

HOUSE BILL NO. 1421

Introduced by

Representatives Guggisberg, Adams, P. Anderson, Boschee, Dobervich, Hager, Ista,
Schneider

Senators Hogan, Oban, Piepkorn

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 equal to a portion of a taxpayer's federal earned income credit; and to provide an effective
4 date.

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

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

8 **Earned income credit.**

- 9 1. A resident taxpayer is entitled to a credit against tax liability as determined under
10 section 57-38-30.3 in the amount of twenty-five percent of the amount of the earned
11 income credit allowed against that taxpayer's federal income tax liability under
12 section 32 of the Internal Revenue Code for the taxable year in which the credit was
13 claimed against the taxpayer's federal income tax liability. The credit under this section
14 must be allowed against the taxes imposed by this chapter for the taxable year
15 reduced by the credits permitted by this chapter. If the amount of the credit allowed by
16 this section exceeds the taxpayer's income tax liability under this chapter, the excess
17 amount must be refunded to the taxpayer.
- 18 2. For a part-time resident taxpayer, the credit under this section must be allowed against
19 the taxes determined under this chapter. However, the credit must be multiplied by a
20 fraction, the numerator of which is federal adjusted gross income for the period of
21 residence and the denominator of which is federal adjusted gross income for the
22 taxable year.

1 3. On an annual basis, the tax commissioner shall alert those resident taxpayers who
2 may be eligible to receive the credit provided under this section as to the taxpayer's
3 potential eligibility. In making the determination of whether a taxpayer may be eligible
4 for the credit, the tax commissioner shall use data as may be appropriate and
5 available, including data available from the United States department of the treasury,
6 the internal revenue service, and state income tax returns. The tax commissioner shall
7 include in the notification to potentially eligible taxpayers an application the eligible
8 taxpayer may use to determine eligibility and apply for the earned income credit under
9 this section. The tax commissioner may require the eligible taxpayer to file a state
10 income tax return to qualify for the earned income credit.

11 4. On an annual basis, the tax commissioner shall provide to the department of human
12 services information regarding the expenditures from the state general fund for the
13 refundable portion of the credit under this section. The department of human services
14 may apply the determined expenditures from the state general fund under this section
15 to count as temporary assistance for needy families block grant maintenance of effort
16 requirement to the extent permitted by federal law.

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

19 Earned income credit under section 1 of this Act.

20 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
21 December 31, 2020.