

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1182

Introduced by

Representatives Rick C. Becker, Dockter, Ertelt, Pyle, Simons, Toman

Senators O. Larsen, Meyer

1 A BILL for an Act to amend and reenact sections 40-63-02, 40-63-03, and 40-63-04, and
2 subsections 7 and 8 of section 57-38-30.3 of the North Dakota Century Code, relating to
3 renaissance zone tax credits and exemptions; to repeal sections 40-63-06 and 40-63-07 of the
4 North Dakota Century Code, relating to renaissance zone income tax credits; and to provide an
5 effective date.

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

7 **SECTION 1. AMENDMENT.** Section 40-63-02 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **40-63-02. Eligibility - Local zone authority designation.**

10 Any incorporated city may apply to the department of commerce division of community
11 services to designate a portion of the city as a renaissance zone. Any individual, partnership,
12 limited partnership, limited liability company, trust, or corporation may apply for ~~a tax credit or~~
13 ~~exemption under sections 40-63-04 through 40-63-07~~ tax benefits under this chapter. The
14 governing body of a city may designate a local zone authority to implement a development plan
15 on behalf of the city.

16 **SECTION 2. AMENDMENT.** Section 40-63-03 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **40-63-03. Renaissance zones.**

- 19 1. A city may apply to the department of commerce division of community services to
20 designate a portion of that city as a renaissance zone if the following criteria are met:
- 21 a. The geographic area proposed for the renaissance zone is located wholly within
22 the boundaries of the city submitting the application.
- 23 b. The application includes a development plan.

1 c. The proposed renaissance zone is not more than thirty-four square blocks,
2 except in a city with a population of greater than five thousand the renaissance
3 zone may exceed thirty-four square blocks at the rate of one additional block for
4 each additional five thousand population to a maximum size of forty-nine blocks.
5 Population is based upon the most recent federal decennial census or federal
6 census estimate.

7 If a city finds that renaissance zone projects have satisfactorily completed
8 one or more blocks within the renaissance zone, the city may apply for and the
9 department of commerce division of community services may approve withdrawal
10 of those blocks from the renaissance zone and replacement of those blocks with
11 other blocks that otherwise meet the requirements of this chapter.

12 d. Except as provided under subdivision g, the proposed renaissance zone has a
13 continuous boundary and all blocks are contiguous.

14 e. The proposed land usage includes both commercial and residential property.

15 f. The application includes the proposed duration of renaissance zone status, not to
16 exceed fifteen years. Upon application by the city, the department of commerce
17 division of community services may extend the duration of renaissance zone
18 status in increments of up to five years.

19 g. The proposed renaissance zone may have a single exception to the continuous
20 boundary and contiguous block requirements under subdivision d if the area of
21 the excepted noncontiguous blocks does not exceed three square blocks.

22 2. The department of commerce division of community services shall:

23 a. Review all applications for renaissance zone designation against the criteria
24 established in this section and designate zones.

25 b. Approve or reject the duration of renaissance zone status as submitted in an
26 application.

27 c. Approve or reject the geographic boundaries and total area of the renaissance
28 zone as submitted in an application.

29 d. Promote the renaissance zone program.

30 e. Monitor the progress of the designated renaissance zones against submitted
31 plans in an annual plan review.

- 1 f. Report on renaissance zone progress to the governor and the legislative
2 management on an annual basis until all designated zones expire.
- 3 3. The department of commerce division of community services shall consider the
4 following criteria in designating a renaissance zone:
 - 5 a. The viability of the development plan.
 - 6 b. The incorporation and enhancement of unique natural and historic features into
7 the development plan.
 - 8 c. Whether the development plan is creative and innovative in comparison to other
9 applications.
 - 10 d. Public and private commitment to and other resources available for the proposed
11 renaissance zone, including the provisions for a renaissance fund organization.
 - 12 e. How renaissance zone designation would relate to a broader plan for the
13 community as a whole.
 - 14 f. How the local regulatory burden, in particular that burden associated with the
15 renovation of historic properties and that burden associated with mixed use
16 development, will be eased for developers and investors in the renaissance zone.
 - 17 g. The strategies for the promotion, development, and management of the zone,
18 including the use of a local zone authority if designated.
 - 19 h. Any other information required by the office.
- 20 4. The department of commerce division of community services may not designate a
21 portion of a city as a renaissance zone unless, as a part of the application, the city
22 provides a resolution from the governing body of the city that states if the renaissance
23 zone designation is granted, persons and property within the renaissance zone are
24 exempt from taxes as provided in ~~sections 40-63-04 through 40-63-07~~this chapter.
- 25 5. A city may not propose or be part of more than one renaissance zone.
- 26 6. ~~A parcel of property may be exempted from property taxes under section 40-63-05~~
27 ~~only once, but during the five taxable years of eligibility for that exemption, the~~
28 ~~property tax exemption transfers with the transfer of the property to a qualifying user.~~
29 ~~The ownership or lease of, or investment in, a parcel of property may qualify for~~
30 ~~exemption or credit under section 40-63-04 only once, but during the five taxable~~
31 ~~years of eligibility for that exemption or credit, the exemption or credit under section~~

1 ~~40-63-04 transfers with the transfer of the property to a qualified user and with respect~~
2 ~~to the year in which the transfer is made must be prorated for use of the property~~
3 ~~during that year.~~

4 7. A city may apply to the department of commerce division of community services at any
5 time during the duration of a zone to expand a previously approved renaissance zone
6 that is less than the maximum size allowed under subdivision c of subsection 1. If the
7 expansion is approved by the department of commerce division of community
8 services, the blocks in the expansion are eligible for up to fifteen years of renaissance
9 zone status.

10 ~~8.7.~~ The use of grant funds as the sole source of investment in the purchase of a building
11 or space in a building does not qualify a taxpayer for any tax exemption or credit
12 available under the chapter, and grant funds may not be counted in determining if the
13 cost of rehabilitation meets or exceeds the current true and full value of the building.

14 ~~9.8.~~ If a portion of an approved renaissance zone is not progressing, the city may request
15 the department of commerce division of community services to permit deleting that
16 portion and to make an adjustment of the boundaries to add another equal, contiguous
17 area to the original zone.

18 ~~10.9.~~ If within a renaissance zone there is property that is included in a tax increment
19 financing district, the city in which the property is located shall provide the department
20 of commerce an annual report regarding any such property at the time requested by
21 the department of commerce. The report required under this subsection must identify
22 the property, provide the expected duration of inclusion of the property in the tax
23 increment financing district and the renaissance zone, and identify any property and
24 income tax benefits of the property and the expected duration of those benefits. The
25 department of commerce shall deliver an annual report compiling the information
26 required under this subsection to the legislative management interim committee on
27 taxation issues or upon request of any other interim committee of the legislative
28 management.

29 **SECTION 3. AMENDMENT.** Section 40-63-04 of the North Dakota Century Code is
30 amended and reenacted as follows:

1 **40-63-04. (Effective for the first five taxable years beginning after December 31, 2017)**

2 **Income tax exemptions.**

3 1. An individual taxpayer who purchases or rehabilitates single-family residential property
4 for the individual's primary place of residence as a zone project before January 1,
5 2018, is exempt from up to ten thousand dollars of personal income tax liability as
6 determined under section 57-38-30.3 for five taxable years beginning with the date of
7 occupancy or completion of rehabilitation.

8 2. A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to
9 residential, public utility infrastructure, or commercial property for any business or
10 investment purpose as a zone project before January 1, 2018, is exempt from tax on
11 income derived from the business or investment locations within the zone for five
12 taxable years, beginning with the date of purchase, lease, or completion of
13 rehabilitation.

14 a. The maximum amount of income that a taxpayer may exempt from tax under this
15 subsection for any taxable year is five hundred thousand dollars. The limitation in
16 this subdivision applies to the sum of the exempt income derived from the
17 taxpayer's business and investment interests in all zone projects.

18 b. If a zone project consists of a physical expansion of an existing building owned
19 and used by the taxpayer for business or investment purposes, the amount of
20 income exempt from tax under this subsection is limited to an amount equal to
21 the income derived from the business, or from the investment use of the building,
22 during the taxable year multiplied by a ratio equal to the square footage added by
23 the expansion divided by the total square footage of the building after expansion.

24 3. If the cost of a new business purchase, leasehold improvement, or expansion of an
25 existing business, approved as a zone project, exceeds seventy-five thousand dollars,
26 and the business is located in a city with a population of not more than two thousand
27 five hundred, an individual taxpayer may, in lieu of the exemption provided in
28 subsection 2, elect to take an income tax exemption of up to two thousand dollars of
29 individual income tax liability as determined under section 57-38-30.3. The election
30 must be made on the taxpayer's return as originally and timely filed. The election is
31 irrevocable and binding for the duration of the exemptions provided in subsection 2 or

- 1 this subsection. If an election is not made on the original return, the taxpayer is only
2 eligible for the exemption provided in subsection 2.
- 3 4. If a property owner not participating in a renaissance zone project is required to make
4 changes in utility services or in a building structure before January 1, 2018, because of
5 changes made to property that is part of a zone project, the owner of the
6 nonparticipating property is entitled to state income tax credits equal to the total
7 amount of the investment necessary to complete the required changes. The credit
8 must be approved by the local renaissance zone authority. The credit must be claimed
9 in the taxable year in which the related project was completed. The credit may not
10 exceed the taxpayer's tax liability, and an unused credit may be carried forward up to
11 five taxable years.
- 12 5. The ownership or lease of, or investment in, a parcel of property may qualify for an
13 exemption or credit under this section only once, but during the five taxable years of
14 eligibility for that exemption or credit, the exemption or credit under this section
15 transfers with the transfer of the property to a qualified user and with respect to the
16 year in which the transfer is made must be prorated for use of the property during that
17 year.
- 18 6. The exemptions provided by this section do not eliminate any duty to file a return or to
19 report income as required under chapter 57-38.

20 **SECTION 4. AMENDMENT.** Subsection 7 of section 57-38-30.3 of the North Dakota
21 Century Code is amended and reenacted as follows:

- 22 7. A taxpayer filing a return under this section is entitled to the following tax credits:
- 23 a. Family care tax credit under section 57-38-01.20.
- 24 b. Renaissance zone tax credits under ~~sections~~section 40-63-04, 40-63-06, and
25 40-63-07 (effective for the first five taxable years beginning after December 31,
26 2017).
- 27 c. Agricultural business investment tax credit under section 57-38.6-03.
- 28 d. Seed capital investment tax credit under section 57-38.5-03.
- 29 e. Planned gift tax credit under section 57-38-01.21.
- 30 f. Biodiesel fuel or green diesel fuel tax credits under sections 57-38-01.22 and
31 57-38-01.23.

- 1 g. Internship employment tax credit under section 57-38-01.24.
- 2 h. Workforce recruitment credit under section 57-38-01.25.
- 3 i. Angel fund investment tax credit under section 57-38-01.26.
- 4 j. Microbusiness tax credit under section 57-38-01.27.
- 5 k. Marriage penalty credit under section 57-38-01.28.
- 6 l. Homestead income tax credit under section 57-38-01.29.
- 7 m. Commercial property income tax credit under section 57-38-01.30.
- 8 n. Research and experimental expenditures under section 57-38-30.5.
- 9 o. Geothermal energy device installation credit under section 57-38-01.8.
- 10 p. Long-term care partnership plan premiums income tax credit under section
- 11 57-38-29.3.
- 12 q. Employer tax credit for salary and related retirement plan contributions of
- 13 mobilized employees under section 57-38-01.31.
- 14 r. Automating manufacturing processes tax credit under section 57-38-01.33
- 15 (effective for the first five taxable years beginning after December 31, 2012).
- 16 s. Income tax credit for passthrough entity contributions to private education
- 17 institutions under section 57-38-01.7.

18 **SECTION 5. AMENDMENT.** Subsection 8 of section 57-38-30.3 of the North Dakota
19 Century Code is amended and reenacted as follows:

- 20 8. A taxpayer filing a return under this section is entitled to the exemption provided under
- 21 section 40-63-04 (effective for the first five taxable years beginning after December 31,
- 22 2017).

23 **SECTION 6. REPEAL.** Sections 40-63-06 and 40-63-07 of the North Dakota Century Code
24 are repealed.

25 **SECTION 7. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
26 December 31, 2017.