

HOUSE BILL NO. 1250

Introduced by

Representatives Headland, Belter, Carlson, Delzer, Kasper, Nathe

Senators Armstrong, Burckhard, Cook, Hogue, Miller, Wardner

1 A BILL for an Act to amend and reenact sections 57-35.3-03, 57-35.3-07, 57-38-30 and
2 subsection 1 of section 57-38-30.3 of the North Dakota Century Code, relating to reduction of
3 financial institutions tax and individual and corporation income tax rates; and to provide an
4 effective date.

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

6 **SECTION 1. AMENDMENT.** Section 57-35.3-03 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-35.3-03. Imposition and basis of tax.**

9 An annual tax is imposed upon each financial institution for the grant to it of the privilege of
10 transacting, or for the actual transacting by it, of business within this state during any part of
11 each tax year. The tax is based upon and measured by the taxable income of the financial
12 institution for the calendar year. The rate of tax is six ~~and one-half~~ percent of taxable income,
13 but the amount of tax may not be less than fifty dollars.

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

16 **57-35.3-07. (Effective for the first two taxable years beginning after December 31,
17 2010) Payment of tax.**

18 Three-thirteenths of the tax before credits allowed under section 57-35.3-05, less the credits
19 allowed under subsections 1, 3, 4, and 5 of section 57-35.3-05, must be paid to the tax
20 commissioner on or before April fifteenth of the year in which the return is due, regardless of
21 any extension of the time for filing the return granted under section 57-35.3-06. Ten-thirteenths
22 of the tax before credits allowed under section 57-35.3-05, less the credit allowed under
23 subsection 2 of section 57-35.3-05, must be paid to the tax commissioner on or before January

1 fifteenth of the year after the return is due. Payment must be made in the manner prescribed by
2 the tax commissioner.

3 **(Effective after the first two taxable years beginning after December 31, 2010)**

4 **Payment of tax.**

5 ~~Three-thirteenths~~One-sixth of the tax before credits allowed under section 57-35.3-05, less
6 the credits allowed under subsections 1, 3, and 4 of section 57-35.3-05, must be paid to the tax
7 commissioner on or before April fifteenth of the year in which the return is due, regardless of
8 any extension of the time for filing the return granted under section 57-35.3-06.

9 ~~Ten-thirteenths~~Five-sixths of the tax before credits allowed under section 57-35.3-05, less the
10 credit allowed under subsection 2 of section 57-35.3-05, must be paid to the tax commissioner
11 on or before January fifteenth of the year after the return is due. Payment must be made in the
12 manner prescribed by the tax commissioner.

13 **SECTION 3. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **57-38-30. Imposition and rate of tax on corporations.**

16 A tax is hereby imposed upon the taxable income of every domestic and foreign corporation
17 which must be levied, collected, and paid annually as in this chapter provided:

- 18 1. For the first ~~twenty-five~~fifty thousand dollars of taxable income, at the rate of one and
19 sixty-eight hundredths percent.
- 20 2. ~~On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty-~~
21 ~~thousand dollars, at the rate of four and twenty-three hundredths percent.~~
- 22 3. On all taxable income exceeding fifty thousand dollars, at the rate of ~~five~~three and
23 ~~fifteen~~thirty hundredths percent.

24 **SECTION 4. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota
25 Century Code is amended and reenacted as follows:

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

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

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

8	If North Dakota taxable income is:	The tax is equal to:
9	Not over \$34,500 <u>\$50,000</u>	1.51% <u>0.90%</u>
10	Over \$34,500 <u>\$50,000</u>	\$520.95 <u>\$450.00</u> plus 2.82% <u>1.90%</u>
11	but not over \$83,600 <u>\$125,000</u>	of amount over \$34,500 <u>\$50,000</u>
12	Over \$83,600 <u>\$125,000</u>	\$1,905.57 <u>\$1,875.00</u> plus 3.13% <u>2.90%</u>
13	but not over \$174,400	of amount over \$83,600 <u>\$125,000</u>
14	Over \$174,400	\$4,747.61 plus 3.63%
15	but not over \$379,150	of amount over \$174,400
16	Over \$379,150	\$12,180.04 plus 3.99%
17		of amount over \$379,150

18 b. Married filing jointly and surviving spouse.

19	If North Dakota taxable income is:	The tax is equal to:
20	Not over \$57,700 <u>\$85,000</u>	1.51% <u>0.90%</u>
21	Over \$57,700 <u>\$85,000</u>	\$871.27 <u>\$765.00</u> plus 2.82% <u>1.90%</u>
22	but not over \$139,350 <u>\$210,000</u>	of amount over \$57,700 <u>\$85,000</u>
23	Over \$139,350 <u>\$210,000</u>	\$3,173.80 <u>\$3,140.00</u> plus 3.13% <u>2.90%</u>
24	but not over \$212,300	of amount over \$139,350 <u>\$210,000</u>
25	Over \$212,300	\$5,457.14 plus 3.63%
26	but not over \$379,150	of amount over \$212,300
27	Over \$379,150	\$11,513.79 plus 3.99%
28		of amount over \$379,150

29 c. Married filing separately.

30	If North Dakota taxable income is:	The tax is equal to:
31	Not over \$28,850 <u>\$42,500</u>	1.51% <u>0.90%</u>

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1	Over \$28,850 <u>\$42,500</u>	\$435.64 <u>\$382.50</u> plus 2.82% <u>1.90%</u>
2	but not over \$69,675 <u>\$105,000</u>	of amount over \$28,850 <u>\$42,500</u>
3	Over \$69,675 <u>\$105,000</u>	\$1,586.90 <u>\$1,570.00</u> plus 3.13% <u>2.90%</u>
4	but not over \$106,150	of amount over \$69,675 <u>\$105,000</u>
5	Over \$106,150	\$2,728.57 plus 3.63%
6	but not over \$189,575	of amount over \$106,150
7	Over \$189,575	\$5,756.90 plus 3.99%
8		of amount over \$189,575
9	d. Head of household.	
10	If North Dakota taxable income is:	The tax is equal to:
11	Not over \$46,250 <u>\$65,000</u>	1.51% <u>0.90%</u>
12	Over \$46,250 <u>\$65,000</u>	\$698.38 <u>\$585.00</u> plus 2.82% <u>1.90%</u>
13	but not over \$119,400 <u>\$180,000</u>	of amount over \$46,250 <u>\$65,000</u>
14	Over \$119,400 <u>\$180,000</u>	\$2,761.21 <u>\$2,770.00</u> plus 3.13% <u>2.90%</u>
15	but not over \$193,350	of amount over \$119,400 <u>\$180,000</u>
16	Over \$193,350	\$5,075.84 plus 3.63%
17	but not over \$379,150	of amount over \$193,350
18	Over \$379,150	\$11,820.38 plus 3.99%
19		of amount over \$379,150
20	e. Estates and trusts.	
21	If North Dakota taxable income is:	The tax is equal to:
22	Not over \$2,300 <u>\$5,000</u>	1.51% <u>0.90%</u>
23	Over \$2,300 <u>\$5,000</u>	\$34.73 <u>\$45.00</u> plus 2.82% <u>1.90%</u>
24	but not over \$5,450 <u>\$10,000</u>	of amount over \$2,300 <u>\$5,000</u>
25	Over \$5,450 <u>\$10,000</u>	\$123.56 <u>\$140.00</u> plus 3.13% <u>2.90%</u>
26	but not over \$8,300	of amount over \$5,450 <u>\$10,000</u>
27	Over \$8,300	\$212.77 plus 3.63%
28	but not over \$11,350	of amount over \$8,300
29	Over \$11,350	\$323.48 plus 3.99%
30		of amount over \$11,350

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

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

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

23 h. The tax commissioner shall prescribe an optional simplified method of computing
24 tax under this section that may be used by an individual taxpayer who is not
25 entitled to claim an adjustment under subsection 2 or credit against income tax
26 liability under subsection 7.

27 **SECTION 5. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
28 December 31, 2012.