

**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 percent of the current true and full value for commercial  
11 buildings, ~~fifty percent of the current true and full value for commercial buildings or~~  
12 public utility infrastructure, and twenty percent for single-family homes.

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

15 **40-63-03. Renaissance zones.**

16 1. A city may apply to the department of commerce division of community services to  
17 designate a portion of that city as a renaissance zone if the following criteria are met:  
18 a. The geographic area proposed for the renaissance zone is located wholly within  
19 the boundaries of the city submitting the application.  
20 b. The application includes a development plan.  
21 c. The proposed renaissance zone is not more than thirty-four square blocks,  
22 except in a city with a population of greater than five thousand the renaissance  
23 zone may exceed thirty-four square blocks at the rate of one additional block for  
24 each additional five thousand population to a maximum size of forty-nine blocks.

1 Population is based upon the most recent federal decennial census or federal  
2 census estimate.

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

8 d. Except as provided under subdivision g, the proposed renaissance zone has a  
9 continuous boundary and all blocks are contiguous.

10 e. The proposed land usage includes both commercial and residential property.

11 f. The application includes the proposed duration of renaissance zone status, not to  
12 exceed fifteen years. Upon application by the city, the department of commerce  
13 division of community services may extend the duration of renaissance zone  
14 status in increments of up to ~~five~~ten years.

15 g. The proposed renaissance zone may have ~~a single exception~~up to two  
16 exceptions to the continuous boundary and contiguous block requirements under  
17 subdivision d if the ~~area~~areas of the excepted noncontiguous blocks ~~does~~do not  
18 exceed three square blocks each.

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

20 a. Review all applications for renaissance zone designation against the criteria  
21 established in this section and designate zones.

22 b. Approve or reject the duration of renaissance zone status as submitted in an  
23 application.

24 c. Approve or reject the geographic boundaries and total area of the renaissance  
25 zone as submitted in an application.

26 d. Promote the renaissance zone program.

27 e. Monitor the progress of the designated renaissance zones against submitted  
28 plans in an annual plan review.

29 f. Report on renaissance zone progress to the governor and the legislative  
30 management on an annual basis until all designated zones expire.

- 1           3. The department of commerce division of community services shall consider the  
2 following criteria in designating a renaissance zone:
- 3           a. The viability of the development plan.
- 4           b. The incorporation and enhancement of unique natural and historic features into  
5 the development plan.
- 6           c. Whether the development plan is creative and innovative in comparison to other  
7 applications.
- 8           d. Public and private commitment to and other resources available for the proposed  
9 renaissance zone, including the provisions for a renaissance fund organization.
- 10          e. How renaissance zone designation would relate to a broader plan for the  
11 community as a whole.
- 12          f. How the local regulatory burden, in particular that burden associated with the  
13 renovation of historic properties and that burden associated with mixed use  
14 development, will be eased for developers and investors in the renaissance zone.
- 15          g. The strategies for the promotion, development, and management of the zone,  
16 including the use of a local zone authority if designated.
- 17          h. Any other information required by the office.
- 18          4. The department of commerce division of community services may not designate a  
19 portion of a city as a renaissance zone unless, as a part of the application, the city  
20 provides a resolution from the governing body of the city that states if the renaissance  
21 zone designation is granted, persons and property within the renaissance zone are  
22 exempt from taxes as provided in sections 40-63-04 through 40-63-07.
- 23          5. A city may not propose or be part of more than one renaissance zone.
- 24          6. a. A parcel of property may be exempted from property taxes under section  
25 40-63-05 ~~only more than once, but during. During~~ the five taxable years of  
26 eligibility for that an exemption from property taxes under section 40-63-05, the  
27 property tax exemption transfers with the transfer of the property to a qualifying  
28 user. A parcel of property which previously received a property tax exemption  
29 under section 40-63-05 may not be eligible for a subsequent property tax  
30 exemption under section 40-63-05 until thirty years have lapsed from the  
31 completion date of the most recent project on the property.

1           **b.** The ownership or lease of, or investment in, a parcel of property may qualify for  
2           exemption or credit under section 40-63-04 ~~only more than once, but during.~~  
3           During the five taxable years of eligibility for that an exemption or credit under  
4           section 40-63-04, the exemption or credit ~~under section 40-63-04~~ transfers with  
5           the transfer of the property to a qualified user and with respect to the year in  
6           which the transfer is made must be prorated for use of the property during that  
7           year.

8           7. A city may apply to the department of commerce division of community services at any  
9           time during the duration of a zone to expand a previously approved renaissance zone  
10          that is less than the maximum size allowed under subdivision c of subsection 1. If the  
11          expansion is approved by the department of commerce division of community  
12          services, the blocks in the expansion are eligible for up to fifteen years of renaissance  
13          zone status.

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

18          9. If a portion of an approved renaissance zone is not progressing, the city may request  
19          the department of commerce division of community services to permit deleting that  
20          portion and to make an adjustment of the boundaries to add another equal, contiguous  
21          area to the original zone.

22          10. If within a renaissance zone there is property that is included in a tax increment  
23          financing district, the city in which the property is located shall provide the department  
24          of commerce an annual report regarding any such property at the time requested by  
25          the department of commerce. The report required under this subsection must identify  
26          the property, provide the expected duration of inclusion of the property in the tax  
27          increment financing district and the renaissance zone, and identify any property and  
28          income tax benefits of the property and the expected duration of those benefits. The  
29          department of commerce shall deliver an annual report compiling the information  
30          required under this subsection to the legislative management interim committee on

1           taxation issues or upon request of any other interim committee of the legislative  
2           management.

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

5           **40-63-04. Income tax exemptions.**

6           1. An individual taxpayer who purchases or rehabilitates single-family residential property  
7           for the individual's primary place of residence as a zone project is exempt from up to  
8           ten thousand dollars of personal income tax liability as determined under section  
9           57-38-30.3 for ~~five~~ up to ~~seven and one-half~~ eight taxable years beginning with the date  
10          of occupancy or completion of rehabilitation.

11          2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to  
12          residential, public utility infrastructure, or commercial property for any business or  
13          investment purpose as a zone project is exempt from tax on income derived from the  
14          business or investment locations within the zone for ~~five~~ up to ~~seven and one-half~~ eight  
15          taxable years, beginning with the date of purchase, lease, or completion of  
16          rehabilitation.

17          a. The maximum amount of income that a taxpayer may exempt from tax under this  
18          subsection for any taxable year is five hundred thousand dollars. The limitation in  
19          this subdivision applies to the sum of the exempt income derived from the  
20          taxpayer's business and investment interests in all zone projects.

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

27          3. If the cost of a new business purchase, leasehold improvement, or expansion of an  
28          existing business, approved as a zone project, exceeds seventy-five thousand dollars,  
29          and the business is located in a city with a population of not more than two thousand  
30          five hundred, an individual taxpayer may, in lieu of the exemption provided in  
31          subsection 2, elect to take an income tax exemption of up to two thousand dollars of

1 individual income tax liability as determined under section 57-38-30.3. The election  
2 must be made on the taxpayer's return as originally and timely filed. The election is  
3 irrevocable and binding for the duration of the exemptions provided in subsection 2 or  
4 this subsection. If an election is not made on the original return, the taxpayer is only  
5 eligible for the exemption provided in subsection 2.

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

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

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

18 **40-63-05. Property tax exemptions.**

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

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

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

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