

HOUSE BILL NO. 1406

Introduced by

Representatives J. Nelson, Hager, Sanford, Schreiber-Beck

Senators Dever, Heckaman, Poolman

1 A BILL for an Act to create and enact a new subdivision to subsection 7 of section 57-38-30.3 of
2 the North Dakota Century Code, relating to an income tax credit for the employment of
3 individuals with developmental disability or severe mental illness; to amend and reenact section
4 57-38-01.16 of the North Dakota Century Code, relating to an income tax credit for the
5 employment of individuals with developmental disabilities or ~~chronically mentally ill-~~
6 ~~persons~~severe mental illness; and to provide an effective date.

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

8 **SECTION 1. AMENDMENT.** Section 57-38-01.16 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **57-38-01.16. Income tax credit for employment of individuals with developmental**
11 **disabilities or ~~chronically mentally ill persons~~severe mental illness.**

12 1. A taxpayer filing an income tax return under this chapter may claim a credit against the
13 tax liability imposed under section 57-38-30 or section 57-38-30.3 for a portion of the
14 wages paid to an employee with a developmental disability or a ~~chronically mentally ill-~~
15 ~~employee~~severe mental illness.

16 2. The credit allowed under this section equals ~~five~~:

17 ~~a. Five percent of up to six thousand dollars in wages paid during the first twelve~~
18 ~~months of employment by the taxpayer for each employee with a developmental~~
19 ~~disability or chronically mentally ill employee of the taxpayer; or~~

20 ~~b. Twenty-five~~twenty-five percent of up to six thousand dollars in wages paid
21 annually by the taxpayer for each employee with a developmental disability or
22 chronically mentally ill employee of the taxpayersevere mental illness, if the
23 department of human services' vocational rehabilitation division certifies the
24 employee does not otherwise have reasonable prospects for competitive

1 employment determines the individual has a most significant disability, is eligible
2 for services, and requires customized employment in order to obtain competitive
3 integrated employment.

4 3. Only wages actually paid during the taxpayer's taxable year may be considered for
5 purposes of this section. An employee of a subcontractor is considered an employee
6 of the contractor to the extent of any wages paid under the contract.

7 4. The total of credits allowed under this section may not exceed fifty percent of the
8 taxpayer's liability under this chapter.

9 5. A taxpayer shall apply, on a form and in the manner prescribed by the department of
10 human services' vocational rehabilitation division, for a determination of whether an
11 employee meets the requirements under subsection 2. If an employee meets the
12 requirements, a letter of certification containing the names of the taxpayer and the
13 qualifying employee must be issued to the taxpayer. No more than one hundred
14 employees may be certified as qualifying under this section. Applications must be
15 processed in the order the applications are received.

16 6. A taxpayer claiming a credit under this section shall include a copy of the certification
17 letter received from the department of human services' vocational rehabilitation
18 division with the taxpayer's return filed under this chapter for each taxable year the
19 credit is claimed.

20 7. A passthrough entity entitled to the credit under this section must be considered to be
21 the taxpayer for purposes of calculating the credit. The amount of the allowable credit
22 must be determined at the passthrough entity level. The total credit determined at the
23 entity level must be passed through to the partners, shareholders, or members in
24 proportion to their respective interests in the passthrough entity. An individual taxpayer
25 may take the credit passed through under this section against the individual's state
26 income tax liability under section 57-38-30.3.

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

29 Income tax credit for employment of individuals with developmental disabilities or
30 chronically mentally ill persons under section 57-38-01.16.

1 **SECTION 3. EFFECTIVE DATE.** This Act is effective for ~~taxable years beginning after~~
2 ~~December 31, 2018.~~ the first two taxable years after December 31, 2018.