustments are made to rate schedules under
24 subdivision g of subsection 1 of section 57-38-30.3.

25 2. The credit under this section is the difference between the tax on the couple's joint
26 North Dakota taxable income under the rates and income levels in subdivision b of
27 subsection 1 of section 57-38-30.3 and the sum of the tax under the rates and income
28 levels of subdivision a of subsection 1 of section 57-38-30.3 on the ~~earned~~ qualified
29 income of the lesser-earning spouse, and the tax under the rates and income levels of
30 subdivision a of subsection 1 of section 57-38-30.3 on the couple's joint North Dakota
31 taxable income, minus the ~~earned~~ qualified income of the lesser-earning spouse.

1 3. ~~The tax commissioner shall prepare and make available to taxpayers a~~
2 ~~comprehensive table showing the credit under this section at brackets of earnings of~~
3 ~~the lesser-earning spouse and joint taxable income. The brackets of earnings may not~~
4 ~~be more than two thousand dollars.~~

5 4. For a nonresident or part-year resident, the credit under this section must be adjusted
6 based on the percentage calculated under subdivision f of subsection 1 of section
7 57-38-30.3.

8 ~~5.4.~~ For purposes of this section:

9 a. "~~Earned~~Qualifying income" means the sum of the following, to the extent included
10 in North Dakota taxable income:

- 11 (1) Earned income as defined in section 32(c)(2) of the Internal Revenue Code;
12 (2) Income received from a retirement pension, profit-sharing, stock bonus, or
13 annuity plan; and
14 (3) Social security benefits as defined in section 86(d)(1) of the Internal
15 Revenue Code.

16 b. "~~Earned~~Qualifying income of the lesser-earning spouse" means the
17 ~~earned~~qualifying income of the spouse with the lesser amount of
18 ~~earned~~qualifying income for the taxable year minus the sum of:

- 19 (1) The amount for one exemption under section 151(d) of the Internal Revenue
20 Code; and
21 (2) One-half of the amount of the standard deduction under section 63(c)(2)(A)
22 (4) of the Internal Revenue Code.

23 **SECTION 6. AMENDMENT.** Subsection 1 of section 57-38-01.31 of the North Dakota
24 Century Code is amended and reenacted as follows:

25 1. A taxpayer who is an employer in this state is entitled to a credit against tax liability as
26 determined under ~~section 57-38-29, sections 57-38-30, or and 57-38-30.3~~ equal to
27 twenty-five percent of the reduction in compensation that the taxpayer continues to
28 pay during the taxable year to, or on behalf of, each employee of the taxpayer during
29 the period that the employee is mobilized under title 10 of the United States Code as a
30 member of a reserve or national guard component of the armed forces of the United
31 States. The maximum credit allowed for each eligible employee is one thousand

1 dollars. The amount of the tax credit may not exceed the amount of the taxpayer's
2 state tax liability for the tax year and an excess credit may be carried forward for up to
3 five taxable years. For the purposes of this subsection:

4 a. "Reduction in compensation" means the amount by which the pay received
5 during the taxable year by the employee for service under title 10 of the United
6 States Code is less than the total amount of salary and related retirement plan
7 contributions that would have been paid by the taxpayer to the employee for the
8 same time period had the employee not been mobilized.

9 b. "Related retirement plan contributions" means the portion of voluntary or
10 matching contributions paid by the taxpayer into a defined contribution plan
11 maintained by the taxpayer for the employee.

12 **SECTION 7. AMENDMENT.** Section 57-38-29.3 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-38-29.3. Credit for premiums for long-term care partnership plan insurance**
15 **coverage.**

16 A credit against an individual's tax liability under this chapter is provided to each taxpayer in
17 the amount of the premiums paid during the taxable year by the taxpayer for qualified long-term
18 care partnership plan insurance coverage for the taxpayer or the taxpayer's spouse, or both.

19 The credit under this section for each insured individual may not exceed two hundred fifty
20 dollars in any taxable year. ~~An individual who claims the credit under this section may not also~~
21 ~~claim the credit under section 57-38-29.2 for the same policy.~~ For purposes of this section,

22 "qualified long-term care partnership plan" is one that:

- 23 1. Is a qualified long-term care insurance policy, as defined in section 7702B(b) of the
24 Internal Revenue Code of 1986, with an issue date on or after the date specified in an
25 approved medicaid state plan amendment that provides for the disregard of assets;
- 26 2. Meets the requirements of the long-term care insurance model regulations and the
27 long-term care insurance model act promulgated by the national association of
28 insurance commissioners as adopted as of October 2000, or the insurance
29 commissioner certifies that the policy meets those requirements; and
- 30 3. Is purchased by an individual who:

- 1 a. Has not attained age sixty-one as of the date of purchase, if the policy provides
- 2 compound annual inflation protection;
- 3 b. Has attained age sixty-one but has not attained age seventy-six as of the date of
- 4 purchase, if the policy provides some level of inflation protection; or
- 5 c. Has attained age seventy-six as of the date of purchase.

6 **SECTION 8. AMENDMENT.** Subsections 2 and 3 of section 57-38-30.3 of the North Dakota
7 Century Code are amended and reenacted as follows:

8 2. For purposes of this section, "North Dakota taxable income" means the federal taxable
9 income of an individual, estate, or trust as computed under the Internal Revenue Code
10 of 1986, as amended, adjusted as follows:

- 11 a. Reduced by interest income from obligations of the United States and income
- 12 exempt from state income tax under federal statute or United States or North
- 13 Dakota constitutional provisions.
- 14 b. Reduced by the portion of a distribution from a qualified investment fund
- 15 described in section 57-38-01 which is attributable to investments by the qualified
- 16 investment fund in obligations of the United States, obligations of North Dakota or
- 17 its political subdivisions, and any other obligation the interest from which is
- 18 exempt from state income tax under federal statute or United States or North
- 19 Dakota constitutional provisions.
- 20 c. Reduced by the amount equal to the earnings that are passed through to a
- 21 taxpayer in connection with an allocation and apportionment to North Dakota
- 22 under chapter 57-35.3.
- 23 d. Reduced by thirty percent of the:
 - 24 (1) ~~The excess of the taxpayer's net long-term capital gain and qualified~~
 - 25 ~~dividend income that is taxed at the same rate as long-term capital gain for~~
 - 26 ~~federal income tax purposes under Internal Revenue Code provisions in~~
 - 27 ~~effect on December 31, 2008,~~ for the taxable year over the net short-term
 - 28 capital loss for that year, as computed for purposes of the Internal Revenue
 - 29 Code of 1986, as amended. The adjustment provided by this subdivision is
 - 30 allowed only to the extent the net long-term capital gain is allocated to this
 - 31 state.

1 (2) The qualified dividend income that is taxed at the same rate as long-term
2 capital gain for federal income tax purposes under Internal Revenue Code
3 provisions in effect on December 31, 2008. The adjustment provided by this
4 subdivision is allowed only to the extent the qualified dividend income is
5 allocated to this state.

- 6 e. Increased by the amount of a lump sum distribution for which income averaging
7 was elected under section 402 of the Internal Revenue Code of 1986 [26 U.S.C.
8 402], as amended. This adjustment does not apply if the taxpayer received the
9 lump sum distribution while a nonresident of this state and the distribution is
10 exempt from taxation by this state under federal law.
- 11 f. Increased by an amount equal to the losses that are passed through to a
12 taxpayer in connection with an allocation and apportionment to North Dakota
13 under chapter 57-35.3.
- 14 g. Reduced by the amount received by the taxpayer as payment for services
15 performed when mobilized under title 10 United States Code federal service as a
16 member of the national guard or reserve member of the armed forces of the
17 United States. This subdivision does not apply to federal service while attending
18 annual training, basic military training, or professional military education.
- 19 h. Reduced by income from a new and expanding business exempt from state
20 income tax under section 40-57.1-04.
- 21 i. Reduced by interest and income from bonds issued under chapter 11-37.
- 22 j. Reduced by up to ten thousand dollars of qualified expenses that are related to a
23 donation by a taxpayer or a taxpayer's dependent, while living, of one or more
24 human organs to another human being for human organ transplantation. A
25 taxpayer may claim the reduction in this subdivision only once for each instance
26 of organ donation during the taxable year in which the human organ donation and
27 the human organ transplantation occurs but if qualified expenses are incurred in
28 more than one taxable year, the reduction for those expenses must be claimed in
29 the year in which the expenses are incurred. For purposes of this subdivision:

- 1 (1) "Human organ transplantation" means the medical procedure by which
2 transfer of a human organ is made from the body of one person to the body
3 of another person.
- 4 (2) "Organ" means all or part of an individual's liver, pancreas, kidney, intestine,
5 lung, or bone marrow.
- 6 (3) "Qualified expenses" means lost wages not compensated by sick pay and
7 unreimbursed medical expenses as defined for federal income tax
8 purposes, to the extent not deducted in computing federal taxable income,
9 whether or not the taxpayer itemizes federal income tax deductions.
- 10 k. Increased by the amount of the contribution upon which the credit under section
11 57-38-01.21 is computed, but only to the extent that the contribution reduced
12 federal taxable income.
- 13 l. Reduced by the amount of any payment received by a veteran or beneficiary of a
14 veteran under section 37-28-03 or 37-28-04.
- 15 m. Reduced by the amount received by a taxpayer that was paid by an employer
16 under paragraph 4 of subdivision a of subsection 2 of section 57-38-01.25 to hire
17 the taxpayer for a hard-to-fill position under section 57-38-01.25, but only to the
18 extent the amount received by the taxpayer is included in federal taxable income.
19 The reduction applies only if the employer is entitled to the credit under section
20 57-38-01.25. The taxpayer must attach a statement from the employer in which
21 the employer certifies that the employer is entitled to the credit under section
22 57-38-01.25 and which specifically identified the type of payment and the amount
23 of the exemption under this section.
- 24 n. Reduced by the amount up to a maximum of five thousand dollars, or ten
25 thousand dollars if a joint return is filed, for contributions made under a higher
26 education savings plan administered by the Bank of North Dakota, pursuant to
27 section 6-09-38.
- 28 o. Reduced by the amount of income of a taxpayer, who resides within the
29 boundaries of any reservation in this state and who is an enrolled member of a
30 federally recognized Indian tribe, from activities or sources within the boundaries
31 of any reservation in this state.

1 3. ~~Married individuals filing a joint federal income tax return shall file a joint state income-~~
2 ~~tax return if the return is filed under this section. If separate federal income tax returns~~
3 ~~are filed, one spouse's state income tax return may be filed under this section and the~~
4 ~~other spouse's income tax return may be filed under the other provisions of this~~
5 ~~chapter.~~The same filing status used when filing federal income tax returns must be
6 used when filing state income tax returns.

7 **SECTION 9.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
8 Century Code is created and enacted as follows:

9 Wind energy device installation credit under section 57-38-01.8.

10 **SECTION 10. AMENDMENT.** Section 57-38-59.2 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **57-38-59.2. Withholding of lottery winnings.**

13 The North Dakota lottery shall deduct and withhold ~~five and fifty-four one-hundredths-~~
14 ~~percent~~at the highest marginal rate provided in section 57-38-30.3 of the total proceeds of state
15 lottery winnings as North Dakota withholding tax if the winnings are subject to withholding. For
16 purposes of this section, "winnings subject to withholding" means the proceeds in excess of five
17 thousand dollars won from a lottery game operated pursuant to chapter 53-12. Every person
18 who receives a payment from the winnings that are subject to withholding shall furnish the
19 lottery director with a statement, made under the penalties of perjury, containing the name,
20 address, and taxpayer identification number of the recipient. The North Dakota lottery shall file
21 returns as provided in section 57-38-60 and is liable for the payment of the tax required to be
22 withheld but is not liable to any person for the amount of the payment.

23 **SECTION 11. AMENDMENT.** Subsection 1 of section 57-38.3-02 of the North Dakota
24 Century Code is amended and reenacted as follows:

25 1. "Claimant agency" means the department of human services, job service North
26 Dakota, workforce safety and insurance, the insurance commissioner, the North
27 Dakota guaranteed student loan program, the industrial commission acting as the
28 state housing finance agency under chapter 54-17, a housing authority created under
29 section 23-11-02, or the state court administrator on behalf of the state courts for
30 purposes of court-ordered fines, fees, or costs due the state or the internal revenue
31 service. On or before September first of each year, the state housing finance agency

1 shall conduct an election by mail among housing authorities of the state and certify to
2 the tax commissioner which housing authority received the greatest number of votes
3 and is capable of compliance with the duties of a claimant agency under section
4 57-38.3-05. During the ensuing calendar year, the housing authority certified as
5 selected under this subsection shall act as the claimant agency for all housing
6 authorities for the purposes of submitting debtor information to the tax commissioner
7 for fund transfers and for providing notice to the debtor as required by section
8 57-38.3-05.

9 **SECTION 12. AMENDMENT.** Subsection 3 of section 57-38.3-04 of the North Dakota
10 Century Code is amended and reenacted as follows:

11 3. A claim made by any child support unit of the department of human services has
12 priority in setting off any refund. Other claims by state claimant agencies rank by date
13 of certification under section 57-38.3-05 in the office of the commissioner with the
14 claim earlier certified having priority. Claims made by the internal revenue service may
15 be offset up to the amount of refund owing after other state priority offsets.

16 **SECTION 13. AMENDMENT.** Section 57-38.4-01 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **57-38.4-01. Definitions.**

19 As used in this chapter, unless the context or subject matter otherwise requires:

- 20 1. "Affiliated corporation" means a parent corporation and any corporation of which more
21 than fifty percent of the voting stock is owned directly or indirectly by the parent
22 corporation or another member of the water's edge group.
- 23 2. ~~"Domestic disclosure spreadsheet" means a spreadsheet that fully discloses the~~
24 ~~income reported to each state, the state tax liability, the method used for apportioning~~
25 ~~or allocating income to the various states, and other information provided for by rules~~
26 ~~as may be necessary to determine the proper amount of tax due to each state and to~~
27 ~~identify the water's edge group.~~
- 28 3. "Existing corporation" means a corporation that filed a North Dakota income tax return
29 for any year after taxable year 1979 or was a successor to or unitary with a
30 corporation that filed a North Dakota income tax return for any year after taxable year
31 1979.

1 4-3. "Foreign dividends" means any dividend received by a member of the water's edge
2 group from any affiliated corporation incorporated outside the fifty states and District of
3 Columbia, including amounts included in income computed under sections 951
4 through 954 of the Internal Revenue Code.

5 5-4. "Income from 80/20 corporations" means net book income after taxes of a corporation
6 which is incorporated in the United States and eligible to be included in the federal
7 consolidated return and which has twenty percent or less of its property and payroll as
8 determined by factoring under chapter 57-38.1 assigned to locations inside the fifty
9 states and the District of Columbia. For purposes of determining eligibility for inclusion
10 in a federal consolidated return under this subsection, the eighty percent stock
11 ownership requirements of section 1504 of the Internal Revenue Code shall be
12 reduced to ownership of over fifty percent of the voting stock directly or indirectly
13 owned or controlled by an includable corporation.

14 6-5. "New corporation" means a corporation that has not filed an income tax return in North
15 Dakota for any year after the tax year 1979. A new corporation does not include a
16 corporation which is a successor to or which is affiliated with a corporation that filed an
17 income tax return in North Dakota for any year after the tax year 1979. A new
18 corporation does not include a business reorganization or acquisition, except a
19 corporation with no previous activity in North Dakota which acquires an existing
20 corporation and increases and maintains the threshold activity of the existing
21 corporation by twenty-five percent or more shall be treated as a new corporation.

22 7-6. "Threshold activity" means the yearly average combined property and payroll in North
23 Dakota of a corporation and its affiliates for the previous three years.

24 8-7. "Water's edge group" includes the following entities:
25 a. Any affiliated corporation incorporated in the United States or a possession of the
26 United States, as described in sections 931 through 936 of the Internal Revenue
27 Code. Corporations incorporated in the United States must be eligible to be
28 included in a federal consolidated return and must have more than twenty
29 percent of its property and payroll, as determined by factoring under chapter
30 57-38.1, assigned to locations inside the fifty states, the District of Columbia, and
31 possessions of the United States. For purposes of determining eligibility for

1 inclusion in a federal consolidated return under this subsection, the eighty
2 percent stock ownership requirements of section 1504 of the Internal Revenue
3 Code shall be reduced to ownership of over fifty percent of the voting stock
4 directly or indirectly owned or controlled by an includable corporation.

5 b. Domestic international sales corporations, as described in sections 991 through
6 994 of the Internal Revenue Code, and foreign sales corporations, as described
7 in sections 921 through 927 of the Internal Revenue Code.

8 c. Export trade corporations, as described in sections 970 through 972 of the
9 Internal Revenue Code.

10 d. Foreign corporations deriving gain or loss from a disposition of a United States
11 real property interest to the extent recognized under section 897 of the Internal
12 Revenue Code.

13 e. Any corporation incorporated outside the United States if over fifty percent of its
14 voting stock is owned directly or indirectly by an affiliated corporation and if more
15 than twenty percent of the average of its payroll and property is assignable to a
16 location within the United States.

17 9-8. "Worldwide combined report" means a combined report with respect to a unitary
18 affiliated group irrespective of the country or countries in which any member of the
19 affiliated group is incorporated or conducts business activity.

20 **SECTION 14. AMENDMENT.** Subsection 1 of section 57-38.4-02 of the North Dakota
21 Century Code is amended and reenacted as follows:

22 1. A corporation electing to file using the water's edge method must comply with the
23 following:

24 a. The election must be made on the return as originally and timely filed.

25 b. ~~The corporation may not reduce taxable income for federal taxes deducted under~~
26 ~~subdivision c of subsection 1 of section 57-38-01.3.~~

27 e. The water's edge election is binding for five consecutive taxable years after
28 making the election.

29 d. ~~The corporation must file with the tax commissioner a domestic disclosure~~
30 ~~spreadsheet, after which the corporation must file a domestic disclosure~~
31 ~~spreadsheet only every third year while the election remains in effect.~~

1 **SECTION 15. EFFECTIVE DATE.** Sections 1 through 9 and sections 12 and 13 of this Act
2 are effective for taxable years beginning after December 31, 2010.