

Introduced by

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century
3 Code, relating to the development and implementation of a talent attraction and retention
4 scholarship program and the provision of an income tax credit for purchases of manufacturing
5 machinery and equipment to automate manufacturing processes; and to provide an effective
6 date.

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

8 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
9 and enacted as follows:

10 **North Dakota talent attraction and retention scholarship program - Development and**
11 **implementation.**

- 12 1. The Bank of North Dakota shall adopt rules to develop, implement, promote, and
13 administer a North Dakota talent attraction and retention scholarship program in
14 conjunction with the North Dakota university system and the dollars for scholars
15 program with the intent of attracting and retaining students for professional or technical
16 skills in high demand in this state.
- 17 2. Scholarships must be provided in the form of a forgivable loan administered by the
18 Bank of North Dakota for residents of this state attending an accredited institution of
19 higher education. To receive full loan forgiveness, the graduate shall remain and work
20 in this state for a minimum of three years following degree completion. Additional
21 residency requirements may be required for advanced, professional degrees as
22 determined by the Bank of North Dakota and the North Dakota university system.
- 23 3. Those eligible to participate in the program are North Dakota high school graduates or
24 those who have completed a general equivalency degree within this state or who have

1 lived in this state for at least one year. For highly specialized careers or skill sets,
2 residents from outside this state will be considered if there are no or a very limited pool
3 of applicants.

4 4. Scholarships are limited to a maximum of eight consecutive semesters with a student
5 enrolling in a minimum of twelve credit hours per semester. Students shall complete at
6 least one course on campus each semester. The maximum amount a student may
7 receive in loan forgiveness is eight thousand five hundred dollars per year for four
8 years. This amount may be indexed for inflation and tuition increases by the Bank of
9 North Dakota in future years.

10 5. The talent attraction and retention scholarship program must be a joint public and
11 private effort. The Bank of North Dakota shall provide one dollar of funding for each
12 one dollar of funding raised from the private sector through the dollars for scholars
13 program. The Bank of North Dakota shall provide no more than ten million dollars for
14 the purpose of funding the talent attraction and retention scholarship program for the
15 biennium beginning July 1, 2019, and ending June 30, 2021.

16 6. The scholarship, which is intended to assist the student in meeting attendance costs,
17 must be designed to supplement any other financial aid received by a student.

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

20 **Twenty-first century manufacturing workforce incentive.**

21 1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against
22 the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing
23 machinery and equipment for the purpose of automating manufacturing processes in
24 this state to improve job quality and increase output. The amount of the credit under
25 this section is twenty percent of the cost of the manufacturing machinery and
26 equipment purchased in the taxable year. Qualified expenditures under this section
27 may not be used in the calculation of any other income tax deduction or credit allowed
28 under this chapter.

29 2. For purposes of this section:

30 a. "Manufacturing machinery and equipment for the purpose of automating
31 manufacturing processes" means new or used automation and robotic equipment

1 used to upgrade or advance a manufacturing process. The term does not include
2 replacement automation and robotic equipment that does not upgrade or
3 advance a manufacturing process.

4 b. "Primary sector business" has the meaning provided in section 1-01-49.

5 c. "Purchase" includes manufacturing machinery and equipment acquired under a
6 capital lease only for the taxable year in which the lease is executed. A capital
7 lease is a lease which meets generally accepted accounting principles. The
8 qualifying costs of the equipment acquired under a capital lease is the fair market
9 value of the equipment at the inception of the lease.

10 3. The taxpayer shall claim the total credit amount for the taxable year in which the
11 manufacturing machinery and equipment are purchased. The credit under this section
12 may not exceed the taxpayer's liability as determined under this chapter for any
13 taxable year.

14 4. If the amount of the credit determined under this section exceeds the liability for tax
15 under this chapter, the excess may be carried forward to each of the next five
16 succeeding taxable years.

17 5. The aggregate amount of credits allowed each calendar year under this section may
18 not exceed two million dollars. However, if the maximum amount of allowed credits are
19 not claimed in any calendar year, any remaining unclaimed credits may be carried
20 forward and made available in the next succeeding calendar year. If the aggregate
21 amount of credits claimed under this section exceeds the amount available in a
22 calendar year, the tax commissioner shall prorate the credits among the claimants.

23 6. If a taxpayer entitled to the credit provided by this section is a member of a group of
24 corporations filing a North Dakota consolidated tax return using the combined
25 reporting method, the credit may be claimed against the aggregate North Dakota tax
26 liability of all the corporations included in the North Dakota consolidated return.

27 7. A passthrough entity entitled to the credit under this section must be considered to be
28 the taxpayer for purposes of calculating the credit. The amount of the allowable credit
29 must be determined at the passthrough entity level. The total credit determined at the
30 entity level must be passed through to the partners, shareholders, or members in
31 proportion to their respective interests in the passthrough entity. An individual taxpayer

1 may take the credit passed through under this subsection against the individual's state
2 income tax liability under section 57-38-30.3.

3 8. The department of commerce shall provide the tax commissioner the name, address,
4 and federal identification number or social security number of the taxpayer approved
5 as qualifying for the credit under this section, and a list of those items approved as a
6 qualified expenditure by the department. The taxpayer claiming the credit shall file with
7 the taxpayer's return, on forms prescribed by the tax commissioner, the following
8 information:

9 a. The name, address, and federal identification number or social security number
10 of the taxpayer that made the purchase; and

11 b. An itemization of:

12 (1) Each item of machinery or equipment purchased for automation, including a
13 description of the equipment or system being upgraded or advanced, and
14 an explanation of how the upgrade or advancement will improve job quality
15 and increase output;

16 (2) The amount paid for each item of machinery or equipment if the amount
17 paid for the machinery or equipment is being used as a basis for calculating
18 the credit; and

19 (3) The date on which payment for the purchase was made.

20 9. Notwithstanding the time limitations contained in section 57-38-38, this section does
21 not prohibit the tax commissioner from conducting an examination of the credit
22 claimed and assessing additional tax due under section 57-38-38.

23 **SECTION 3.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
24 Century Code is created and enacted as follows:

25 Twenty-first century manufacturing workforce incentive under section 2 of this
26 Act.

27 **SECTION 4. EFFECTIVE DATE.** Sections 2 and 3 of this Act are effective for taxable years
28 beginning after December 31, 2018.