



Testimony—Interim Political Subdivision Taxation Committee

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Chairman Dockter and Members of the Committee:

Introduction

My name is Joseph Becker, and I am here on behalf of the North Dakota Office of State Tax Commissioner (Tax Department). As part of the Tax Department's presentation today, I was asked to provide fiscal information on the North Dakota income tax incentives targeted to economic development in the state.

Economic Development-Targeted Income Tax Incentives Document

Accompanying my written testimony is a document containing the following four tables:

- Table 1—Individual Income Tax Credits and Deductions
- Table 2—Corporation Income Tax Credits and Deductions
- Table 3—Financial Institution Tax Credits and Deductions
- Table 4—Summary of Income and Financial Institution Tax Credit and Deduction Provisions

Tables 1 Through 3 (Fiscal Data)

Tables 1 through 3 of the document contain data extracted from the tax returns filed for the 2006 through 2014 tax years. The tax incentives are listed according to the year in which they were created. If the incentive has an expiration (or sunset) date, it is also shown. For each tax

year, the tables show the number of returns on which the incentive was claimed and, except for the incentives highlighted in yellow, the aggregate dollar amounts claimed on those returns.

Tax credits. Except for the incentives highlighted in yellow, all of the incentives consist of tax credits, which provide a dollar-for-dollar reduction in the tax liability. The dollar amounts shown in the tables for the tax credits represent the reduction in tax dollars.

Exemptions (deductions) from income. The incentives highlighted in yellow are exemptions (or deductions) from income, which provide a reduction in the amount of income subject to tax. The dollar amounts shown in the tables are not the amounts claimed on the returns, but are the amounts resulting from multiplying the deduction amounts claimed on the returns by an average tax rate. This was done to show the estimated reduction in tax dollars resulting from the claimed deductions. The deduction amounts claimed on the returns are provided in the footnotes to the tables—see footnote 2.

Table 3—Financial institution tax data. Table 3 of the document contains data for the financial institution tax. Prior to 2013, banks and other financial institutions paid this tax instead of the income tax. 2011 legislation repealed the financial institution tax and subjected banks and other financial institutions to the income tax starting with the 2013 tax year.

Table 4 (Description of Incentive Provisions)

Table 4 of the document provides a summary of the provisions of each incentive along with a citation to the applicable statute. It briefly describes the qualification criteria, the amount of the incentive allowed, the limitations on the incentive, and options for utilizing an unused incentive.

Conclusion

That concludes my testimony, Mr. Chairman. If there are any questions from the Committee, I would be glad to address them.

Economic Development-Targeted Individual Income Tax Credits and Deductions
2006 - 2010 Tax Years **TABLE 1**

Name of Credit	Year Created	Expires after...	Number of Returns and Total Amount Claimed ^{1,2}									
			2006 Tax Year		2007 Tax Year		2008 Tax Year		2009 Tax Year		2010 Tax Year	
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1 New or expanding business income exemption (deduction) ²	1969		31	\$ 455,792	12	\$ 72,134	20	\$ 80,856	19	\$ 44,798	20	\$ 130,883
2 Renewable energy device credit: Geothermal only ⁵	1981	2014							147	226,501	387	568,056
3 Research expense credit ³	1987				75	530,888	152	867,722	126	803,998	150	1,247,417
4 Seed capital investment credit	1993		699	1,657,308	662	3,456,317	396	3,041,632	295	2,892,224	143	1,950,451
5 ▶ Renaissance zone: Single-family residence credit	1999											
6 Renaissance zone: Historic property renovation credit	1999											
7 ▶ Renaissance zone: Business purchase or expansion credit	1999											
8 Renaissance zone: Renaissance fund organization investment credit	1999											
Total renaissance zone credits			126	644,606	153	861,202	153	1,142,211	153	1,107,863	149	1,723,920
9 Renaissance zone: Business income exemption (deduction) ²	1999		165	234,482	251	586,900	267	749,544	256	691,869	287	658,023
10 Agricultural commodity processing facility investment credit	2001		446	609,547	441	873,368	326	775,762	256	494,816	194	644,169
11 Biodiesel fuel blending credit (for supplier/wholesaler)	2005		7	52,660		Not Reportable ⁴						
12 Biodiesel fuel equipment credit (for seller/retailer)	2005		5	869		Not Reportable ⁴	0	0	0	0		Not Reportable ⁴
13 Internship program credit	2007				15	2,999	33	14,492	31	9,636	20	7,201
14 Microbusiness credit (for increasing employment or property purchases)	2007					Not Reportable ⁴						
15 Angel fund investment credit	2007				31	224,152	53	589,391	70	979,451	106	2,206,706
16 Workforce recruitment credit	2007				0	0		Not Reportable ⁴		Not Reportable ⁴	0	0
17 Renaissance zone: Nonparticipating property owner credit	2009											
18 Manufacturing automation equipment credit	2011	2017										
			Included in "Total renaissance zone credits" above.									
			Takes effect in 2013 tax year; expires after 2017 tax year.									
Total estimated reportable tax reduction			\$ 3,655,264		\$ 6,607,960		\$ 7,261,610		\$ 7,251,156		\$ 9,136,826	

Notes to Table 1 (2006-2010 tax years):

- ¹ The total number of individual income tax returns filed for each of the years reported in this table are as follows: 2006--343,107; 2007--355,311; 2008--362,148; 2009--363,193; 2010--383,361.
- ² Incentives 1 and 8 (highlighted in yellow) are deductions from income, which reduce the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. For Incentive 1, the deduction amounts claimed on the returns are as follows: 2006--\$11,394,808; 2007--\$1,803,340; 2008--\$2,021,389; 2009--\$19,767,686; 2010--\$18,800,652. For Incentive 8, the deduction amounts claimed on the returns are as follows: 2006--\$5,862,053; 2007--\$14,672,489; 2008--\$18,738,595; 2009--\$19,767,686; 2010--\$18,800,652.
- ³ From 1987 through 2006, the credit was only allowed to a "C" corporation. In 2007, the law was changed to allow the credit to all entity types, including individuals.
- ⁴ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.
- ⁵ The credit was generally not claimed by individuals from 1981 to 2009 because of a limitation on its use. In 2009, the law was changed to remove the limitation.

**Economic Development-Targeted
Individual Income Tax Credits and Deductions
2011 - 2015 Tax Years**

TABLE 1

Name of Credit	Year Created	Expires after...	Number of Returns and Total Amount Claimed ^{1,2}									
			2011 Tax Year		2012 Tax Year		2013 Tax Year		2014 Tax Year ⁵		2015 Tax Year	
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1 New or expanding business income exemption (deduction) ²	1969		33	\$ 128,195	30	\$ 360,758	28	\$ 351,816	30	\$ 26,282	<i>Numbers for the 2015 tax year are not yet available.</i>	
2 Renewable energy device credit: Geothermal only	1981	2014	566	876,135	676	1,067,532	693	1,114,837	621	1,087,345		
3 Research expense credit ³	1987		173	1,383,298	187	2,256,413	149	2,213,009	129	902,400		
4 Seed capital investment credit	1993		87	1,273,452	87	1,404,615	86	1,577,110	50	801,287		
5 ▶ Renaissance zone: Single-family residence credit	1999											
6 Renaissance zone: Historic property renovation credit	1999											
7 ▶ Renaissance zone: Business purchase or expansion credit	1999											
8 Renaissance zone: Renaissance fund organization investment credit	1999											
Total renaissance zone credits			222	2,342,776	160	1,252,363	126	725,590	85	590,056		
9 Renaissance zone: Business income exemption (deduction) ²	1999		295	665,755	301	1,098,880	283	861,070	161	266,461		
10 Agricultural commodity processing facility investment credit	2001		137	483,389	109	476,824	76	252,814	62	396,782		
11 Biodiesel fuel blending credit (for supplier/wholesaler)	2005		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴			
12 Biodiesel fuel equipment credit (for seller/retailer)	2005		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴			
13 Internship program credit	2007		27	8,897	Not Reportable ⁴		18	9,086	8	5,267		
14 Microbusiness credit (for increasing employment or property purchases)	2007		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴			
15 Angel fund investment credit	2007		145	3,276,820	277	6,619,799	319	7,383,501	262	4,813,873		
16 Workforce recruitment credit	2007		6	12,771	Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴			
17 Renaissance zone: Nonparticipating property owner credit	2009		Included in "Total renaissance zone credits" above.									
18 Manufacturing automation equipment credit	2011	2017					49	778,244	23	198,763		
Total estimated reportable tax reduction				\$ 10,451,488		\$ 14,537,184		\$ 14,488,833		\$ 8,889,753		

Notes to Table 1 (2011-2015 tax years):

¹ The total number of individual income tax returns filed for each of the years reported in this table are as follows: 2011--417,465; 2012--452,822; 2013--469,313; 2014--448,398.

² Incentives 1 and 8 (highlighted in yellow) are deductions from income, which reduce the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. For Incentive 1, the deduction amounts claimed on the returns are as follows: 2006--\$11,394,808; 2007--\$1,803,340; 2008--\$2,021,389; 2009--\$19,767,686; 2010--\$18,800,652. For Incentive 8, the deduction amounts claimed on the returns are as follows: 2006--\$5,862,053; 2007--\$14,672,489; 2008--\$18,738,595; 2009--\$19,767,686; 2010--\$18,800,652.

³ From 1987 through 2006, the credit was only allowed to a "C" corporation. In 2007, the law was changed to allow the credit to all entity types, including individuals.

⁴ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.

⁵ Does not include returns outstanding because of an extension, which are generally due October 15, 2015.

Economic Development-Targeted Corporation Income Tax Credits and Deductions
2006 - 2010 Tax Years **TABLE 2**

Name of Credit	Year Created	Expires After...	Number of Returns and Total Amount Claimed ^{1,2}									
			2006 Tax Year		2007 Tax Year		2008 Tax Year		2009 Tax Year		2010 Tax Year	
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1 New or expanding business income exemption (deduction) ²	1969		5	\$ 162,535	8	\$ 223,366	Not Reportable ⁴		Not Reportable ⁴		5	\$ 710,053
2 Wage and salary credit	1969		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴	
3 Renewable energy device credit: Solar and wind	1977	2014 ⁵	Not Reportable ⁴		Not Reportable ⁴		0	0	0	0	Not Reportable ⁴	
4 Renewable energy device credit: Geothermal	1981	2014	Included in "Renewable energy device credit: Solar and wind" above.									
5 Research expense credit ³	1987		14	516,834	15	1,944,382	13	1,694,636	16	3,502,244	12	3,642,723
6 Seed capital investment credit	1993		Not Reportable ⁴		Not Reportable ⁴		0	0	Not Reportable ⁴		0	0
7 Certified nonprofit development corporation credit	1989		0	0	0	0	0	0	0	0	0	0
8 Renaissance zone: Historic property renovation credit	1999											
9 Renaissance zone: Renaissance fund organization investment credit	1999											
Total renaissance zone credits			Not Reportable ⁴		0	0	0	0	Not Reportable ⁴		Not Reportable ⁴	
10 Renaissance zone: Business income exemption (deduction) ²	1999		13	329,181	15	181,263	17	88,912	23	327,276	20	184,894
11 Agricultural commodity processing facility investment credit	2001		Not Reportable ⁴		5	107,825	8	111,694	7	96,331	Not Reportable ⁴	
12 Facility construction or retrofit credit: Biodiesel fuel production	2003		0	0	Not Reportable ⁴		0	0	0	0	0	0
13 Biodiesel fuel blending credit (for supplier/wholesaler)	2005		0	0	Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴	
14 Biodiesel fuel equipment credit (for seller/retailer)	2005		0	0	Not Reportable ⁴		0	0	0	0	Not Reportable ⁴	
15 Renewable energy device credit: Biomass	2007	2014	Included in "Renewable energy device credit: Solar and wind" above.									
16 Internship program credit	2007				Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0	0
17 Microbusiness credit (for increasing employment or property purchases)	2007				0	0	0	0	0	0	0	0
18 Angel fund investment credit	2007				Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴	
19 Workforce recruitment credit	2007				0	0	0	0	0	0	0	0
20 Facility construction or retrofit credit: Soybean and canola crushing	2009								0	0	0	0
21 Renaissance zone: Nonparticipating property owner credit	2009		Included in "Total renaissance zone credits" above.									
22 Manufacturing automation equipment credit	2011	2017	Takes effect in 2013 tax year; expires after 2017 tax year.									
Total estimated reportable tax reduction					\$ 1,008,550	\$ 2,456,836	\$ 1,895,242	\$ 3,925,851			\$ 4,537,670	

Notes to Table 1 (2011-2015 tax years):

¹ The total number of "C" corporation income tax returns filed for each of the years reported in this table are as follows: 2006--9,849; 2007--9,763; 2008--9,801; 2009--9,931; 2010--10,305.
² Incentives 1 and 8 (highlighted in yellow) are deductions from income, which reduce the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. For Incentive 1, the deduction amounts claimed on the returns are as follows: 2006--\$2,321,925; 2007--\$3,436,407; 2008--Not reportable; 2009--Not reportable; 2010--\$11,094,574. For Incentive 8, the deduction amounts claimed on the returns are as follows: 2006--\$4,702,584; 2007--\$2,788,666; 2008--\$1,367,879; 2009--\$5,113,680; 2010--\$2,888,971.
³ From 1987 through 2006, the credit was only allowed to a "C" corporation. In 2007, the law was changed to allow the credit to all entity types, including individuals.
⁴ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.
⁵ For a wind device only, the expiration date is extended to January 1, 2017, if construction of the wind device commenced before January 1, 2015.

Economic Development-Targeted Corporation Income Tax Credits and Deductions 2011 - 2015 Tax Years

TABLE 2

Name of Credit	Year Created	Expires After...	Number of Returns and Total Amount Claimed ^{1,2}											
			2011 Tax Year		2012 Tax Year		2013 Tax Year ⁵		2014 Tax Year ⁵		2015 Tax Year			
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
1 New or expanding business income exemption (deduction) ²	1969		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0	\$ 0	<i>Numbers for the 2015 tax year are not yet available.</i>			
2 Wage and salary credit	1969		0	0	0	0	0	0	0	0				
3 Renewable energy device credit: Solar and wind	1977	2014 ⁶	5	27,705	Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴					
4 Renewable energy device credit: Geothermal	1981	2014	Included in "Renewable energy device credit: Solar and wind" above.											
5 Research expense credit ³	1987		19	5,381,168	16	6,570,148	20	2,547,115	Not Reportable ⁵					
6 Seed capital investment credit	1993		0	0	0	0	0	0	0	0				
7 Certified nonprofit development corporation credit	1989		0	0	0	0	0	0	0	0				
8 Renaissance zone: Historic property renovation credit	1999		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0					
9 Renaissance zone: Renaissance fund organization investment credit	1999		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0					
Total renaissance zone credits			Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0					
10 Renaissance zone: Business income exemption (deduction) ²	1999		17	967,866	14	1,241,062	10	201,188	9	126,201				
11 Agricultural commodity processing facility investment credit	2001		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴					
12 Facility construction or retrofit credit: Biodiesel fuel production	2003		0	0	Not Reportable ⁴		Not Reportable ⁴		0	0				
13 Biodiesel fuel blending credit (for supplier/wholesaler)	2005		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0	0				
14 Biodiesel fuel equipment credit (for seller/retailer)	2005		0	0	0	0	0	0	0	0				
15 Renewable energy device credit: Biomass	2007	2014	Included in "Renewable energy device credit: Solar and wind" above.											
16 Internship program credit	2007		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		0	0				
17 Microbusiness credit (for increasing employment or property purchases)	2007		0	0	0	0	0	0	0	0				
18 Angel fund investment credit	2007		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴		Not Reportable ⁴					
19 Workforce recruitment credit	2007		0	0	0	0	0	0	0	0				
20 Facility construction or retrofit credit: Soybean and canola crushing	2009		0	0	0	0	0	0	0	0				
21 Renaissance zone: Nonparticipating property owner credit	2009		Included in "Total renaissance zone credits" above.											
22 Manufacturing automation equipment credit	2011	2017					0	0	Not Reportable ⁴					
Total estimated reportable tax reduction			\$ 6,376,739		\$ 7,811,210		\$ 2,748,303		\$ 126,201					

Notes to Table 1 (2011-2015 tax years):

- ¹ The total number of "C" corporation income tax returns filed for each of the years reported in this table are as follows: 2011--10,669; 2012--10,848; 2013--10,825; 2014--3,157.
- ² Incentives 1 and 8 (highlighted in yellow) are deductions from income, which reduce the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. For Incentive 1, the deduction amounts claimed on the returns are as follows: 2011--Not reportable; 2012--Not reportable; 2013--Not reportable; 2014--\$0. For Incentive 8, the deduction amounts claimed on the returns are as follows: 2011--\$18,793,521; 2012--\$24,098,299; 2013--\$4,441,231; 2014--\$2,785,896.
- ³ From 1987 through 2006, the credit was only allowed to a "C" corporation. In 2007, the law was changed to allow the credit to all entity types, including individuals.
- ⁴ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.
- ⁵ Does not include outstanding fiscal year returns. With an extension, it is possible for a fiscal year return for the 2013 and 2014 tax years to be filed through September 15, 2015, and September 15, 2016, respectively.
- ⁶ For a wind device only, the expiration date is extended to January 1, 2017, if construction of the wind device commenced before January 1, 2015.

Economic Development-Targeted Financial Institution Tax Credits and Deductions
2006 - 2010 Tax Years **TABLE 3**

Name of Credit	Year Created	Expires after...	Number of Returns and Total Amount Claimed ^{1,2}									
			2006 Tax Year		2007 Tax Year		2008 Tax Year		2009 Tax Year		2010 Tax Year	
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1 Renaissance zone: Business income exemption (deduction) ²	1999		5	\$ 131,614	6	\$ 513,453	8	\$ 832,928	9	\$ 710,729	8	\$ 1,365,333
2 Renaissance zone: Renaissance fund organization investment credit	1999											
3 Renaissance zone: Historic property preservation/renovation credit	1999											
4 Renaissance zone: Nonparticipating property owner credit	2009											
Total renaissance zone credits			0	0	Not Reportable ³	6	941,477	Not Reportable ³	Not Reportable ³	Not Reportable ³		
Total estimated reportable tax reduction⁴				\$ 131,614		\$ 513,453		\$ 1,774,405		\$ 710,729		\$ 1,365,333

Notes to Table 3 (2006-2010 tax years):

¹ The total number of financial institution tax returns filed for each of the years reported in this table are as follows: 2011--267; 2012--255.

² Incentive 1 (highlighted in yellow) is a deduction from income, which reduces the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. The deduction amounts claimed on the returns are as follows: 2006--\$1,880,193; 2007--\$7,335,051; 2008--\$11,898,965; 2009--\$10,153,266; 2010--\$19,504,751.

³ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.

⁴ The renaissance zone tax incentives--both the deduction and the credits--reduced the total financial institution tax (before deposit into the state general fund and financial institution tax distribution fund), and therefore reduced both the state general fund and the amount distributed to the counties.

**Economic Development-Targeted
Financial Institution Tax Credits and Deductions
2011 - 2015 Tax Years**

TABLE 3

Name of Credit	Year Created	Expires after...	Number of Returns and Total Amount Claimed ^{1,2}											
			2011 Tax Year		2012 Tax Year		2013 Tax Year		2014 Tax Year		2015 Tax Year			
			No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
1 Renaissance zone: Business income exemption (deduction) ²	1999		8	\$ 1,301,097	8	\$ 977,167								
2 Renaissance zone: Renaissance fund organization investment credit	1999													
3 Renaissance zone: Historic property preservation/renovation credit	1999													
4 Renaissance zone: Nonparticipating property owner credit	2009													
Total renaissance zone credits			Not Reportable ³		Not Reportable ³									

The financial institution tax was repealed for tax years after 2012. These entities are subject to the income tax starting with the 2013 tax year.

Total estimated reportable tax reduction⁴

\$ 1,301,097	\$ 977,167
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Notes to Table 3 (2011-2015 tax years):

- ¹ The total number of financial institution tax returns filed for each of the years reported in this table are as follows: 2011--267; 2012--255.
- ² Incentive 1 (highlighted in yellow) is a deduction from income, which reduces the income subject to tax. The dollar amounts shown are the estimated tax reductions, which were determined by multiplying the total deduction amounts claimed on the returns by an average tax rate. The total amounts claimed on the returns are as follows: 2011--\$20,016,882; 2012--\$15,033,332.
- ³ The credit was claimed on less than five returns and therefore is not disclosed to protect confidentiality.
- ⁴ The renaissance zone tax incentives--both the deduction and the credits--reduced the total financial institution tax (before deposit into the state general fund and financial institution tax distribution fund), and therefore reduced both the state general fund and the amount distributed to the counties.

Summary of Income and Financial Institution Tax Credit and Deduction Provisions**TABLE 4**

This document provides a brief description of the tax credits and deductions shown in Tables 1-3.

For more complete details, see the governing statute cited in the table.

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Agricultural commodity processing facility investment credit N.D.C.C. ch. 57-38.6	<p>Taxpayer must make a cash investment in, or transfer a fee simple interest in ND real property to, a business certified by the ND Commerce Dept. as a qualified business.</p> <p>In general, a "qualified business" is one that is organized in ND for the purpose of adding value to an agricultural commodity raised in ND or operating a livestock feeding, handling, milking, or holding business that utilizes a byproduct of a ND biofuels production facility.</p>	All income tax filers	<p>Rate: 30% of the investment.</p> <p>Maximum credit per year: There is no maximum credit; however, no more than \$50,000 of the calculated credit may be used in any tax year.</p>	Carryover: 10 years.	Per taxpayer: \$250,000 in credits for all tax years.
Angel fund investment credit N.D.C.C. § 57-38-01.26	<p>Taxpayer must make a cash investment in an entity certified by the ND Commerce Dept. as a ND angel fund.</p> <p>In general, an "angel fund" is an entity created under ND law that has 6 accredited investors (none owning over 25% of the fund's assets, is managed by its investors, has \$500,000 in commitments from its accredited investors, and intends on investing in at least 3 early- or mid-stage private, nonpublicly traded enterprises.</p>	All income tax filers	<p>Rate: 45% of the investment.</p> <p>Maximum credit per year: \$45,000.</p>	<p>Carryover: For tax years 2007 through 2010, 4 years. For tax years 2011 and after, 7 years.</p> <p>Transfer option: For the 2011 and 2012 tax years only, up to \$100,000 of credits may be transferred.</p>	<p>Per taxpayer: \$150,000 in credits for all tax years.</p> <p>Per angel fund: \$5 million in credits for all tax years.</p>
Biodiesel fuel blending credit N.D.C.C. § 57-38-01.22	Taxpayer must be a ND licensed special fuels supplier (wholesaler) and must blend biodiesel fuel having a minimum 5% blend.	All income tax filers	<p>Rate: 5 cents per gallon of blended biodiesel fuel.</p> <p>Maximum credit per year: None.</p>	Carryover: 5 years.	None
Biodiesel fuel equipment credit N.D.C.C. § 57-38-01.23	Taxpayer must be a ND licensed special fuels retailer (seller) and must add or adapt equipment to the taxpayer's retail facility to enable the taxpayer to sell a 2% or more blend of biodiesel fuel.	All income tax filers	<p>Rate: 10% of the costs of the equipment additions or adaptations, which is allowed in each of 5 tax years starting with the tax year in which sales of the eligible fuel begin.</p> <p>Maximum credit per year: None.</p>	Carryover: 5 years.	Per taxpayer: \$50,000 in credits for all tax years.

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Certified nonprofit development corporation credit N.D.C.C. § 57-38-01.17	<p>Taxpayer must buy membership in, pay dues to, or contribute to a certified nonprofit development corporation.</p> <p>"Certified nonprofit development corporation" means a corporation that (1) is certified by the secretary of state, (2) invests the majority of its funds in primary sector businesses, and (3) does not distribute any part of its income to its members, directors, or officers.</p>	Corporation income tax filer only	Rate: 25% of the amount paid. Maximum credit per year: \$2,000.	Carryover: 7 years.	None
Facility construction or retrofit credit Biodiesel fuel production Soybean/canola crushing N.D.C.C. § 57-38-30.6	Taxpayer must construct a new facility or add or adapt equipment to retrofit an existing facility to produce or blend diesel fuel containing at least 2% biodiesel fuel by volume or produce crushed soybeans or canola.	Corporation income tax filer only	Rate: 10% of the direct costs, which is allowed in each of 5 tax years starting with the year in which production or blending begins. Maximum credit per year: None.	Carryover: 5 years.	Per taxpayer: \$250,000 in credits for all tax years.
Internship program credit N.D.C.C. § 57-38-01.24	Taxpayer must hire an eligible college student under a qualifying internship program set up by the taxpayer in ND. The credit is allowed for up to 5 interns employed at one time. "Eligible college student" means one enrolled in an institution of higher education or vocational technical education program in a field of study related to the work to be performed. The taxpayer must supervise and evaluate the intern's performance, and the internship must qualify for academic credit.	All income tax filers	Rate: 10% of the compensation paid during the tax year. Maximum credit per year: None.	None	Per taxpayer: \$3,000 in credits for all tax years.
Manufacturing automation equipment credit N.D.C.C. § 57-38-01.33	Taxpayer must be certified as a primary sector business by the ND Commerce Dept. and must purchase new or used machinery and equipment for the purpose of automating a manufacturing process.	All income tax filers	Rate: 20% of the cost of the machinery and equipment approved by the Commerce Department. Maximum credit per year: None.	Carryover: 5 years.	Program ceiling: \$2 million in credits per year for 2013 through 2015 calendar years. \$500,000 in credits per year for 2016 and 2017 calendar years. Expiration: Program expires after 2017 tax year.

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Microbusiness credit N.D.C.C. § 57-38-01.27	Taxpayer must be certified as a microbusiness by the ND Commerce Dept. and must have new investment, new employment, or both. A "microbusiness" generally means a business with up to 5 employees that is located in a community with a population under 2,000 that is actively involved in economic development. "New investment" generally means an increase in the purchases and leasing of business property over the previous year, and "new employment" generally means an increase in the compensation paid to ND resident employees over the previous year due to hiring (not wage increases).	All income tax filers	Rate: 20% of the total amount of new investment and new employment paid during the tax year. Maximum credit per year: None.	Carryover: 5 years.	Per taxpayer: \$10,000 in credits for all tax years.
New or expanding business income exemption (deduction) N.D.C.C. § 40-57.1	Taxpayer must apply to the State Board of Equalization (c/o State Tax Commissioner) no later than one year after the commencement of operations within the new business or expansion. Taxpayer must be certified as a primary sector or destination attraction tourism business by the ND Commerce Dept. Eligibility is limited to a new business or to an existing business that expands its operations in North Dakota. A business is not eligible for the exemption if the business received a property tax exemption under tax increment financing, is delinquent on any property, income, sales or use taxes, or the granting of the exemption will foster unfair competition or endanger an existing business.	All income tax filers	Deduction amount: Business net income attributable to the new or expanding portion of the business during the approved exemption period. Maximum deduction per year: None.	None	None
Renaissance zone: Business income exemption (deduction) N.D.C.C. § 40-63-04	Taxpayer must purchase, lease, rehabilitate, or make leasehold improvements to residential or commercial real property, or to public utility infrastructure, for business purposes. Taxpayer must apply to the local zone authority (city) for approval of the transaction as a zone project. If approved by the city, the application must also be reviewed and approved by the ND Commerce Dept.	All income and financial institution tax filers	Deduction amount: Business net income attributable to zone project during a 5-year exemption period. For each tax year in which the 5-year exemption period falls, the deduction is determined by multiplying the total net business income reportable to North Dakota by a zone apportionment ratio, an exemption period ratio, and, if applicable, an expansion ratio. Maximum deduction per year: \$500,000 of eligible income derived from all interests. This includes any renaissance zone investment income that is exempted--see Renaissance zone: Investment income exemption (deduction) below.	None	None

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Renaissance zone: Investment income exemption (deduction) N.D.C.C. § 40-63-04	<p>Taxpayer must purchase, lease, rehabilitate, or make leasehold improvements to residential or commercial real property, or to public utility infrastructure, for investment purposes.</p> <p>Taxpayer must apply to the local zone authority (city) for approval of the transaction as a zone project.</p>	All income and financial institution tax filers	<p>Deduction amount: Actual net income derived from the zone project property during a 5-year exemption period. For each tax year in which the 5-year exemption period falls, the deduction is determined by multiplying the total net income by an exemption period ratio and, if applicable, an expansion ratio.</p> <p>Maximum deduction per year: \$500,000 of eligible income derived from all interests. This includes any renaissance zone business income that is exempted--see Renaissance zone: Business income exemption (deduction) above.</p>	None	None
Renaissance zone: Business purchase or expansion credit N.D.C.C. § 40-63-04	<p>Taxpayer must invest at least \$75,000 to purchase or expand a business, or make leasehold improvements to real property leased for use in a business, located in a ND renaissance zone in a city of no more than 2,500 and approved as a zone project by the city and ND Commerce Department.</p> <p>Election: Taxpayer must elect to take this credit in lieu of the business income exemption otherwise allowed for this type of zone project--see Renaissance zone: Business income exemption (deduction) above.</p>	Individual income tax filer only	<p>Credit amount: \$2,000 per year for 5 years.</p> <p>Maximum credit per year: Same as amount of credit.</p>	None	None
Renaissance zone: Historic property preservation and renovation credit N.D.C.C. § 40-63-06	<p>Taxpayer must incur costs to preserve or renovate historical property located in a ND renaissance zone that is approved as a zone project by the city and ND Commerce Department.</p> <p>"Historical property" means property that the ND Historic Society certifies to be listed on the historical property registers, such as the National Historic Register of Historic Places.</p>	All income and financial institution tax filers	<p>Rate: 25% of the investment.</p> <p>Maximum credit per year: None.</p> <p><i>Note: The credit offsets the total financial institution tax before distributions are made to the state general fund and the financial institution tax distribution fund.</i></p>	Carryover: 5 years.	Per project: \$250,000.
Renaissance zone: Nonparticipating property owner credit N.D.C.C. § 40-63-04	<p>Taxpayer must incur costs to make changes in utility services or building structure solely because of another taxpayer's zone project. The credit must be claimed in the tax year in which the related zone project is completed. Taxpayer must apply to the local zone authority (city) for approval as a zone project.</p>	All income and financial institution tax filers	<p>Credit amount: Costs incurred to make required changes, as approved by the local zone authority.</p> <p>Maximum credit per year: None.</p>	Carryover: 5 years.	None

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Renaissance zone: Renaissance fund organization investment credit N.D.C.C. § 40-63-07	Taxpayer must make a cash investment in a renaissance fund organization established by a city with a ND renaissance zone.	All income and financial institution tax filers	Rate: 50% of the investment. Maximum credit per year: None. <i>Note: The credit offsets the total financial institution tax before distributions are made to the state general fund and the financial institution tax distribution fund.</i>	Carryover: 5 years.	Program ceiling: \$8.5 million for all investments made in all RFOs for all years.
Renaissance zone: Single-family residence credit N.D.C.C. § 40-63-04	Taxpayer must purchase or rehabilitate a single-family residence located in a ND renaissance zone that is owned and used as the primary place of residence and is approved as a zone project by the city and ND Commerce Dept.. A rehabilitation must have a cost equal to or more than 20% of the residence's true and full value for property tax purposes and meet any other conditions set by the city.	Individual income tax filer only	Credit amount: \$10,000 per year for 5 years. Maximum credit per year: Same as amount of credit.	None	None
Renewable energy device credit Biomass Geothermal Solar Wind N.D.C.C. § 57-38-01.8	Taxpayer must install a biomass, geothermal, solar, or wind energy device on property located in ND that is owned or leased by the taxpayer. "Biomass energy device" means a device or system that uses agricultural crops and waste, animal waste, and other statutorily defined items to produce fuel or electricity. "Geothermal energy device" means a device or system that provides heating or cooling or produces electrical or mechanical power through use of the energy beneath the earth's surface in rock structures, water, or steam. "Solar or wind energy device" means a device or system that provides heating or cooling or produces electrical or mechanical power through use of the energy of the sun or wind.	All income tax filers <i>except that individual income tax filers are only eligible for this credit for installing a geothermal device</i>	Rate: 3% of the cost of acquisition and installation, which is allowed in each of 5 tax years starting with the year of installation. Maximum credit per year: None.	Carryover: A 5-, 10-, or 30-year carryover applies depending on when the device was installed. The applicable carryover period applies to each of the 5 tax years in which the 3% credit is allowed.	Expiration: Expires 1/1/2015. Except for certain wind devices (see below), device must be installed before 1/1/2015 to qualify. For a wind device only, the expiration date is extended to 1/1/2017, if the installation of the device commenced before 1/1/2015.
Research expense credit N.D.C.C. § 57-38-30.5	Taxpayer must conduct qualified research activity in ND. The credit is a percentage of the excess of qualified research expenses over the base amount to the extent attributable to the research activity in ND. "Qualified research expenses" and "base amount" have the same meaning as defined under federal income tax law for purposes of the federal research income tax credit.	All income tax filers	Rate: 25% of first \$100,000 of excess expenses. For excess expenses over \$100,000: <i>For tax years 2007 through 2016</i> —If research in ND first began in 2007 thru 2010, 20%; if research first began in ND before 2007, 7.5% in 2007, 11% in 2008, 14.5% in 2009, and 18% in 2010 thru 2016; or if research first began in ND after 2010, 8%. <i>For tax years after 2016</i> , regardless of when the research in ND first began, 8%. Maximum credit per year: For taxpayers who began research before the 2007 tax year, \$2 million per year.	Carryback: 3 years. Carryover: 15 years. Transfer option: A taxpayer certified by the ND Commerce Dept. as being a primary sector business with annual gross revenue of less than \$750,000 that first conducted research in ND after 2006 may transfer up to \$100,000 of credits to another taxpayer.	None

Name of Credit	How To Qualify	Eligible Taxpayer	Rate / Maximum Credit Per Year	Unused Credit or Deduction Options	Program Ceiling
Seed capital investment credit N.D.C.C. ch. 57-38.5	<p>Taxpayer must make a cash investment in a business certified by the ND Commerce Dept. as a qualified business.</p> <p>In general, a "qualified business" is a primary sector business that hires ND residents for most of its positions in ND, and either has its principal office and conducts most of its business (except sales activity) in ND or has an operation in ND with more than 10 employees or \$150,000 of annual sales.</p>	All income tax filers	<p>Rate: 45% of investment.</p> <p>Maximum credit per year: There is no maximum credit; however, no more than \$112,500 of the calculated credit may be used in any tax year.</p>	Carryover: 4 years.	<p>Per qualified business: Only the first \$500,000 of investments is eligible for the credit.</p> <p>Program ceiling: \$3.5 million of credits for all investments made in all qualified businesses per calendar year.</p>
Wage and salary credit N.D.C.C. § 57-38-30.1	<p>Taxpayer must be a corporation doing business in ND for the first time that was not created from a reorganization or acquisition of an existing ND business and is engaged in assembling, fabricating, manufacturing, mixing or processing of an agricultural, mineral or manufactured product. The corporation is not eligible if it is granted a property or income tax exemption under N.D.C.C. ch. 40-57.1.</p>	Corporation income tax filer	<p>Rate: 1% of wages and salaries paid during the 1st, 2nd, and 3rd tax years of operation in ND, and 1/2% of wages and salaries paid during the 4th and 5th tax years of operation in ND.</p> <p>Maximum credit per year: None.</p>	None	None
Workforce recruitment credit N.D.C.C. § 57-38-01.25	<p>Taxpayer must use extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in ND for which the annual salary is equal to or more than 125% of the state average wage. "Extraordinary recruitment methods" means engaging in all of the following: Contracting with a professional recruiter; advertising in a professional trade journal or other publication directed at a particular profession; providing employment information on a web site for a fee; and offering to pay a signing bonus, moving expenses, or non-typical fringe benefit. "Hard-to-fill position" means a position that the taxpayer's recruitment efforts have failed to fill for at least 6 consecutive calendar months for which the extraordinary recruitment methods were employed.</p>	All income tax filers	<p>Rate: 5% of the compensation paid during the first 12 consecutive months to the employee hired to fill the hard-to-fill position, which is allowed in the first tax year following the tax year in which the employee completes the 12th consecutive month of employment.</p> <p>Maximum credit per year: None.</p> <p><i>Note: A signing bonus, moving expense payment, or non-typical fringe benefit received by the employee is exempt from North Dakota income tax.</i></p>	Carryover: 4 years.	None