

Introduced by

1 A BILL for an Act to amend and reenact subsections 1, 6, and 7 of section 57-38-01.8 of the  
2 North Dakota Century Code, relating to an income tax credit for installation of geothermal, solar,  
3 wind, or biomass energy devices; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Subsections 1, 6, and 7 of section 57-38-01.8 of the  
6 North Dakota Century Code are amended and reenacted as follows:

- 7 1. Any taxpayer filing a North Dakota income tax return pursuant to the provisions of  
8 this chapter may claim a credit for the cost of a geothermal, solar, wind, or biomass  
9 energy device installed before January 1, ~~2014~~ 2015, in a building or on property  
10 owned or leased by the taxpayer in North Dakota. The credit provided in this  
11 section for a device installed before January 1, 2001, must be in an amount equal  
12 to five percent per year for three years, and for a device installed after  
13 December 31, 2000, must be in an amount equal to three percent per year for five  
14 years of the actual cost of acquisition and installation of the geothermal, solar,  
15 wind, or biomass energy device and must be subtracted from any income tax  
16 liability of the taxpayer as determined pursuant to the provisions of this chapter.
- 17 6. The credit allowed under this section may not exceed the liability for tax under this  
18 chapter. If the amount of credit determined under this section exceeds the liability  
19 for tax under this chapter, the excess may be used as a credit carryover to each of  
20 the five succeeding taxable years. For tax credits earned after December 31,  
21 2008, the excess may be used as a credit carryover to each of the ten succeeding  
22 taxable years.
- 23 7. All or part of the unused credit allowed under this section may be sold, assigned, or  
24 otherwise transferred by the taxpayer to the purchaser of the power generated by

1 the device as part of the consideration in a power purchase agreement, or to any  
2 North Dakota taxpayer that constructs or expands an electricity transmission line in  
3 North Dakota after August 1, 2007. The taxpayer receiving the assignment of the  
4 credit is entitled to claim the credit against that taxpayer's tax liability under this  
5 chapter beginning with the tax year in which the power purchase agreement or the  
6 tax credit purchase agreement was fully executed by the parties and the  
7 geothermal, solar, or wind energy device is installed. If the credit is transferred to  
8 an entity that constructs or expands transmission lines, the amount of credit  
9 claimed by that entity in any taxable year may not exceed the actual cost of  
10 acquisition and installation of the transmission lines constructed in North Dakota for  
11 that taxable year.

12 a. A purchaser of the tax credit must claim the credit beginning with the tax year  
13 in which the purchase agreement is fully executed by the parties and the  
14 geothermal, solar, or wind energy device is installed. A purchaser of a tax  
15 credit under this section has only the right to claim and use the credit under  
16 the terms that would have applied to the tax credit transferor, except that in  
17 the case of a credit that is sold, assigned, or otherwise transferred by the  
18 taxpayer to the tax credit transferor, the credit allowed under this section may  
19 not exceed sixty percent of the liability for tax of the tax credit purchaser under  
20 this chapter. This subsection does not limit the ability of the tax credit  
21 purchaser to reduce the tax liability of the purchaser, regardless of the actual  
22 tax liability of the tax credit transferor.

23 b. The tax credit transferor may sell the credit to only one tax credit purchaser  
24 each taxable year. The tax credit purchaser may not sell, assign, or otherwise  
25 transfer the credit purchased under the purchase agreement.

26 c. If the taxpayer elects to sell, assign, or otherwise transfer an excess credit  
27 under this subsection, the tax credit transferor and the tax credit purchaser  
28 shall file jointly with the tax commissioner a copy of the purchase agreement  
29 affecting the tax credit transfer and a statement containing the name, address,  
30 and taxpayer identification number of any party to the transfer; the total  
31 installed cost of the qualifying geothermal, solar, or wind energy device; the

1 amount of the credit being transferred; the gross proceeds received by the  
2 transferor; and the tax year for which the credit may be claimed. The  
3 purchase agreement must state clearly the purchase price associated with the  
4 tax credit sold. The taxpayer and the purchaser also shall file a document  
5 allowing the tax commissioner to disclose tax information to either party for  
6 the purpose of verifying the correctness of the transferred tax credit. The  
7 purchase agreement, supporting statement, and confidentiality waiver must  
8 be filed within thirty days after the date the purchase agreement is fully  
9 executed. The tax commissioner may audit the returns and assess or issue  
10 refunds, notwithstanding any other time limitation prescribed under law which  
11 may have expired for the purchaser.

12 d. If the amount of the credit available under this section is changed as a result  
13 of an amended return filed by the transferor or as the result of an audit  
14 conducted by the internal revenue service or the tax commissioner, the  
15 transferor shall report to the purchaser the adjusted credit amount within thirty  
16 days of the amended return or within thirty days of the final determination  
17 made by the internal revenue service or the tax commissioner. The tax credit  
18 purchaser shall file amended returns reporting the additional tax due or  
19 claiming a refund as provided in section 57-38-38 or 57-38-40.

20 e. The total amount of credits that can be sold by all taxpayers is limited to three  
21 million dollars each biennium. This limit applies on the basis of the date of  
22 installation of the geothermal, solar, or wind energy device.

23 f. Gross proceeds received under the purchase agreement by the tax credit  
24 transferor for the sale, assignment, or transfer of the tax credit must be  
25 allocated to North Dakota. The amount assigned under this subsection may  
26 not be reduced by the taxpayer's income apportioned to North Dakota or any  
27 North Dakota net operating loss of the taxpayer.

28 g. Within four years after the date of the credit assignment, the tax commissioner  
29 may audit the returns of the credit transferor and the purchaser to verify the  
30 correctness of the amount of the transferred credit and, if necessary, assess  
31 the credit purchaser if additional tax is found due. This subdivision does not

1                   limit or restrict any other time period prescribed in this chapter for the  
2                   assessment of tax.

3                   h.   The tax commissioner may adopt rules to permit verification of the validity,  
4                   timeliness, and limitations on the sale of the tax credit transferred under this  
5                   section.

6                   i.   This subsection is effective for credits earned before January 1, 2011.

7                   **SECTION 2. EFFECTIVE DATE.** This Act is effective for tax credits earned after  
8                   December 31, 2008.