

Sixty-sixth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1406

Introduced by

Representatives J. Nelson, Hager, Sanford, Schreiber-Beck

Senators Dever, Heckaman, Poolman

1 A BILL for an Act to create and enact a new subdivision to subsection 7 of section 57-38-30.3 of
2 the North Dakota Century Code, relating to an income tax credit for the employment of
3 individuals with developmental disability or severe mental illness; to amend and reenact section
4 57-38-01.16 of the North Dakota Century Code, relating to an income tax credit for the
5 employment of individuals with developmental disabilities or severe mental illness; and to
6 provide an effective date.

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

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

10 **57-38-01.16. Income tax credit for employment of individuals with developmental**
11 **disabilities or ~~chronically mentally ill persons~~ severe mental illness.**

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

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

- 1 3. Only wages actually paid during the taxpayer's taxable year may be considered for
2 purposes of this section. An employee of a subcontractor is considered an employee
3 of the contractor to the extent of any wages paid under the contract.
- 4 4. The total of credits allowed under this section may not exceed fifty percent of the
5 taxpayer's liability under this chapter.
- 6 5. A taxpayer shall apply, on a form and in the manner prescribed by the department of
7 human services' vocational rehabilitation division, for a determination of whether an
8 employee meets the requirements under subsection 2. If an employee meets the
9 requirements, a letter of certification containing the names of the taxpayer and the
10 qualifying employee must be issued to the taxpayer. No more than one hundred
11 employees may be certified as qualifying under this section. Applications must be
12 processed in the order the applications are received.
- 13 6. A taxpayer claiming a credit under this section shall include a copy of the certification
14 letter received from the department of human services' vocational rehabilitation
15 division with the taxpayer's return filed under this chapter for each taxable year the
16 credit is claimed.
- 17 7. A passthrough entity entitled to the credit under this section must be considered to be
18 the taxpayer for purposes of calculating the credit. The amount of the allowable credit
19 must be determined at the passthrough entity level. The total credit determined at the
20 entity level must be passed through to the partners, shareholders, or members in
21 proportion to their respective interests in the passthrough entity. An individual taxpayer
22 may take the credit passed through under this section against the individual's state
23 income tax liability under section 57-38-30.3.

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 Income tax credit for employment of individuals with developmental disabilities or
27 chronically mentally ill persons under section 57-38-01.16.

28 **SECTION 3. EFFECTIVE DATE.** This Act is effective for the first two taxable years after
29 December 31, 2018.