

Introduced by

Senators Klein, Barta, Kessel

Representatives Nelson, Schauer

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to
2 subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a prison
3 industries workforce development income tax credit; to provide for a legislative management
4 study; and to provide an effective date.

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

6 **SECTION 1.** A new section to chapter 57-38 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Prison industries workforce development credit.**

- 9 1. A taxpayer that is a primary sector business, as defined in section 1-01-49, is allowed
10 a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3
11 for the purchase of components of final manufactured products for which the taxpayer
12 subcontracted to use labor from prison industries for the purpose of workforce
13 development of inmates. The amount of the credit under this section is ten percent of
14 the cost incurred by the taxpayer in the taxable year for which the credit is claimed to
15 purchase the components. The credit must be claimed for the taxable year in which
16 the components are purchased.
- 17 2. The credit under this section may not exceed the taxpayer's liability as determined
18 under this chapter for any taxable year. If the amount of the credit determined under
19 this section exceeds the limitation under this subsection, the excess may be carried
20 forward to each of the next five succeeding taxable years.
- 21 3. The aggregate amount of credits allowed each calendar year under this section may
22 not exceed forty-five thousand dollars. If the aggregate amount of credits claimed
23 under this section:

- 1 a. Is less than the limit under this subsection, any remaining unclaimed credits may
2 be carried forward and made available in the succeeding calendar year.
- 3 b. Exceeds the limit under this subsection, the tax commissioner shall prorate the
4 credits among the claimants.
- 5 4. If a taxpayer entitled to the credit provided by this section is a member of a group of
6 corporations filing a North Dakota consolidated tax return using the combined
7 reporting method, the credit may be claimed against the aggregate North Dakota tax
8 liability of all of the corporations included in the North Dakota consolidated return.
- 9 5. A passthrough entity entitled to the credit under this section must be considered to be
10 the taxpayer for purposes of this section and the amount of the credit allowed must be
11 determined at the passthrough entity level. The amount of the total credit determined
12 at the passthrough entity level must be allowed to the partners, shareholders, or
13 members in proportion to their respective interests in the passthrough entity. An
14 individual taxpayer may claim the credit passed through under this section against the
15 individual's state income tax liability under section 57-38-30.3.
- 16 6. The taxpayer claiming the credit shall file with the taxpayer's return, on forms
17 prescribed by the tax commissioner:
- 18 a. The name, address, and federal identification number or social security number
19 of the taxpayer that made the purchase.
- 20 b. Verification of primary sector designation from the department of commerce
21 division of economic development and finance.
- 22 c. A copy of the paid invoice from the appropriate prison industries organization and
23 the date on which payment for the purchase was made.

24 **SECTION 2.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
25 Century Code is created and enacted as follows:

26 Prison industries workforce development credit under section 1 of this Act.

27 **SECTION 3. LEGISLATIVE MANAGEMENT STUDY - PRISON INDUSTRIES**

28 **WORKFORCE DEVELOPMENT.** During the 2025-26 interim, the legislative management shall
29 consider studying prison industries and workforce development programs for incarcerated
30 individuals in the state, including how prison industries can work in alignment with the
31 manufacturing industry and other private sector industries to further the mission of workforce

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1 development for incarcerated individuals and to encourage positive outcomes for individuals
2 exiting the criminal justice system. The legislative management shall report its findings and
3 recommendations, together with any legislation required to implement the recommendations, to
4 the seventieth legislative assembly.

5 **SECTION 4. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable years
6 beginning after December 31, 2024.