

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2139

Introduced by

Senators Lee, Bekkedahl, Burckhard, Kreun

Representatives Dockter, Keiser

1 A BILL ~~for an Act to amend and reenact sections 40-63-01, 40-63-02, 40-63-03, 40-63-04,~~
2 ~~40-63-05, 40-63-06, 40-63-07, and 40-63-10, and subdivision b of subsection 7 of section-~~
3 ~~57-38-30.3 of the North Dakota Century Code, relating to the creation of neighborhood zones~~
4 ~~and neighborhood zone incentives; and to provide an effective date.~~ for an Act to create and
5 enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota
6 Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment;
7 and to provide for a transfer.

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

9 **SECTION 1. AMENDMENT.** ~~Section 40-63-01 of the North Dakota Century Code is amended~~
10 ~~and reenacted as follows:~~
11 ~~— **40-63-01. Definitions.**~~
12 ~~— As used in this chapter:~~
13 ~~— 1. "Boundary" means the boundary established by vote of the city governing body and~~
14 ~~approved by the department of commerce division of community services.~~
15 ~~— 2. "Development plan" means a written plan that addresses the criteria in subsection 1 of~~
16 ~~section 40-63-03 and includes the following:~~
17 ~~— a. A map of the proposed renaissance or neighborhood zone which indicates the~~
18 ~~geographic boundaries and blocks, a description of the properties and structures~~
19 ~~on each block, identification of those properties and structures to be targeted for~~
20 ~~potential renaissance zone projects or neighborhood zone projects, and a~~
21 ~~description of the present use and conditions of the targeted properties and~~
22 ~~structures.~~

- 1 ~~_____ b. A description of the existing physical assets, in particular natural or historical~~
2 ~~assets, of the zone and a plan for the incorporation and enhancement of the~~
3 ~~assets within the proposed development.~~
- 4 ~~_____ c. An outline of goals and objectives and proposed outcomes, including major~~
5 ~~milestones or benchmarks, by which to gauge success resulting from the~~
6 ~~designation of the zone.~~
- 7 ~~_____ d. A description of the types of projects the city would encourage in the city's~~
8 ~~targeted properties.~~
- 9 ~~_____ e. A description of the promotion, development, and management strategies to~~
10 ~~maximize investment in the zone.~~
- 11 ~~_____ f. A plan for the development, promotion, and use of a renaissance or~~
12 ~~neighborhood fund organization, if one is desired to be established. If a city is not~~
13 ~~ready to commit to establishing a renaissance or neighborhood fund~~
14 ~~organization, the city may indicate in the renaissance or neighborhood zone~~
15 ~~application the city's desire to submit a plan for approval at a later date.~~
- 16 ~~_____ g. Evidence of community support and commitment from residential and business~~
17 ~~interests. Evidence of community support must include letters of support from the~~
18 ~~governing bodies of each county and school district that contain property located~~
19 ~~within the boundaries of the proposed renaissance or neighborhood zone.~~
- 20 ~~_____ 3. "Investor" means the individual, partnership, limited partnership, limited liability~~
21 ~~company, trust, or corporation making an investment in a renaissance or~~
22 ~~neighborhood fund organization.~~
- 23 ~~_____ 4. "Lease" means the lease of space in a building in a designated renaissance or~~
24 ~~neighborhood zone by a new business moving into the zone or by an existing zone~~
25 ~~business expanding in the zone, and the continuation of a lease of an existing zone~~
26 ~~tenant in a building rehabilitated as an approved renaissance zone project or~~
27 ~~neighborhood zone project. For existing zone tenants expanding in the zone, the term~~
28 ~~does not include existing leased space.~~
- 29 ~~_____ 5. "Local zone authority" means the city or the entity designated by the city to promote,~~
30 ~~develop, and manage the zone and may include any nonprofit incorporated entity such~~

1 as an economic development corporation, community development corporation, main-
2 street organization, or chamber of commerce.

3 ~~6. "Neighborhood zone project" means the purchase, rehabilitation, or reconstruction of a~~
4 ~~detached, single family, residential structure or a structure that contains no more than~~
5 ~~four separate dwelling units in a neighborhood zone approved for zone incentives by a~~
6 ~~majority vote of the city governing body or local zone authority.~~

7 ~~7. "Original principal amount" means the funds invested in a renaissance or~~
8 ~~neighborhood fund organization after designation of the renaissance or neighborhood~~
9 ~~zone and before the sunset of that zone.~~

10 ~~7.8. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or~~
11 ~~remodeling of a building or public utility infrastructure at a cost that is equal to or~~
12 ~~exceeds fifty percent of the current true and full value for commercial buildings or~~
13 ~~public utility infrastructure and twenty percent for detached, single-family homes or~~
14 ~~structures consisting of no more than four separate dwelling units.~~

15 ~~8.9. "Renaissance zone project" means the purchase, lease, rehabilitation, or historical~~
16 ~~preservation or renovation of a building or space in a building approved for zone~~
17 ~~incentives by a majority vote of the city governing body or a zone authority.~~

18 ~~10. "Taxpayer" means an individual, corporation, or trust subject to the taxes imposed by~~
19 ~~chapter 57-38 and includes a partnership, subchapter S corporation, limited~~
20 ~~partnership, limited liability company, or any other passthrough entity.~~

21 ~~9.11. "Zone" means a renaissance or neighborhood zone proposed by a city and designated~~
22 ~~by the department of commerce division of community services.~~

23 ~~10. "Zone project" means the purchase, lease, rehabilitation, or historical preservation or~~
24 ~~renovation of a building or space in a building approved for zone incentives by a~~
25 ~~majority vote of the city governing body or zone authority.~~

26 ~~**SECTION 2. AMENDMENT.** Section 40-63-02 of the North Dakota Century Code is~~
27 ~~amended and reenacted as follows:~~

28 ~~**40-63-02. Eligibility -- Local zone authority designation.**~~

29 ~~Any incorporated city may apply to the department of commerce division of community~~
30 ~~services to designate a portion of the city as a renaissance or neighborhood zone. Any~~
31 ~~individual, partnership, limited partnership, limited liability company, trust, or corporation may~~

1 apply for a tax credit or exemption under sections 40-63-04 through 40-63-07. The governing
2 body of a city may designate a local zone authority to implement a development plan on behalf
3 of the city.

4 ~~— SECTION 3. AMENDMENT. Section 40-63-03 of the North Dakota Century Code is~~
5 ~~amended and reenacted as follows:~~

6 ~~— **40-63-03. Renaissance and neighborhood zones.**~~

7 ~~— 1. A city may apply to the department of commerce division of community services to~~
8 ~~designate a portion of that city as a renaissance or neighborhood zone if the following~~
9 ~~criteria are met:~~

10 ~~— a. The geographic area proposed for the renaissance or neighborhood zone is~~
11 ~~located wholly within the boundaries of the city submitting the application.~~

12 ~~— b. The application includes a development plan.~~

13 ~~— c. The proposed neighborhood zone is not more than twenty five square blocks and~~
14 ~~the proposed renaissance zone is not more than thirty four square blocks, except~~
15 ~~in a city with a population of greater than five thousand the renaissance zone~~
16 ~~may exceed thirty four square blocks at the rate of one additional block for each~~
17 ~~additional five thousand population to a maximum size of forty nine blocks.~~
18 ~~Population is based upon the most recent federal decennial census or federal~~
19 ~~census estimate. For purposes of a neighborhood zone, seventy five percent or~~
20 ~~more of the structures on a block must have been constructed before 1959 and~~
21 ~~the majority of the structures on the block must be used for residential purposes~~
22 ~~for the block to qualify for inclusion in a neighborhood zone.~~

23 ~~— If a city finds that renaissance or neighborhood zone projects have~~
24 ~~satisfactorily completed one or more blocks within the renaissance or~~
25 ~~neighborhood zone, the city may apply for and the department of commerce~~
26 ~~division of community services may approve withdrawal of those blocks from the~~
27 ~~renaissance or neighborhood zone and replacement of those blocks with other~~
28 ~~blocks that otherwise meet the requirements of this chapter.~~

29 ~~— d. Except as provided under subdivision g, the proposed renaissance zone has a~~
30 ~~continuous boundary and all blocks are contiguous. A proposed neighborhood~~

- 1 ~~zone is not required to have a continuous boundary or consist of contiguous-~~
2 ~~blocks.~~
- 3 ~~e. The proposed land usage includes both commercial and residential property.~~
- 4 ~~f. The application includes the proposed duration of renaissance or neighborhood~~
5 ~~zone status, not to exceed fifteen years. Upon application by the city, the~~
6 ~~department of commerce division of community services may extend the duration~~
7 ~~of renaissance zone status in increments of up to five years. The duration of~~
8 ~~neighborhood zone status may not be extended.~~
- 9 ~~g. The proposed renaissance zone may have a single exception to the continuous-~~
10 ~~boundary and contiguous block requirements under subdivision d if the area of~~
11 ~~the excepted noncontiguous blocks does not exceed three square blocks.~~
- 12 ~~2. The department of commerce division of community services shall:~~
- 13 ~~a. Review all applications for renaissance or neighborhood zone designation~~
14 ~~against the criteria established in this section and designate zones.~~
- 15 ~~b. Approve or reject the duration of renaissance or neighborhood zone status as~~
16 ~~submitted in an application.~~
- 17 ~~c. Approve or reject the geographic boundaries and total area of the renaissance or~~
18 ~~neighborhood zone as submitted in an application.~~
- 19 ~~d. Promote the renaissance and neighborhood zone programprograms.~~
- 20 ~~e. Monitor the progress of the designated renaissance and neighborhood zones~~
21 ~~against submitted plans in an annual plan review.~~
- 22 ~~f. Report on renaissance and neighborhood zone progress to the governor and the~~
23 ~~legislative management on an annual basis until all designated zones expire.~~
- 24 ~~3. The department of commerce division of community services shall consider the~~
25 ~~following criteria in designating a renaissance or neighborhood zone:~~
- 26 ~~a. The viability of the development plan.~~
- 27 ~~b. The incorporation and enhancement of unique natural and historic features into~~
28 ~~the development plan.~~
- 29 ~~c. Whether the development plan is creative and innovative in comparison to other~~
30 ~~applications.~~

- 1 ~~———— d. Public and private commitment to and other resources available for the proposed~~
2 ~~renaissance or neighborhood zone, including the provisions for a renaissance or~~
3 ~~neighborhood fund organization.~~
- 4 ~~———— e. How renaissance or neighborhood zone designation would relate to a broader~~
5 ~~plan for the community as a whole.~~
- 6 ~~———— f. How the local regulatory burden, in particular that burden associated with the~~
7 ~~renovation of historic properties and that burden associated with mixed-use~~
8 ~~development, will be eased for developers and investors in the renaissance or~~
9 ~~neighborhood zone.~~
- 10 ~~———— g. The strategies for the promotion, development, and management of the zone,~~
11 ~~including the use of a local zone authority if designated.~~
- 12 ~~———— h. Any other information required by the office.~~
- 13 ~~———— 4. The department of commerce division of community services may not designate a~~
14 ~~portion of a city as a renaissance or neighborhood zone unless, as a part of the~~
15 ~~application, the city provides a resolution from the governing body of the city that~~
16 ~~states if the renaissance or neighborhood zone designation is granted, persons and~~
17 ~~property within the renaissance or neighborhood zone are exempt from taxes as~~
18 ~~provided in sections 40-63-04 through 40-63-07.~~
- 19 ~~———— 5. A city may not propose or be part of more than one renaissance zone or more than~~
20 ~~one neighborhood zone. A city may propose to be part of a renaissance zone and a~~
21 ~~neighborhood zone and blocks proposed for inclusion in either zone may overlap.~~
- 22 ~~———— 6. A parcel of property may be exempted from property taxes under section 40-63-05~~
23 ~~only once, but during the five taxable years of eligibility for that exemption, the~~
24 ~~property tax exemption transfers with the transfer of the property to a qualifying user.~~
25 ~~The ownership or lease of, or investment in, a parcel of property may qualify for~~
26 ~~exemption or credit under section 40-63-04 only once, but during the five taxable~~
27 ~~years of eligibility for that exemption or credit, the exemption or credit under section~~
28 ~~40-63-04 transfers with the transfer of the property to a qualified user and with respect~~
29 ~~to the year in which the transfer is made must be prorated for use of the property~~
30 ~~during that year. An investment used to calculate an income tax credit under this~~
31 ~~chapter may not be used to calculate any other income tax credit.~~

1 ~~7. A city may apply to the department of commerce division of community services at any~~
2 ~~time during the duration of a zone to expand a previously approved renaissance or~~
3 ~~neighborhood zone that is less than the maximum size allowed under subdivision c of~~
4 ~~subsection 1. If the expansion is approved by the department of commerce division of~~
5 ~~community services, the blocks in the expansion are eligible for up to fifteen years of~~
6 ~~renaissance or neighborhood zone status.~~

7 ~~8. The use of grant funds as the sole source of investment in the purchase of a building~~
8 ~~or space in a building does not qualify a taxpayer for any tax exemption or credit~~
9 ~~available under the chapter, and grant funds may not be counted in determining if the~~
10 ~~cost of rehabilitation meets or exceeds the current true and full value of the building.~~

11 ~~9. If a portion of an approved renaissance or neighborhood zone is not progressing, the~~
12 ~~city may request the department of commerce division of community services to permit~~
13 ~~deleting that portion and to make an adjustment of the boundaries to add another~~
14 ~~equal, contiguous area to the original zone. Area added to a renaissance zone must~~
15 ~~be contiguous.~~

16 ~~10. If within a renaissance zone there is property that is included in a tax increment~~
17 ~~financing district, the city in which the property is located shall provide the department~~
18 ~~of commerce an annual report regarding any such property at the time requested by~~
19 ~~the department of commerce. The report required under this subsection must identify~~
20 ~~the property, provide the expected duration of inclusion of the property in the tax~~
21 ~~increment financing district and the renaissance zone, and identify any property and~~
22 ~~income tax benefits of the property and the expected duration of those benefits. The~~
23 ~~department of commerce shall deliver an annual report compiling the information~~
24 ~~required under this subsection to the legislative management interim committee on~~
25 ~~taxation issues or upon request of any other interim committee of the legislative~~
26 ~~management.~~

27 ~~**SECTION 4. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is~~
28 ~~amended and reenacted as follows:~~

29 ~~**40-63-04. Income tax exemptions.**~~

30 ~~1. An individual taxpayer who purchases or, rehabilitates, or reconstructs a detached,~~
31 ~~single-family, residential property for the individual's primary place of residence as a~~

1 ~~renaissance zone project or neighborhood zone project~~ is exempt from up to ten-
2 thousand dollars of personal income tax liability as determined under section
3 ~~57-38-30.3~~ for five taxable years beginning with the date of occupancy or completion
4 of rehabilitation.

5 ~~2.~~ A taxpayer that purchases, leases, rehabilitates, reconstructs, or makes leasehold
6 improvements to residential, public utility infrastructure, or commercial property for any
7 business or investment purpose as a renaissance zone project or neighborhood zone
8 project is exempt from tax on income derived from the business or investment
9 locations within the zone for five taxable years, beginning with the date of purchase,
10 lease, reconstruction, or completion of rehabilitation.

11 ~~a.~~ The maximum amount of income that a taxpayer may exempt from tax under this
12 subsection for any taxable year is five hundred thousand dollars. The limitation in
13 this subdivision applies to the sum of the exempt income derived from the
14 taxpayer's business and investment interests in all renaissance zone projects and
15 neighborhood zone projects.

16 ~~b.~~ If a renaissance zone project or neighborhood zone project consists of a physical
17 expansion of an existing building owned and used by the taxpayer for business or
18 investment purposes, the amount of income exempt from tax under this
19 subsection is limited to an amount equal to the income derived from the
20 business, or from the investment use of the building, during the taxable year
21 multiplied by a ratio equal to the square footage added by the expansion divided
22 by the total square footage of the building after expansion.

23 ~~3.~~ If the cost of a new business purchase, leasehold improvement, or expansion of an
24 existing business, approved as a renaissance zone project, exceeds seventy-five
25 thousand dollars, and the business is located in a city with a population of not more
26 than two thousand five hundred, an individual taxpayer may, in lieu of the exemption
27 provided in subsection 2, elect to take an income tax exemption of up to two thousand
28 dollars of individual income tax liability as determined under section ~~57-38-30.3~~. The
29 election must be made on the taxpayer's return as originally and timely filed. The
30 election is irrevocable and binding for the duration of the exemptions provided in

1 subsection 2 or this subsection. If an election is not made on the original return, the
2 taxpayer is only eligible for the exemption provided in subsection 2.

3 ~~4. If a property owner not participating in a renaissance zone project or neighborhood~~
4 ~~zone project is required to make changes in utility services or in a building structure~~
5 ~~because of changes made to property that is part of a renaissance zone project or~~
6 ~~neighborhood zone project, the owner of the nonparticipating property is entitled to~~
7 ~~state income tax credits equal to the total amount of the investment necessary to~~
8 ~~complete the required changes. The credit must be approved by the local renaissance~~
9 ~~or neighborhood zone authority. The credit must be claimed in the taxable year in~~
10 ~~which the related project was completed. The credit may not exceed the taxpayer's tax~~
11 ~~liability, and an unused credit may be carried forward up to five taxable years.~~

12 ~~5. The exemptions provided by this section do not eliminate any duty to file a return or to~~
13 ~~report income as required under chapter 57-38.~~

14 ~~**SECTION 5. AMENDMENT.** Section 40-63-05 of the North Dakota Century Code is~~
15 ~~amended and reenacted as follows:~~

16 ~~**40-63-05. Property tax exemptions.**~~

17 ~~1. A municipality may grant a partial or complete exemption from ad valorem taxation on~~
18 ~~detached, single-family, residential property, exclusive of the land on which it is~~
19 ~~situated, if the property was purchased or, rehabilitated, or reconstructed by an~~
20 ~~individual for the individual's primary place of residence as a renaissance zone project~~
21 ~~or a neighborhood zone project. An exemption granted under this subsection may not~~
22 ~~extend beyond five taxable years following the date of acquisition, reconstruction, or~~
23 ~~completion of rehabilitation.~~

24 ~~2. A municipality may grant a partial or complete exemption from ad valorem taxation on~~
25 ~~buildings, structures, fixtures, and improvements purchased, reconstructed, or~~
26 ~~rehabilitated as a renaissance zone project or a neighborhood zone project for any~~
27 ~~business or investment purpose. The state board of equalization may grant a partial or~~
28 ~~complete exemption from ad valorem taxation on public utility infrastructure~~
29 ~~rehabilitated as a renaissance zone project. An exemption under this subsection may~~
30 ~~not extend beyond five taxable years following the date of purchase or completion of~~
31 ~~rehabilitation.~~

1 ~~3. To qualify for the exemption under this section, the property purchased, reconstructed,~~
2 ~~or rehabilitated as a neighborhood zone project initially must have been built before~~
3 ~~1959.~~

4 ~~SECTION 6. AMENDMENT. Section 40-63-06 of the North Dakota Century Code is~~
5 ~~amended and reenacted as follows:~~

6 ~~40-63-06. Historic preservation and renovation tax credit.~~

7 ~~A credit against state tax liability as determined under sections 57-38-30 and 57-38-30.3 is~~
8 ~~allowed for investments in the historic preservation or renovation of property within the~~
9 ~~renaissance or neighborhood zone. The amount of the credit is twenty-five percent of the~~
10 ~~amount invested, up to a maximum of two hundred fifty thousand dollars. The credit may be~~
11 ~~claimed in the year in which the preservation or renovation is completed. Any excess credit may~~
12 ~~be carried forward for a period of up to five taxable years.~~

13 ~~SECTION 7. AMENDMENT. Section 40-63-07 of the North Dakota Century Code is~~
14 ~~amended and reenacted as follows:~~

15 ~~40-63-07. Renaissance or neighborhood fund organization – Exemption from taxation.~~

16 ~~1. Each city with a designated renaissance or neighborhood zone may establish a~~
17 ~~renaissance or neighborhood fund organization, if the detailed plan for such an~~
18 ~~organization is clearly established in the development plan and approved with the~~
19 ~~plan, or is submitted at a later date to the department of commerce division of~~
20 ~~community services for approval after the designation of a renaissance or~~
21 ~~neighborhood zone.~~

22 ~~2. The purpose of a renaissance or neighborhood fund organization is solely to raise~~
23 ~~funds to be used to finance renaissance zone projects or neighborhood zone projects~~
24 ~~and other projects located in designated renaissance or neighborhood zones. A~~
25 ~~renaissance or neighborhood fund organization may provide financing to projects~~
26 ~~undertaken by individuals, partnerships, limited partnerships, limited liability~~
27 ~~companies, trusts, corporations, nonprofit organizations, and public entities. The~~
28 ~~financing may include any combination of equity investments, loans, guarantees, and~~
29 ~~commitments for financing. The amount of financing is not limited by this chapter.~~

1 ~~3. A renaissance or neighborhood fund organization shall confirm the following conditions~~
2 ~~are met before providing financing to a renaissance zone project or a neighborhood~~
3 ~~zone project:~~

4 ~~a. The funding is required for the project to proceed;~~

5 ~~b. The funding is adequate for the completion of the project; and~~

6 ~~c. The funding does not exceed the amount required to complete the project.~~

7 ~~4. A renaissance or neighborhood fund organization is exempt from any tax imposed by~~
8 ~~chapter 57-38. An exemption under this section may be passed through to any~~
9 ~~shareholder, partner, and owner if the renaissance or neighborhood fund organization~~
10 ~~is a passthrough entity for tax purposes. A corporation entitled to the exemption~~
11 ~~provided by this subsection shall file required returns and report income to the tax~~
12 ~~commissioner as required by the provisions of chapter 57-38 as if the exemption did~~
13 ~~not exist. If an employer, this subsection does not exempt a renaissance or~~
14 ~~neighborhood fund organization from complying with the income tax withholding laws.~~

15 ~~4.5. A credit against state tax liability as determined under section 57-38-30 or 57-38-30.3~~
16 ~~is allowed for investments in a renaissance or neighborhood fund organization. The~~
17 ~~amount of the credit is fifty percent of the amount invested in the renaissance or~~
18 ~~neighborhood fund organization during the taxable year. Any amount of credit which~~
19 ~~exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to~~
20 ~~five taxable years after the taxable year in which the investment was made.~~

21 ~~5.6. The total amount of credits allowed under this section may not exceed, in the~~
22 ~~aggregate, ten million five hundred thousand dollars for investments in renaissance~~
23 ~~fund organizations or, in the aggregate, ten million five hundred thousand dollars for~~
24 ~~investments in neighborhood fund organizations. A renaissance or neighborhood fund~~
25 ~~organization that has received investments that qualify for the credits under this~~
26 ~~subsection shall use those investments to finance projects within a renaissance or~~
27 ~~neighborhood zone.~~

28 ~~6.7. Income to a renaissance or neighborhood fund organization derived from the sale or~~
29 ~~refinancing of zone properties financed wholly or in part by the organization may be~~
30 ~~disbursed as annual dividends equal to the income, minus ten percent, derived from~~
31 ~~all sources and proportional to the investment. In the event of a loss to the fund~~

1 resulting in a temporary diminishment of the fund below the original principal amount,
2 no annual dividend may be paid until the fund is restored.

3 ~~7.8.~~ Income to a renaissance or neighborhood fund organization derived from interest or
4 the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or
5 securities may be used for administration.

6 ~~8.9.~~ If an investment in a renaissance or neighborhood fund organization which is the basis
7 for a credit under this section is redeemed by the investor within ten years of the date
8 it is purchased, the credit provided by this section for the investment must be
9 disallowed, and any credit previously claimed and allowed with respect to the
10 investment must be paid to the tax commissioner with the appropriate return of the
11 taxpayer covering the period in which the redemption occurred. When payments are
12 made to the tax commissioner under this section, the amount collected must be
13 handled in the same manner as if no credit had been allowed.

14 ~~9.10.~~ A renaissance or neighborhood fund organization shall secure an annual audit of its
15 financial records, prepared by an independent certified public accounting firm in
16 accordance with generally accepted auditing standards. The audit report must include
17 a statement of the percentage of annual investments received by the organization
18 which have been invested by the organization in investments permitted under this
19 chapter, including the use of investments, distinguishing between organization
20 investments made in renaissance or neighborhood zones and outside renaissance or
21 neighborhood zones. A renaissance or neighborhood fund organization shall file a
22 copy of each audit of its financial records under this subsection with the governing
23 body of the city in which it was established, the department of commerce division of
24 community services, and the tax commissioner. The department of commerce division
25 of community services shall provide an annual report to the budget section of the
26 legislative management showing the conclusions of audit reports filed under this
27 subsection.

28 ~~10.11.~~ Renaissance or neighborhood fund organization officers and employees may be
29 actively involved in the enterprises in which the renaissance or neighborhood fund
30 organization invests but the renaissance or neighborhood fund organization may not
31 invest in any enterprise if any one renaissance or neighborhood fund organization

1 officer or employee owns more than forty-nine percent of the ownership interest in the
2 enterprise. A renaissance or neighborhood fund organization may not invest in an
3 enterprise if renaissance or neighborhood fund organization officers and employees
4 collectively own more than forty-nine percent of the ownership interests, either through
5 direct ownership or through ownership of interest in a passthrough entity.

6 ~~12. A neighborhood fund organization is eligible to receive a state appropriation as a grant
7 or low interest loan to meet the objectives of residential home restoration.~~

8 ~~SECTION 8. AMENDMENT.~~ Section 40-63-10 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 ~~40-63-10. Passthrough of tax exemption or credit.~~

11 ~~A partnership, subchapter S corporation, limited partnership, limited liability company, or
12 any other passthrough entity that purchases or leases property in a renaissance or
13 neighborhood zone for any business purpose, invests in a historic preservation or renovation of
14 property within a renaissance or neighborhood zone, or invests in a renaissance or
15 neighborhood fund organization must be considered to be the taxpayer for purposes of any
16 investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the
17 exemption or credit allowed with respect to the entity's investments must be determined at the
18 passthrough entity level. The amount of the total exemption or credit determined at the entity
19 level must be passed through to the partners, shareholders, or members in proportion to their
20 respective interests in the passthrough entity.~~

21 ~~SECTION 9. AMENDMENT.~~ Subdivision b of subsection 7 of section 57-38-30.3 of the
22 North Dakota Century Code is amended and reenacted as follows:

23 ~~b. Renaissance and neighborhood zone tax credits under sections 40-63-04,
24 40-63-06, and 40-63-07.~~

25 ~~SECTION 10. EFFECTIVE DATE.~~ This Act is effective for taxable years beginning after
26 December 31, 2020.

27 **SECTION 1.** A new section to chapter 54-27.2 of the North Dakota Century Code is created
28 and enacted as follows:

29 **Certain general fund revenues to be deposited in the income tax rate reduction fund.**

30 **After any required transfers from the general fund to the budget stabilization fund under**
31 **section 54-27.2-02, the office of management and budget shall certify to the state treasurer the**

1 ending fund balance of the state general fund and if the amount in the general fund exceeds
2 sixty-five million dollars at the end of the biennium, also shall certify the amount to be
3 transferred to the income tax rate reduction fund. The state treasurer shall transfer the excess
4 over sixty-five million dollars up to one hundred fifty million dollars from the general fund to the
5 income rate reduction fund under section 2 of this Act.

6 **SECTION 2.** A new section to chapter 57-01 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner -**
9 **Transfer.**

10 1. There is created in the state treasury the income tax rate reduction fund. The fund
11 consists of all moneys deposited in the fund under section 1 of this Act.

12 2. If money is transferred into the income tax rate reduction fund under section 1 of this
13 Act and the balance in the fund is over fifty million dollars, the tax commissioner shall
14 publish reduced individual and corporate income tax rates and notify taxpayers of the
15 reduced rates by November first of the first fiscal year of the biennium. The tax
16 commissioner may determine the form and manner for publishing the reduced rates
17 and notifying taxpayers, including any notification that taxpayers are not required to file
18 returns or pay taxes. The tax commissioner shall reduce the individual income tax
19 rates and the corporate income tax rates based on the following:

20 a. The percentage reduction to the individual and corporate income tax rates is
21 equal to the balance in the rate reduction fund divided by the total estimated tax
22 collections.

23 b. Any reductions to the individual income tax rates and the corporate income tax
24 rates apply to taxable years beginning after a rate reduction is calculated and
25 published under this section.

26 c. The reductions to the individual income tax rates and the corporate income tax
27 rates must be proportional to the estimated tax collections for each tax relative to
28 the combined total estimated tax collections for both taxes.

29 d. The reductions to the individual income tax rates and corporate income tax rates
30 must be applied equally to all tax brackets for each tax.

- 1 e. The reduced individual income tax rates and corporate income tax rates must be
2 rounded to the nearest one-hundredth of a percent.
- 3 f. The tax commissioner shall calculate the reduced individual income tax rates and
4 corporate income tax rates until the rates are reduced to zero.
- 5 g. "Estimated tax collections" means the income tax collection amounts included in
6 the revenue forecast of the current biennial state budget as approved by the most
7 recently adjourned special or regular session of the legislative assembly.
- 8 3. If the income tax rate reduction results in a disproportionate amount of tax to be
9 deducted and withheld under section 57-38-59, the tax commissioner may adjust the
10 percentage that, when withheld, will as closely as possible pay the income tax liability
11 imposed.
- 12 4. This section does not limit or suspend any provision in chapter 57-38 which is not in
13 conflict with this section, including provisions for assessment and refund under
14 sections 57-38-34.4, 57-38-38, and 57-38-40.
- 15 5. In April of the first fiscal year of the biennium, if a rate reduction is made under
16 subsection 2, the state treasurer shall transfer the amounts certified by the tax
17 commissioner from the income tax rate reduction fund to the general fund.
- 18 6. The tax commissioner shall certify to the state treasurer that the individual income tax
19 and corporate income tax rates have been reduced to zero. Upon receiving the
20 certification from the tax commissioner, the state treasurer immediately shall transfer
21 any moneys remaining in the income tax reduction fund to the state general fund.