

**HOUSE BILL NO. 1244**  
**with Senate Amendments**  
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Introduced by

Representative Headland

1 A BILL for an Act to amend and reenact section 57-38-01.16 of the North Dakota Century Code,  
2 relating to the income tax credit for employment of individuals with developmental disabilities or  
3 severe mental illness; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-38-01.16 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **57-38-01.16. Income tax credit for employment of individuals with developmental**  
8 **disabilities or chronically mentally ill personssevere mental illness. (Effective after the**  
9 **first two taxable years beginning after December 31, 2020)**

10 1. A taxpayer filing an income tax return under this chapter may claim a credit against the  
11 tax liability imposed under section 57-38-30 or section 57-38-30.3 for a portion of the  
12 wages paid to an employee with a developmental disability or a ~~chronically mentally ill~~  
13 ~~employee~~severe mental illness.

14 2. The credit allowed under this section equals ~~five~~twenty-five percent of up to six  
15 thousand dollars in wages paid ~~during the first twelve months of employment~~annually  
16 by the taxpayer for each employee with a developmental disability or ~~chronically-~~  
17 ~~mentally ill employee of the taxpayer~~severe mental illness, if the department of health  
18 and human services' vocational rehabilitation division determines the individual has a  
19 most significant disability, is eligible for services, and requires customized employment  
20 or supported employment to obtain competitive integrated employment.

21 3. Only wages actually paid during the taxpayer's taxable year may be considered for  
22 purposes of this section. An employee of a subcontractor is considered an employee  
23 of the contractor to the extent of any wages paid under the contract.

- 1       4. The total of credits allowed under this section may not exceed fifty percent of the  
2       taxpayer's liability under this chapter.
- 3       5. A taxpayer shall apply, on a form and in the manner prescribed by the department of  
4       health and human services' vocational rehabilitation division, for a determination of  
5       whether an employee meets the requirements under subsection 2. If an employee  
6       meets the requirements, a letter of certification containing the names of the taxpayer  
7       and the qualifying employee must be issued to the taxpayer.
- 8       6. A taxpayer claiming a credit under this section shall include a copy of the certification  
9       letter received from the department of health and human services' vocational  
10      rehabilitation division with the taxpayer's return filed under this chapter for each  
11      taxable year the credit is claimed.
- 12      7. A passthrough entity entitled to the credit under this section must be considered to be  
13      the taxpayer for purposes of calculating the credit. The amount of the allowable credit  
14      must be determined at the passthrough entity level. The total credit determined at the  
15      entity level must be passed through to the partners, shareholders, or members in  
16      proportion to their respective interests in the passthrough entity. An individual taxpayer  
17      may take the credit passed through under this section against the individual's state  
18      income tax liability under section 57-38-30.3.

19       **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
20      December 31, 2022.