

Sixty-fifth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2036

Introduced by

Legislative Management

(Higher Education Committee)

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to  
 2 subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax  
 3 credit for contributions to qualified universities; to amend and reenact sections 15-10-48 and  
 4 15-10-49 of the North Dakota Century Code, relating to matching grants for the advancement of  
 5 academics at higher education institutions under the control of the state board of higher  
 6 education; ~~and to provide an appropriation~~ to provide for the cancellation of appropriation  
 7 authority; to provide for a legislative management report; to provide an effective date; and to  
 8 provide an expiration date.

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

10 **SECTION 1. AMENDMENT.** Section 15-10-48 of the North Dakota Century Code is  
 11 amended and reenacted as follows:

12 **15-10-48. Advancement of academics - Matching grants - University of North Dakota**  
 13 **and North Dakota state university.**

- 14 1. a. ~~During the period beginning July 1, 2015~~ ~~2017, and ending December 31,~~  
 15 ~~2016~~ ~~2018~~ Subject to legislative appropriations, each biennium during the period  
 16 beginning July 1 of each odd-numbered year and ending December 31 of each  
 17 even-numbered year, the state board of higher education shall award one dollar  
 18 in matching grants for every two dollars raised by the institutional foundations of  
 19 the university of North Dakota and North Dakota state university for projects  
 20 dedicated exclusively to the advancement of academics.
- 21 b. To be eligible for a matching grant, an institution must demonstrate that:
- 22 (1) Its foundation has raised at least fifty thousand dollars in cash or monetary  
 23 pledges for a qualifying project; and

- 1                   (2) The project has been approved by the grant review committee established  
2                   in section 15-10-51.
- 3                   c. The board may award up to ~~seven million~~seven hundred fifty thousand dollars in  
4                   matching grants to each institution. ~~The first two million dollars in matching grants~~  
5                   ~~awarded to each institution must be used for student scholarships that comply~~  
6                   ~~with section 15-10-53.~~
- 7                   2. a. If any available dollars have not been awarded by the board ~~before January 1,~~  
8                   ~~2017~~2019, in accordance with subsection 1, either the university of North Dakota  
9                   or North Dakota state university may apply for an additional matching grant.
- 10                  b. An application submitted under this subsection must meet the same criteria as an  
11                  original application.
- 12                  c. The board shall consider each application submitted under this subsection in  
13                  chronological order.
- 14                  d. If the remaining dollars are insufficient to provide a matching grant in the amount  
15                  of one dollar for every two dollars raised by the institutional foundation, the board  
16                  shall award a lesser amount.
- 17                  3. The state board of higher education shall retain up to one-quarter of one percent of  
18                  any grant awarded under this section to assist with administrative expenses incurred  
19                  in the grant review process.

20                  **SECTION 2. AMENDMENT.** Section 15-10-49 of the North Dakota Century Code is  
21                  amended and reenacted as follows:

22                  **15-10-49. Advancement of academics - Matching grants - Two-year and four-year**  
23                  **institutions of higher education.**

- 24                  1. a. ~~During the period beginning July 1, 2015~~2017, ~~and ending December 31,~~  
25                  ~~2016~~2018Subject to legislative appropriations, each biennium during the period  
26                  beginning July 1 of each odd-numbered year and ending December 31 of each  
27                  even-numbered year, the state board of higher education shall award one dollar  
28                  in matching grants for every two dollars raised by the institutional foundations of  
29                  Bismarck state college, Dakota college at Bottineau, Dickinson state university,  
30                  Lake Region state college, Mayville state university, Minot state university, North

- 1                   Dakota state college of science, Valley City state university, and Williston state  
2                   college for projects dedicated exclusively to the advancement of academics.
- 3           b.    To be eligible for a matching grant, an institution must demonstrate that:
- 4                   (1)   Its foundation has raised at least twenty-five thousand dollars in cash or  
5                   monetary pledges for a qualifying project; and
- 6                   (2)   The project has been approved by the grant review committee established  
7                   in section 15-10-51.
- 8           c.    The board may award up to ~~one million~~two hundred seventy-five thousand dollars  
9                   in matching grants to each institution.
- 10          2.   a.   If any available dollars have not been awarded by the board ~~before January 1,~~  
11                   ~~2017~~2019~~prior to January 1 of each odd-numbered year,~~ in accordance with  
12                   subsection 1, any institution listed in subsection 1 may apply for an additional  
13                   matching grant.
- 14          b.    An application submitted under this subsection must meet the same criteria as an  
15                   original application.
- 16          c.    The board shall consider each application submitted under this subsection in  
17                   chronological order.
- 18          d.    If the remaining dollars are insufficient to provide a matching grant in the amount  
19                   of one dollar for every two dollars raised by the institutional foundation, the board  
20                   shall award a lesser amount.
- 21          3.   a.    The board may award an additional ~~five hundred~~twenty-five thousand dollars in  
22                   matching grants to institutions that have been awarded ~~one million~~two hundred  
23                   seventy-five thousand dollars in matching grants under subsection 1 and apply  
24                   for an additional matching grant.
- 25          b.    An application submitted under this subsection must meet the same criteria as an  
26                   original application.
- 27          c.    The board shall consider each application submitted under this subsection in  
28                   chronological order.
- 29          d.    If the funding provided under this subsection is insufficient to provide a matching  
30                   grant in the amount of one dollar for every two dollars raised by the institutional  
31                   foundation, the board shall award a lesser amount.

- 1           4.    The state board of higher education shall retain up to one-quarter of one percent of  
2                    any grant awarded under this section to assist with administrative expenses incurred  
3                    in the grant review process.

4    ~~SECTION 3. APPROPRIATION -- STRATEGIC INVESTMENT AND IMPROVEMENTS~~

5    ~~FUND -- STATE BOARD OF HIGHER EDUCATION. There is appropriated out of any moneys in~~  
6    ~~the strategic investment and improvements fund in the state treasury, not otherwise~~  
7    ~~appropriated, the sum of \$4,000,000, or so much of the sum as may be necessary, to the state~~  
8    ~~board of higher education for the purpose of awarding matching grants for the advancement of~~  
9    ~~academics at institutions under the control of the board, for the biennium beginning July 1,~~  
10   ~~2017, and ending June 30, 2019. The funding provided in this section is considered a one-time~~  
11   ~~funding item.~~

12    **SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created  
13    and enacted as follows:

14    **Income tax credit for contributions to a qualified university.**

15    1.    A taxpayer is entitled to a credit against tax liability determined under section  
16    57-38-30.3 for charitable contributions made after June 30, 2017, to a qualified  
17    university. To qualify for the credit under this section, a single contribution must be a  
18    cash contribution of twenty-five thousand dollars or more.

19    2.    For purposes of this section, "qualified university" means an institution under the  
20    control of the state board of higher education, which is a tax-exempt organization  
21    under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income  
22    tax deductions.

23    3.    The amount of the credit to which a taxpayer is entitled is forty percent of the amount  
24    contributed by the taxpayer to a qualified university during the taxable year.

25    4.    The maximum credit that may be earned under this section in a taxable year is thirty  
26    thousand dollars for an individual, or sixty thousand dollars for married individuals  
27    filing a joint return. This subsection may not be interpreted to limit additional  
28    contributions by a taxpayer for which that taxpayer is not earning a credit.

29    5.    The credit under this section may not exceed the taxpayer's income tax liability. If the  
30    amount of credit determined under this section exceeds the liability for tax under this

1 chapter, the excess may be carried forward to each of the five succeeding taxable  
2 years.

3 6. The contribution used to calculate the credit under this section may not be used to  
4 calculate any other income tax deduction or credit allowed by law.

5 7. North Dakota taxable income must be increased by the amount of the charitable  
6 contribution upon which the credit under this section is computed but only to the extent  
7 the contribution reduced federal taxable income in any year.

8 8. The aggregate amount of credits allowed for contributions under this section may not  
9 exceed two million five hundred thousand dollars per year. The credit must be allowed  
10 to taxpayers in the chronological order of their contributions to a qualified university.

11 9. A qualified university that is:

12 a. A four-year institution with a full-time equivalent annual enrollment of more than  
13 ten thousand students is limited to receiving no more than three million dollars of  
14 contributions over all taxable years for purposes of qualifying for the credit.

15 b. A four-year institution with a full-time equivalent annual enrollment of ten  
16 thousand students or fewer is limited to receiving no more than one million  
17 dollars of contributions over all taxable years for purposes of qualifying for the  
18 credit.

19 c. A two-year institution with a full-time equivalent annual enrollment of ten  
20 thousand students or fewer is limited to receiving no more than five hundred  
21 thousand dollars of contributions over all taxable years for purposes of qualifying  
22 for the credit.

23 10. Within thirty days after the date on which a taxpayer makes a contribution to the  
24 qualified university, the university shall file with each contributing taxpayer, and a copy  
25 with the tax commissioner, completed forms that show as to each contribution to the  
26 qualified university by that taxpayer the following:

27 a. The name, address, and social security number or federal employer identification  
28 number of the taxpayer that made the contribution;

29 b. The dollar amount contributed to the qualified university; and

30 c. The date the contribution was received by the qualified university.

1 11. A taxpayer shall claim the credit on the taxpayer's state income tax return in the form  
2 and manner prescribed by the tax commissioner and file with the return a copy of the  
3 form issued by the qualified university under subsection 10.

4 12. A passthrough entity making a contribution to a qualified university under this section  
5 is considered to be the taxpayer for purposes of this section, and the amount of the  
6 credit allowed must be determined at the passthrough entity level. The amount of the  
7 total credit determined at the entity level must be passed through to the partners,  
8 shareholders, or members in proportion to their respective interests in the passthrough  
9 entity.

10 13. The state board of higher education shall approve the use of all funds received by a  
11 qualified university pursuant to this section.

12 **SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota  
13 Century Code is created and enacted as follows:

14 Income tax credit for contributions to a qualified university under section 3 of this  
15 Act (effective for the first two taxable years beginning after December 31, 2016).

16 **SECTION 5. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of  
17 each year, the tax commissioner shall certify to the office of management and budget the  
18 amount of credits claimed during the preceding state fiscal year under section 3 of this Act  
19 which apply to contributions to each qualified university. The director of the office of  
20 management and budget shall cancel the portion of the current biennium general fund  
21 appropriations authority for each qualified university equal to the amount of credits claimed  
22 during the preceding fiscal year for contributions to the qualified university.

23 **SECTION 6. LEGISLATIVE MANAGEMENT REPORT.** During the 2017-18 interim, the  
24 state board of higher education shall provide a report to the legislative management regarding  
25 tax credits claimed for contributions to qualified universities, including the amount of tax credits  
26 claimed for contributions to each university and the use of funds by each university.

27 **SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are  
28 effective for the first two taxable years beginning after December 31, 2016, and are thereafter  
29 ineffective.