

Sixty-eighth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2391

Introduced by

Senators Sickler, Rummel, Vedaa

1 A BILL for an Act to amend and reenact subsection 7 of section 40-63-01, sections 40-63-03,  
2 40-63-04, and 40-63-05, and subsection 5 of section 40-63-07 of the North Dakota Century  
3 Code, relating to renaissance zones and income and property tax incentives related to  
4 renaissance zones.

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

6 **SECTION 1. AMENDMENT.** Subsection 7 of section 40-63-01 of the North Dakota Century  
7 Code is amended and reenacted as follows:

8 7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or  
9 remodeling of a building or public utility infrastructure at a cost that is equal to or  
10 exceeds ~~seventy five~~:

11 a. Seventy-five percent of the current true and full value for ~~commercial buildings~~,  
12 fifty residential, public utility infrastructure, or commercial property for any  
13 business investment purpose with respect to income tax or ad valorem property  
14 tax exemptions exceeding five taxable years;

15 b. Fifty percent of the current true and full value ~~for commercial buildings or for~~  
16 residential or commercial property with respect to income tax or ad valorem  
17 property tax exemptions extending not beyond five taxable years;

18 c. Fifty percent for public utility infrastructure, ~~and twenty~~; or

19 d. Twenty percent for single-family homes.

20 **SECTION 2. AMENDMENT.** Section 40-63-03 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **40-63-03. Renaissance zones.**

23 1. A city may apply to the department of commerce division of community services to  
24 designate a portion of that city as a renaissance zone if the following criteria are met:

- 1           a. The geographic area proposed for the renaissance zone is located wholly within  
2           the boundaries of the city submitting the application.  
3           b. The application includes a development plan.  
4           c. The proposed renaissance zone is not more than thirty-four square blocks,  
5           except in a city with a population of greater than five thousand the renaissance  
6           zone may exceed thirty-four square blocks at the rate of one additional block for  
7           each additional five thousand population to a maximum size of forty-nine blocks.  
8           Population is based upon the most recent federal decennial census or federal  
9           census estimate.

10                        If a city finds that renaissance zone projects have satisfactorily completed  
11                        one or more blocks within the renaissance zone, the city may apply for and the  
12                        department of commerce division of community services may approve withdrawal  
13                        of those blocks from the renaissance zone and replacement of those blocks with  
14                        other blocks that otherwise meet the requirements of this chapter.

- 15           d. Except as provided under subdivision g, the proposed renaissance zone has a  
16           continuous boundary and all blocks are contiguous.  
17           e. The proposed land usage includes both commercial and residential property.  
18           f. The application includes the proposed duration of renaissance zone status, not to  
19           exceed fifteen years. Upon application by the city, the department of commerce  
20           division of community services may extend the duration of renaissance zone  
21           status in increments of up to ~~five~~ten years.  
22           g. The proposed renaissance zone may have ~~a single exception~~up to two  
23           exceptions to the continuous boundary and contiguous block requirements under  
24           subdivision d if the ~~area~~areas of the excepted noncontiguous blocks ~~does~~do not  
25           exceed three square blocks each.

26           2. The department of commerce division of community services shall:

- 27           a. Review all applications for renaissance zone designation against the criteria  
28           established in this section and designate zones.  
29           b. Approve or reject the duration of renaissance zone status as submitted in an  
30           application.

- 1           c. Approve or reject the geographic boundaries and total area of the renaissance  
2           zone as submitted in an application.
- 3           d. Promote the renaissance zone program.
- 4           e. Monitor the progress of the designated renaissance zones against submitted  
5           plans in an annual plan review.
- 6           f. Report on renaissance zone progress to the governor and the legislative  
7           management on an annual basis until all designated zones expire.
- 8        3. The department of commerce division of community services shall consider the  
9        following criteria in designating a renaissance zone:
  - 10       a. The viability of the development plan.
  - 11       b. The incorporation and enhancement of unique natural and historic features into  
12       the development plan.
  - 13       c. Whether the development plan is creative and innovative in comparison to other  
14       applications.
  - 15       d. Public and private commitment to and other resources available for the proposed  
16       renaissance zone, including the provisions for a renaissance fund organization.
  - 17       e. How renaissance zone designation would relate to a broader plan for the  
18       community as a whole.
  - 19       f. How the local regulatory burden, in particular that burden associated with the  
20       renovation of historic properties and that burden associated with mixed use  
21       development, will be eased for developers and investors in the renaissance zone.
  - 22       g. The strategies for the promotion, development, and management of the zone,  
23       including the use of a local zone authority if designated.
  - 24       h. Any other information required by the office.
- 25       4. The department of commerce division of community services may not designate a  
26       portion of a city as a renaissance zone unless, as a part of the application, the city  
27       provides a resolution from the governing body of the city that states if the renaissance  
28       zone designation is granted, persons and property within the renaissance zone are  
29       exempt from taxes as provided in sections 40-63-04 through 40-63-07.
- 30       5. A city may not propose or be part of more than one renaissance zone.

- 1           6.   a.   A parcel of property may be exempted from property taxes under section  
2                   40-63-05 ~~only more than once, but during.~~ During the five taxable years of  
3                   eligibility for ~~that an~~ exemption from property taxes under section 40-63-05, the  
4                   property tax exemption transfers with the transfer of the property to a qualifying  
5                   user. A parcel of property which previously received a property tax exemption  
6                   under section 40-63-05 may not be eligible for a subsequent property tax  
7                   exemption under section 40-63-05 until thirty years have lapsed from the  
8                   completion date of the most recent project on the property.
- 9           b.   The ownership or lease of, or investment in, a parcel of property may qualify for  
10                   exemption or credit under section 40-63-04 ~~only more than once, but during.~~  
11                   During the five taxable years of eligibility for that an exemption or credit under  
12                   section 40-63-04, the exemption or credit ~~under section 40-63-04~~ transfers with  
13                   the transfer of the property to a qualified user and with respect to the year in  
14                   which the transfer is made must be prorated for use of the property during that  
15                   year.
- 16           7.   A city may apply to the department of commerce division of community services at any  
17                   time during the duration of a zone to expand a previously approved renaissance zone  
18                   that is less than the maximum size allowed under subdivision c of subsection 1. If the  
19                   expansion is approved by the department of commerce division of community  
20                   services, the blocks in the expansion are eligible for up to fifteen years of renaissance  
21                   zone status.
- 22           8.   The use of grant funds as the sole source of investment in the purchase of a building  
23                   or space in a building does not qualify a taxpayer for any tax exemption or credit  
24                   available under the chapter, and grant funds may not be counted in determining if the  
25                   cost of rehabilitation meets or exceeds the current true and full value of the building.
- 26           9.   If a portion of an approved renaissance zone is not progressing, the city may request  
27                   the department of commerce division of community services to permit deleting that  
28                   portion and to make an adjustment of the boundaries to add another equal, contiguous  
29                   area to the original zone.
- 30           10.  If within a renaissance zone there is property that is included in a tax increment  
31                   financing district, the city in which the property is located shall provide the department

1 of commerce an annual report regarding any such property at the time requested by  
2 the department of commerce. The report required under this subsection must identify  
3 the property, provide the expected duration of inclusion of the property in the tax  
4 increment financing district and the renaissance zone, and identify any property and  
5 income tax benefits of the property and the expected duration of those benefits. The  
6 department of commerce shall deliver an annual report compiling the information  
7 required under this subsection to the legislative management interim committee on  
8 taxation issues or upon request of any other interim committee of the legislative  
9 management.

10 **SECTION 3. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **40-63-04. Income tax exemptions.**

- 13 1. An individual taxpayer who purchases or rehabilitates single-family residential property  
14 for the individual's primary place of residence as a zone project is exempt from up to  
15 ten thousand dollars of personal income tax liability as determined under section  
16 57-38-30.3 for five up to eight taxable years beginning with the date of occupancy or  
17 completion of rehabilitation.
- 18 2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to  
19 residential, public utility infrastructure, or commercial property for any business or  
20 investment purpose as a zone project is exempt from tax on income derived from the  
21 business or investment locations within the zone for five up to eight taxable years,  
22 beginning with the date of purchase, lease, or completion of rehabilitation.
- 23 a. The maximum amount of income that a taxpayer may exempt from tax under this  
24 subsection for any taxable year is five hundred thousand dollars. The limitation in  
25 this subdivision applies to the sum of the exempt income derived from the  
26 taxpayer's business and investment interests in all zone projects.
- 27 b. If a zone project consists of a physical expansion of an existing building owned  
28 and used by the taxpayer for business or investment purposes, the amount of  
29 income exempt from tax under this subsection is limited to an amount equal to  
30 the income derived from the business, or from the investment use of the building,

1                   during the taxable year multiplied by a ratio equal to the square footage added by  
2                   the expansion divided by the total square footage of the building after expansion.

3           3.   If the cost of a new business purchase, leasehold improvement, or expansion of an  
4           existing business, approved as a zone project, exceeds seventy-five thousand dollars,  
5           and the business is located in a city with a population of not more than two thousand  
6           five hundred, an individual taxpayer may, in lieu of the exemption provided in  
7           subsection 2, elect to take an income tax exemption of up to two thousand dollars of  
8           individual income tax liability as determined under section 57-38-30.3. The election  
9           must be made on the taxpayer's return as originally and timely filed. The election is  
10          irrevocable and binding for the duration of the exemptions provided in subsection 2 or  
11          this subsection. If an election is not made on the original return, the taxpayer is only  
12          eligible for the exemption provided in subsection 2.

13          4.   If a property owner not participating in a renaissance zone project is required to make  
14          changes in utility services or in a building structure because of changes made to  
15          property that is part of a zone project, the owner of the nonparticipating property is  
16          entitled to state income tax credits equal to the total amount of the investment  
17          necessary to complete the required changes. The credit must be approved by the local  
18          renaissance zone authority. The credit must be claimed in the taxable year in which  
19          the related project was completed. The credit may not exceed the taxpayer's tax  
20          liability, and an unused credit may be carried forward up to five taxable years.

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

23           **SECTION 4. AMENDMENT.** Section 40-63-05 of the North Dakota Century Code is  
24   amended and reenacted as follows:

25           **40-63-05. Property tax exemptions.**

26          1.   A municipality may grant a partial or complete exemption from ad valorem taxation on  
27          single-family residential property, exclusive of the land on which it is situated, if the  
28          property was purchased or rehabilitated by an individual for the individual's primary  
29          place of residence as a zone project. An exemption granted under this subsection may  
30          not extend beyond ~~five~~eight taxable years following the date of acquisition or  
31          completion of rehabilitation.

1           2. A municipality may grant a partial or complete exemption from ad valorem taxation  
2           on buildings, structures, fixtures, and improvements purchased or rehabilitated as a  
3           zone project for any business or investment purpose. The state board of equalization  
4           may grant a partial or complete exemption from ad valorem taxation on public utility  
5           infrastructure rehabilitated as a zone project. An exemption under this subsection may  
6           not extend beyond ~~five~~eight taxable years following the date of purchase or completion  
7           of rehabilitation.

8           **SECTION 5. AMENDMENT.** Subsection 5 of section 40-63-07 of the North Dakota Century  
9           Code is amended and reenacted as follows:

10          5. The total amount of credits allowed under this section may not exceed, in the  
11          aggregate, ten million five hundred thousand dollars for investments in renaissance  
12          fund organizations. A renaissance fund organization that has received investments  
13          that qualify for the credits under this subsection shall use those investments to finance  
14          projects within a renaissance zone. If the total amount of credits allowed under this  
15          section have been claimed, the renaissance fund organization allowance must  
16          terminate and additional credits may not be made available for investments in a  
17          renaissance fund organization.