

**FIRST ENGROSSMENT
with House Amendments
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; to provide for the cancellation of appropriation authority; to provide for a legislative
7 management report; to provide an effective date; and to provide an expiration date.

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

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

11 **15-10-48. Advancement of academics - Matching grants - University of North Dakota**
12 **and North Dakota state university.**

- 13 1. a. ~~During the period beginning July 1, 2015, and ending December 31, 2016~~Subject
14 to legislative appropriations, each biennium during the period beginning July 1 of
15 each odd-numbered year and ending December 31 of each even-numbered year,
16 the state board of higher education shall award one dollar in matching grants for
17 every two dollars raised by the institutional foundations of the university of North
18 Dakota and North Dakota state university for projects dedicated exclusively to the
19 advancement of academics.
- 20 b. To be eligible for a matching grant, an institution must demonstrate that:
- 21 (1) Its foundation has raised at least fifty thousand dollars in cash or monetary
22 pledges for a qualifying project; and
- 23 (2) The project has been approved by the grant review committee established
24 in section 15-10-51.

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

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

20 **15-10-49. Advancement of academics - Matching grants - Two-year and four-year**
21 **institutions of higher education.**

- 22 1. a. ~~During the period beginning July 1, 2015, and ending December 31, 2016~~Subject
23 to legislative appropriations, each biennium during the period beginning July 1 of
24 each odd-numbered year and ending December 31 of each even-numbered year,
25 the state board of higher education shall award one dollar in matching grants for
26 every two dollars raised by the institutional foundations of Bismarck state college,
27 Dakota college at Bottineau, Dickinson state university, Lake Region state
28 college, Mayville state university, Minot state university, North Dakota state
29 college of science, Valley City state university, and Williston state college for
30 projects dedicated exclusively to the advancement of academics.
- 31 b. To be eligible for a matching grant, an institution must demonstrate that:

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

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

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

- 4 1. A taxpayer is entitled to a credit against tax liability determined under section
5 57-38-30.3 for charitable contributions made after June 30, 2017, to a qualified
6 university. To qualify for the credit under this section, a single contribution must be a
7 cash contribution of twenty-five thousand dollars or more.
- 8 2. For purposes of this section, "qualified university" means an institution under the
9 control of the state board of higher education, which is a tax-exempt organization
10 under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income
11 tax deductions.
- 12 3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount
13 contributed by the taxpayer to a qualified university during the taxable year.
- 14 4. The maximum credit that may be earned under this section in a taxable year is thirty
15 thousand dollars for an individual, or sixty thousand dollars for married individuals
16 filing a joint return. This subsection may not be interpreted to limit additional
17 contributions by a taxpayer for which that taxpayer is not earning a credit.
- 18 5. The credit under this section may not exceed the taxpayer's income tax liability. If the
19 amount of credit determined under this section exceeds the liability for tax under this
20 chapter, the excess may be carried forward to each of the five succeeding taxable
21 years.
- 22 6. The contribution used to calculate the credit under this section may not be used to
23 calculate any other income tax deduction or credit allowed by law.
- 24 7. North Dakota taxable income must be increased by the amount of the charitable
25 contribution upon which the credit under this section is computed but only to the extent
26 the contribution reduced federal taxable income in any year.
- 27 8. The aggregate amount of credits allowed for contributions under this section may not
28 exceed two million five hundred thousand dollars per year. The credit must be allowed
29 to taxpayers in the chronological order of their contributions to a qualified university.
- 30 9. A qualified university that is:

- 1 a. A four-year institution with a full-time equivalent annual enrollment of more than
2 ten thousand students is limited to receiving no more than three million dollars of
3 contributions over all taxable years for purposes of qualifying for the credit.
- 4 b. A four-year institution with a full-time equivalent annual enrollment of ten
5 thousand students or fewer is limited to receiving no more than one million
6 dollars of contributions over all taxable years for purposes of qualifying for the
7 credit.
- 8 c. A two-year institution with a full-time equivalent annual enrollment of ten
9 thousand students or fewer is limited to receiving no more than five hundred
10 thousand dollars of contributions over all taxable years for purposes of qualifying
11 for the credit.
- 12 10. Within thirty days after the date on which a taxpayer makes a contribution to the
13 qualified university, the university shall file with each contributing taxpayer, and a copy
14 with the tax commissioner, completed forms that show as to each contribution to the
15 qualified university by that taxpayer the following:
- 16 a. The name, address, and social security number or federal employer identification
17 number of the taxpayer that made the contribution;
- 18 b. The dollar amount contributed to the qualified university; and
- 19 c. The date the contribution was received by the qualified university.
- 20 11. A taxpayer shall claim the credit on the taxpayer's state income tax return in the form
21 and manner prescribed by the tax commissioner and file with the return a copy of the
22 form issued by the qualified university under subsection 10.
- 23 12. A passthrough entity making a contribution to a qualified university under this section
24 is considered to be the taxpayer for purposes of this section, and the amount of the
25 credit allowed must be determined at the passthrough entity level. The amount of the
26 total credit determined at the entity level must be passed through to the partners,
27 shareholders, or members in proportion to their respective interests in the passthrough
28 entity.
- 29 13. The state board of higher education shall approve the use of all funds received by a
30 qualified university pursuant to this section.

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

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

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

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

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