

MUNICIPAL GOVERNMENT

CHAPTER 357

SENATE BILL NO. 2253 (Senators Lyson, Stenehjem, Wardner)

CITY COUNCIL MEMBER COMPENSATION

AN ACT to amend and reenact sections 40-04.1-02, 40-08-07, and 40-09-06 of the North Dakota Century Code, relating to the salary of city council members and commissioners.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 40-04.1-02 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-04.1-02. Compensation of council members. The members of the council ~~shall~~ are entitled to receive such compensation for their services as is fixed by ordinance; ~~but not more than the maximum provided for the members of the governing board under any other form of city government.~~

SECTION 2. AMENDMENT. Section 40-08-07 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-08-07. Compensation of council members. Each council member is entitled to receive compensation for services as established by ordinance; ~~but the compensation may not exceed the following limitations based upon the population of the city according to the latest state or federal census:~~

1. ~~In cities not exceeding two thousand in population, sixty dollars per month.~~
2. ~~In cities over two thousand and not exceeding six thousand in population, one hundred dollars per month.~~
3. ~~In cities over six thousand and not exceeding thirty thousand in population, one hundred ninety-five dollars per month.~~
4. ~~In cities having a population of over thirty thousand, four hundred forty-five dollars per month.~~

SECTION 3. AMENDMENT. Section 40-09-06 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-09-06. Style of board - Oath and salary of commissioners. The commissioners and the president of the board constitute the board of city commissioners and shall take an oath faithfully to perform the duties of their respective offices. The monthly salary of each city commissioner must be fixed by

ordinance, but the compensation shall not exceed the following limitations based upon the population of the city according to the latest state or federal census:

1. In cities not exceeding one thousand in population, fifty dollars.
2. In cities over one thousand and not exceeding two thousand in population, sixty dollars.
3. In cities over two thousand and not exceeding four thousand in population, ninety dollars.
4. In cities over four thousand and not exceeding six thousand in population, one hundred twenty dollars.
5. In cities over six thousand and not exceeding eight thousand in population, two hundred five dollars.
6. In cities over eight thousand and not exceeding twelve thousand in population, two hundred seventy dollars.
7. In cities over twelve thousand and not exceeding thirty thousand in population, three hundred ninety dollars.
8. In cities over thirty thousand and not exceeding forty thousand in population, six hundred sixty dollars.
9. In cities having a population of over forty thousand, eight hundred ten dollars.

The president of a commission may receive a salary of up to fifty percent more than the level set for each commissioner upon resolution by the board of city commissioners.

Approved March 21, 2001

Filed March 21, 2001

CHAPTER 358

SENATE BILL NO. 2146

(Political Subdivisions Committee)
(At the request of the Secretary of State)

HOME RULE CHARTER FILING

AN ACT to amend and reenact section 40-05.1-05 of the North Dakota Century Code, relating to the places to file home rule charter; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 40-05.1-05 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-05.1-05. Ratification by majority vote - Supersession of existing charter and state laws in conflict therewith - Filing of copies of new charter. If a majority of the qualified voters voting on the charter at the election vote in favor of the home rule charter, the charter is ratified and is the organic law of the city, and extends to all its local and city matters. The charter and the ordinances made pursuant to the charter in such matters supersede within the territorial limits and other jurisdiction of the city any law of the state in conflict with the charter and ordinances, and must be liberally construed for such purposes. One copy of the charter ratified and approved must be filed with the secretary of state; ~~one with the register of deeds for the county in which the city is located, unless the board of county commissioners designates a different official;~~ and one with the auditor of the city to remain as a part of its permanent records. Thereupon the courts shall take judicial notice of the new charter.

SECTION 2. EMERGENCY. This Act is declared to be an emergency measure.

Approved March 14, 2001
Filed March 14, 2001

CHAPTER 359

SENATE BILL NO. 2033 (Legislative Council) (Commerce and Labor Committee)

RENAISSANCE ZONES

AN ACT to create and enact a new section to chapter 40-63 of the North Dakota Century Code, relating to renaissance zone tax benefit requirements; to amend and reenact sections 40-63-01, 40-63-02, 40-63-03, 40-63-04, 40-63-05, 40-63-06, 40-63-07, 40-63-09, and 40-63-10 of the North Dakota Century Code, relating to renaissance zones; to repeal section 40-63-08 of the North Dakota Century Code, relating to renaissance zone contribution use; and to provide for an application date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

¹⁷⁴ **SECTION 1. AMENDMENT.** Section 40-63-01 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-01. Definitions. As used in this chapter:

1. "Boundary" means the boundary established by vote of the city governing body and approved by the ~~office of intergovernmental assistance~~ division of community services.
2. "Development plan" means a written plan that addresses the criteria in subsection 1 of section 40-63-03 and includes the following:
 - a. A map of the proposed renaissance zone which indicates the geographic boundaries ~~and blocks, the total area, and the present use and conditions of the land and structures within those boundaries~~ a description of the properties and structures on each block, identification of those properties and structures to be targeted for potential zone projects, and a description of the present use and conditions of the targeted properties and structures.
 - b. A description of the existing physical assets, in particular natural or historical assets, of the zone and a plan for the incorporation and enhancement of the assets within the proposed development.
 - c. An outline of goals and objectives and proposed outcomes, including major milestones or benchmarks, by which to gauge success resulting from the designation of the zone.

¹⁷⁴ Section 40-63-01 was also amended by section 12 of House Bill No. 1049, chapter 55.

- d. A description of ~~proposed~~ the types of projects including public and private investments, and the programming and planned events to support and enhance the projected investments the city would encourage in the city's targeted properties.
 - e. A description of the promotion, development, and management strategies to maximize investment in the zone.
 - f. A plan for the development, promotion, and use of the a renaissance fund ~~corporation~~ organization, including commitments by one or more investors to the corporation, if such use one is intended desired to be established. If a city is not ready to commit to establishing a renaissance fund organization, the city may indicate in the renaissance zone application the city's desire to submit a plan for approval at a later date.
 - g. Evidence of community support and commitment from residential and business interests.
3. "Investor" means the individual, partnership, limited partnership, limited liability company, trust, or corporation making an investment in a renaissance fund ~~corporation~~ organization.
 4. "Lease" means the lease of space in a building in a designated renaissance zone by a new business moving into the zone or by an existing zone business expanding in the zone, and the continuation of a lease of an existing zone tenant in a building rehabilitated as an approved zone project. For existing zone tenants expanding in the zone, the term does not include existing leased space.
 5. "Local zone authority" means the city or the entity designated by the city to promote, develop, and manage the zone and may include any nonprofit incorporated entity such as an economic development corporation, community development corporation, main street organization, or chamber of commerce.
- ~~5.~~ 6. "Original principal amount" means the funds invested in a renaissance fund ~~corporation~~ organization after designation of the renaissance zone and before the sunset of that zone.
 7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or remodeling of a building at a cost that is equal to or exceeds fifty percent of the current true and full value for commercial buildings and twenty percent for single-family homes.
- ~~6.~~ 8. "Taxpayer" means an individual, corporation, financial institution, or trust subject to the taxes imposed by chapter 57-35.3 or 57-38 and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity.
 - ~~7.~~ 9. "Zone" means a renaissance zone proposed by a city and designated by the ~~office of intergovernmental assistance~~ division of community services.
- ~~8.~~ 10. "Zone project" means any project contained within a designated renaissance zone and the purchase, lease, rehabilitation, or historical

preservation or renovation of a building or space in a building approved for zone incentives by a majority vote of the city governing body or zone authority.

¹⁷⁵ **SECTION 2. AMENDMENT.** Section 40-63-02 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-02. Eligibility - Local zone authority designation. Any incorporated city may apply to the ~~office of intergovernmental assistance~~ division of community services to designate a portion of the city as a renaissance zone. Any individual, partnership, limited partnership, limited liability company, trust, or corporation may apply for a tax credit or exemption under sections 40-63-04 through 40-63-07. The governing body of a city may designate a local zone authority to implement a development plan on behalf of the city.

¹⁷⁶ **SECTION 3. AMENDMENT.** Section 40-63-03 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-03. Renaissance zones.

1. A city may apply to the ~~office of intergovernmental assistance~~ division of community services to designate a portion of that city as a renaissance zone if the following criteria are met:
 - a. The geographic area proposed for the renaissance zone is located wholly within the boundaries of the city submitting the application.
 - b. The application includes a development plan.
 - c. The proposed renaissance zone is not more than twenty square blocks.
 - d. The proposed renaissance zone has a continuous boundary and all blocks are contiguous.
 - e. The proposed land usage includes both commercial and residential property.
 - f. The application includes the proposed duration of renaissance zone status, not to exceed fifteen years.
2. The ~~office of intergovernmental assistance~~ division of community services shall:
 - a. Review all applications for renaissance zone designation against the criteria established in this section and designate zones.

¹⁷⁵ Section 40-63-02 was also amended by section 13 of House Bill No. 1049, chapter 55.

¹⁷⁶ Section 40-63-03 was also amended by section 14 of House Bill No. 1049, chapter 55.

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

6. A parcel of property may be exempted from property taxes under section 40-63-05 only once, but during the five taxable years of eligibility for that exemption, the property tax exemption transfers with the transfer of the property to a qualifying user. The ownership or lease of, or investment in, a parcel of property may qualify for exemption or credit under section 40-63-04 only once, but during the five taxable years of eligibility for that exemption or credit, the exemption or credit under section 40-63-04 transfers with the transfer of the property to a qualified user and with respect to the year in which the transfer is made must be prorated for use of the property during that year.
7. A city may apply to the division of community services at any time during the duration of a zone to expand a previously approved renaissance zone that is less than twenty square blocks to not more than twenty square blocks. If the expansion is approved by the division of community services, the blocks in the expansion are eligible for up to fifteen years of renaissance zone status.
8. The use of grant funds as the sole source of investment in the purchase of a building or space in a building does not qualify a taxpayer for any tax exemption or credit available under the chapter, and grant funds may not be counted in determining if the cost of rehabilitation meets or exceeds the current true and full value of the building.
9. If after a minimum of five years a portion of an approved renaissance zone is not progressing, the city may request the division of community services to permit deleting that portion and to make a one-time adjustment of the boundaries to add another equal, contiguous area to the original zone.

SECTION 4. AMENDMENT. Section 40-63-04 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-04. Income tax exemptions.

1. An individual taxpayer who purchases or rehabilitates single-family residential property for the individual's primary place of residence as ~~part of~~ a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.
2. ~~A business~~ Any taxpayer that purchases ~~or~~, leases, or rehabilitates residential or commercial property for any business or investment purpose as part of a zone project is exempt from ~~income any tax on income derived from the business or investment locations within the zone for five taxable years, beginning in the year of the investment or lease for income derived from the business locations within the zone with the date of purchase, lease, or completion of rehabilitation.~~
3. ~~An individual, partnership, limited partnership, limited liability company, trust, or corporation that purchases residential or commercial property as an investment as part of a zone project is exempt from any income tax for five taxable years resulting from income earned from that investment~~ If the cost of a new business purchase or expansion of an existing business, approved as a zone project, exceeds seventy-five

thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone project application. The election is irrevocable and binding for the duration of the exemptions provided in subsection 2 or 3. If no election is made on the zone project application, the taxpayer is only eligible for the exemption provided in subsection 2.

4. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-35.3 or 57-38.

SECTION 5. AMENDMENT. Section 40-63-05 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-05. Property tax exemptions.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, ~~located in a zone project~~ if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or rehabilitation.
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased ~~by a business or rehabilitated as a zone project~~ for any business or investment purpose, ~~excluding investment, as part of a zone project~~. An exemption granted under this subsection may not extend beyond five taxable years ~~beginning in the year of the investment~~ following the date of purchase or rehabilitation.
3. A municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements ~~to residential or commercial property located in a zone project~~ if the property was purchased solely for investment purposes. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition.

SECTION 6. AMENDMENT. Section 40-63-06 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-06. Historic preservation and renovation tax credit. A credit against state tax liability as determined under sections 57-35.3-03, 57-38-29, 57-38-30, and 57-38-30.3 is allowed for investments in the historic preservation or renovation of property within the renaissance zone ~~if the investment is made between January 1, 2000, and December 31, 2004~~. The amount of the credit is fifty twenty-five percent of the amount invested during the taxable year, up to a maximum of two hundred fifty thousand dollars. The credit may be claimed in the year in which the preservation or renovation is completed. Any excess credit may be carried forward for a period of up to five taxable years ~~from the date of the investment~~.

¹⁷⁷ **SECTION 7. AMENDMENT.** Section 40-63-07 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-07. Renaissance fund ~~corporation~~ organization - Exemption from taxation - Dissolution.

1. Each city with a designated renaissance zone may establish a renaissance fund ~~corporation~~ organization, if the ~~provisions detailed plan~~ provisions detailed plan for such a ~~corporation~~ organization is clearly established in the development plan and approved with the plan, or is submitted at a later date to the division of community services for approval after the designation of a renaissance zone. ~~The renaissance fund corporation may be a for-profit subsidiary of the local authority if one is designated.~~
2. The purpose of a renaissance fund ~~corporation~~ organization is solely to raise funds to be used to make investments in zone projects; ~~and to provide financing to enterprise zone projects in a manner that will encourage capital investment in downtowns and central portions of cities; encourage the establishment or expansion of commercial businesses in downtowns and central portions of cities; and encourage the purchase of homes and encourage residency in the downtowns and central portions of cities~~ and to make investments in businesses within a city's zone.
- ~~3.~~ A renaissance fund ~~corporation~~ organization may provide financing to ~~zone projects; including projects~~ undertaken by individuals, partnerships, limited partnerships, limited liability companies, trusts, corporations, nonprofit organizations, and public entities. The financing may include any combination of equity investments, loans, guarantees, and commitments for financing. The amount of financing is not limited by this chapter.
- ~~3.~~ A renaissance fund organization that is established by a city may provide financing to businesses within the city's zone and may provide financing to zone-approved projects throughout the state.
4. A renaissance fund ~~corporation~~ organization is exempt from any tax imposed by chapter 57-35.3 or 57-38. An exemption under this section may be passed through to any shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes. A corporation or financial institution entitled to the exemption provided by this subsection must file required returns and report income to the tax commissioner as required by the provisions of those chapters as if the exemption did not exist. If an employer, this subsection does not exempt a renaissance fund ~~corporation~~ organization from complying with the income tax withholding laws.
5. A credit against state tax liability as determined under section 57-35.3-03, 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund ~~corporation~~ organization. The

¹⁷⁷ Section 40-63-07 was also amended by section 1 of House Bill No. 1460, chapter 360.

amount of the credit is fifty percent of the amount invested in the renaissance fund corporation during the taxable year. Any amount of credit which exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.

6. The total amount of credits allowed under this section may not exceed, in the aggregate, two million five hundred thousand dollars for all taxpayers in all taxable years.
7. Income to a renaissance fund ~~corporation~~ organization derived from the sale or refinancing of zone properties financed wholly or in part by the ~~corporation~~ organization may be dispersed as annual dividends equal to the income, minus ten percent, derived from all sources and proportional to the investment. In the event of a loss to the fund resulting in a temporary diminishment of the fund below the original principal amount, no annual dividend may be paid until the fund is restored.
8. Income to a renaissance fund ~~corporation~~ organization derived from interest or the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or securities may be used for administration.
9. If an investment in a renaissance fund ~~corporation~~ organization which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is purchased, the credit provided by this section for the investment must be disallowed, and any credit previously claimed and allowed with respect to the investment must be paid to the tax commissioner with the appropriate return of the taxpayer covering the period in which the redemption occurred. When payments are made to the tax commissioner under this section, the amount collected must be handled in the same manner as if no credit had been allowed.
10. A renaissance fund ~~corporation~~ organization may invest in any ~~housing, residential or commercial, or infrastructure project~~ property involved in a zone project.
11. ~~Each petition for investment must include a plan for sale or refinancing that results in proceeds equal to or in excess of the proportional investment made by the renaissance fund corporation.~~

¹⁷⁸ **SECTION 8. AMENDMENT.** Section 40-63-09 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-09. Rules and administration - Income tax secrecy exception. The tax commissioner shall administer this chapter with respect to an income tax exemption or credit and has the same powers as provided under section 57-38-56 for purposes of this chapter. ~~The office of intergovernmental assistance, in cooperation with the tax commissioner, shall issue forms to a taxpayer who may be eligible for the income tax exemption or tax credit sufficient for the tax commissioner~~

¹⁷⁸ Section 40-63-09 was also amended by section 15 of House Bill No. 1049, chapter 55.

to monitor the use of any exemptions or credits received by a taxpayer. The secrecy provisions of section 57-38-57 do not apply to exemptions or credits received by taxpayers under sections 40-63-04, 40-63-06, and 40-63-07, but only when a local zone authority inquires of the tax commissioner about exemptions or credits claimed under sections 40-63-04, 40-63-06, and 40-63-07 with regard to that local zone authority or to the extent necessary for the tax commissioner to administer the tax exemptions or credits.

SECTION 9. AMENDMENT. Section 40-63-10 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-10. Pass-through of tax exemption or credit. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other pass-through entity that purchases or leases property in a renaissance zone for any business purpose, invests in a historic preservation or renovation of property within a renaissance zone, or invests in a renaissance fund ~~corporation~~ organization must be considered to be the taxpayer for purposes of any investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the exemption or credit allowed with respect to the entity's investments must be determined at the pass-through entity level. The amount of the total exemption or credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity.

SECTION 10. A new section to chapter 40-63 of the North Dakota Century Code is created and enacted as follows:

Tax benefits not available to delinquent taxpayer. A taxpayer may not be delinquent in payment of any state and local tax liability to be eligible for a tax benefit under this chapter.

SECTION 11. REPEAL. Section 40-63-08 of the North Dakota Century Code is repealed.

SECTION 12. APPLICATION. Sections 4 and 5 of this Act apply to zone projects approved after December 31, 1999, and section 6 of this Act applies to zone projects approved after July 31, 2001.

Approved April 19, 2001
Filed April 19, 2001

CHAPTER 360

HOUSE BILL NO. 1460

(Representatives S. Kelsh, Drovdal, Ekstrom)
(Senators Christenson, Grindberg, T. Mathern)

RENAISSANCE CORPORATION TAX CREDIT LIMITATION

AN ACT to amend and reenact section 40-63-07 of the North Dakota Century Code, relating to the limitation on the total amount of tax credits for investments in renaissance fund corporations; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

¹⁷⁹ **SECTION 1. AMENDMENT.** Section 40-63-07 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-07. Renaissance fund corporation - Exemption from taxation.

1. Each city with a designated renaissance zone may establish a renaissance fund corporation, if the provisions for such a corporation are clearly established in the development plan and approved with the plan. The renaissance fund corporation may be a for-profit subsidiary of the local authority if one is designated.
2. The purpose of a renaissance fund corporation is solely to raise funds to be used to make investments in zone projects, and to provide financing to enterprise zone projects in a manner that will encourage capital investment in downtowns and central portions of cities, encourage the establishment or expansion of commercial businesses in downtowns and central portions of cities, and encourage the purchase of homes and encourage residency in the downtowns and central portions of cities.
3. A renaissance fund corporation may provide financing to zone projects, including projects undertaken by individuals, partnerships, limited partnerships, limited liability companies, trusts, corporations, nonprofit organizations, and public entities. The financing may include any combination of equity investments, loans, guarantees, and commitments for financing. The amount of financing is not limited by this chapter.
4. A renaissance fund corporation is exempt from any tax imposed by chapter 57-35.3 or 57-38. A corporation or financial institution entitled to the exemption provided by this subsection must file required returns and report income to the tax commissioner as required by the provisions of those chapters as if the exemption did not exist. If an employer, this

¹⁷⁹ Section 40-63-07 was also amended by section 7 of Senate Bill No. 2033, chapter 359.

subsection does not exempt a renaissance fund corporation from complying with the income tax withholding laws.

5. A credit against state tax liability as determined under section 57-35.3-03, 57-38-29, 57-38-30, or 57-38-30.3 is allowed for investments in a renaissance fund corporation. The amount of the credit is fifty percent of the amount invested in the renaissance fund corporation during the taxable year. Any amount of credit which exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to five taxable years after the taxable year in which the investment was made.
6. The total amount of credits allowed under this section may not exceed, in the aggregate, an initial limit of two million five hundred thousand dollars for all taxpayers in all taxable years. Upon exhaustion of this initial limit, an additional one million dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2000, for investments permitted under this chapter if more than sixty-five percent of the organization's net investments received have been invested as permitted under this chapter or the organization is established after the exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one million five hundred thousand dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2002, for investments permitted under this chapter if more than sixty-five percent of the qualifying organization's net investments received have been invested as permitted under this chapter or the organization is established after the exhaustion of the initial limit.
7. Income to a renaissance fund corporation derived from the sale or refinancing of zone properties financed wholly or in part by the corporation may be dispersed as annual dividends equal to the income, minus ten percent, derived from all sources and proportional to the investment. In the event of a loss to the fund resulting in a temporary diminishment of the fund below the original principal amount, no annual dividend may be paid until the fund is restored.
8. Income to a renaissance fund corporation derived from interest or the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or securities may be used for administration.
9. If an investment in a renaissance fund corporation which is the basis for a credit under this section is redeemed by the investor within ten years of the date it is purchased, the credit provided by this section for the investment must be disallowed, and any credit previously claimed and allowed with respect to the investment must be paid to the tax commissioner with the appropriate return of the taxpayer covering the period in which the redemption occurred. When payments are made to the tax commissioner under this section, the amount collected must be handled in the same manner as if no credit had been allowed.
10. A renaissance fund organization shall secure an annual audit of its financial records, prepared by an independent certified public accounting firm in accordance with generally accepted auditing standards. The audit report must include a statement of the percentage

of annual net investments received by the organization after December 31, 2000, which have been invested by the organization in investments permitted under this chapter. If the audit report shows that less than fifty percent of such net investments have been so invested during the previous four years and the organization has been incorporated for four years or more, that organization may not accept any new investments until the governing body of the city in which the organization was established determines that good cause exists for the failure to reach that level of investment or until a subsequent audit report shows that fifty percent or more of such net investments have been so invested. A renaissance fund organization shall file a copy of each audit of its financial records under this subsection with the governing body of the city in which it was established, the division of community services, and the tax commissioner. The division of community services shall provide an annual report to the budget section of the legislative council showing the conclusions of audit reports filed under this subsection.

11. A renaissance fund corporation may invest in any housing, commercial, or infrastructure project in a zone project.

~~44.~~ 12. Each petition for investment must include a plan for sale or refinancing that results in proceeds equal to or in excess of the proportional investment made by the renaissance fund corporation.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2000.

Approved April 26, 2001
Filed April 26, 2001