

HOUSE BILL NO. 1492

Introduced by

Representatives Dorso, Clark, B. Thoreson

Senators Grindberg, G. Nelson

1 A BILL for an Act to provide for renaissance zones in cities and to provide tax exemptions and
2 credits for investments in renaissance zones; and to provide an effective date.

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

4 **SECTION 1. Definitions.** As used in this Act:

- 5 1. "Boundary" means the boundary established by vote of the city governing body
6 and approved by the office of intergovernmental assistance.
- 7 2. "Development plan" means a written plan that addresses the criteria in
8 subsection 1 of section 3 of this Act and includes the following:
- 9 a. A map of the proposed renaissance zone which indicates the geographic
10 boundaries, the total area, and the present use and conditions of the land and
11 structures within those boundaries.
- 12 b. A description of the existing physical assets, in particular natural or historical
13 assets, of the zone and a plan for the incorporation and enhancement of the
14 assets within the proposed development.
- 15 c. An outline of goals and objectives and proposed outcomes, including major
16 milestones or benchmarks, by which to gauge success resulting from the
17 designation of the zone.
- 18 d. A description of proposed projects including public and private investments,
19 and the programming and planned events to support and enhance the
20 projected investments.
- 21 e. A description of the promotion, development, and management strategies to
22 maximize investment in the zone.

- 1 f. A plan for the promotion and use of the renaissance fund corporation,
2 including commitments by one or more investors to the corporation, if such
3 use is intended.
- 4 g. Evidence of community support and commitment from residential and
5 business interests.
- 6 3. "Investor" means the individual, partnership, limited partnership, limited liability
7 company, trust, or corporation making an investment in a renaissance fund
8 corporation.
- 9 4. "Local zone authority" means the city or the entity designated by the city to
10 promote, develop, and manage the zone and may include any nonprofit
11 incorporated entity such as an economic development corporation, community
12 development corporation, main street organization, or chamber of commerce.
- 13 5. "Original principal amount" means the funds invested in a renaissance fund
14 corporation after designation of the renaissance zone and before the sunset of that
15 zone.
- 16 6. "Primary place of residence" means the place of residence of the taxpayer or
17 taxpayers, if filing jointly, in which the taxpayers reside for a minimum of six months
18 and one day of each calendar year within which the exemption is filed.
- 19 7. "Zone" means a renaissance zone proposed by a city and designated by the office
20 of intergovernmental assistance.
- 21 8. "Zone project" means any project contained within a designated renaissance zone
22 and approved for zone incentives by a majority vote of the city governing body or
23 zone authority.

24 **SECTION 2. Eligibility - Local zone authority designation.** Any incorporated city
25 may apply to designate a portion of the city as a renaissance zone, and any individual,
26 partnership, limited partnership, limited liability company, trust, or corporation with tax liability in
27 the state may apply for a tax credit or exemption under this Act. The governing body of a city
28 may designate a local zone authority to implement a development plan on behalf of the city.

29 **SECTION 3. Renaissance zones.**

- 30 1. A city may apply to the office of intergovernmental assistance to designate a
31 portion of that city as a renaissance zone if the following criteria are met:

- 1 a. The geographic area proposed for the renaissance zone is located wholly
- 2 within the boundaries of the city submitting the application.
- 3 b. The application includes a development plan.
- 4 c. The proposed renaissance zone is not less than four square blocks nor more
- 5 than twenty square blocks.
- 6 d. The proposed renaissance zone has a continuous boundary and all blocks
- 7 are contiguous.
- 8 e. The proposed land usage includes both commercial and residential property.
- 9 f. The application includes the proposed duration of renaissance zone status,
- 10 not to exceed fifteen years.
- 11 2. The office of intergovernmental assistance shall:
- 12 a. Review all applications for renaissance zone designation against the criteria
- 13 established in this section and designate zones.
- 14 b. Approve or reject the duration of renaissance zone status as submitted in an
- 15 application.
- 16 c. Approve or reject the geographic boundaries and total area of the renaissance
- 17 zone as submitted in an application.
- 18 d. Promote the renaissance zone program.
- 19 e. Monitor the progress of the designated renaissance zones against submitted
- 20 plans in an annual plan review.
- 21 f. Report on renaissance zone progress to the governor and the legislative
- 22 council on an annual basis until all designated zones expire.
- 23 3. The office of intergovernmental assistance shall consider the following criteria in
- 24 designating a renaissance zone:
- 25 a. The viability of the development plan.
- 26 b. The incorporation and enhancement of unique natural and historic features
- 27 into the development plan.
- 28 c. Whether the development plan is creative and innovative in comparison to
- 29 other applications.

- 1 d. Public and private commitment to and other resources available for the
2 proposed renaissance zone, including the provisions for a renaissance fund
3 corporation.
- 4 e. How renaissance zone designation would relate to a broader plan for the
5 community as a whole.
- 6 f. How the local regulatory burden, in particular that burden associated with the
7 renovation of historic properties and that burden associated with mixed use
8 development, will be eased for developers and investors in the renaissance
9 zone.
- 10 g. The strategies for the promotion, development, and management of the zone,
11 including the use of a local zone authority if designated.
- 12 h. Any other information required by the office.
- 13 4. The office of intergovernmental assistance may not designate a portion of a city as
14 a renaissance zone unless, as a part of the application, the city provides a
15 resolution from the governing body of the city that states if the renaissance zone
16 designation is granted, persons and property within the renaissance zone are
17 exempt from taxes levied by that city as provided in this Act.
- 18 5. A city may not propose or be part of more than one renaissance zone.

19 **SECTION 4. Income tax exemptions - Confidentiality of records - Required**
20 **contributions.**

- 21 1 An individual who purchases property for the individual's primary place of
22 residence as part of a zone project is exempt from personal income tax for five
23 taxable years beginning in the year of the investment.
- 24 2. A business that purchases or leases property for any business purpose as part of a
25 zone project is exempt from income tax for five taxable years beginning in the year
26 of the investment or lease for income derived from the business locations within
27 the zone.
- 28 3. An individual, partnership, limited partnership, limited liability company, trust, or
29 corporation that purchases residential or commercial property as an investment as
30 part of a zone project is exempt from any income tax for five taxable years resulting
31 from income earned from that investment.

- 1 4. The office of intergovernmental assistance, in cooperation with the state board of
2 equalization, shall administer this section and issue forms sufficient to monitor the
3 use of the exemptions. The forms, upon submission by the taxpayer, are
4 confidential and may be used only by the office of intergovernmental assistance,
5 the city or local zone authority, if designated, and the state board of equalization.
6 5. If required by the city's development plan, a taxpayer receiving an exemption under
7 this section shall contribute up to twenty percent of the value of that exemption to
8 the local zone authority.

9 **SECTION 5. Property tax exemptions - Confidentiality of records - Required**
10 **contributions.**

- 11 1. An individual who purchases property for the individual's primary place of
12 residence as part of a zone project is exempt from the ad valorem taxes on that
13 property for five taxable years beginning in the year of the investment.
14 2. A business that purchases property for any business purpose, excluding
15 investment, as part of a zone project is exempt from ad valorem taxes on that
16 property for five taxable years beginning in the year of the investment.
17 3. An individual, partnership, limited partnership, limited liability company, trust, or
18 corporation that purchases residential or commercial property as an investment in
19 a zone project is exempt from ad valorem taxes on that property resulting from that
20 investment for five taxable years beginning in the year of the investment.
21 4. The office of intergovernmental assistance, in cooperation with the state board of
22 equalization, shall administer this section and issue forms sufficient to monitor the
23 use of the exemptions. The forms, upon submission by the taxpayer, are
24 confidential and may be used only by the office of intergovernmental assistance,
25 the city or local zone authority, if designated, and the state board of equalization.
26 5. If required by the city's development plan, a taxpayer receiving an exemption under
27 this section shall contribute up to twenty percent of the value of that exemption to
28 the local zone authority.

29 **SECTION 6. Historic preservation and renovation tax credit - Confidentiality of**
30 **records - Required contributions.**

- 1 1. An individual, partnership, limited partnership, limited liability company, trust, or
2 corporation investing in the historic preservation or renovation of property within
3 the renaissance zone is eligible for a tax credit equal to fifty percent of that
4 investment if the investment is made between January 1, 2000, and December 31,
5 2004. The credit may be taken against any tax liability of the state except taxes on
6 real or personal property. The credit has no carry-back provisions but may be
7 carried forward to any succeeding tax year in which the taxpayer has tax liability.
- 8 2. The office of intergovernmental assistance, in cooperation with the state board of
9 equalization, shall administer this section and issue forms sufficient to monitor the
10 use of the credit. The forms, upon submission by the taxpayer, are confidential
11 and may be used only by the office of intergovernmental assistance, the city or
12 local zone authority, if designated, and the state board of equalization.
- 13 3. If required by the city's development plan, a taxpayer receiving a credit under this
14 section shall contribute up to twenty percent of the value of the historic
15 preservation and renovation credit to the local zone authority.

SECTION 7. Renaissance fund corporation - Exemption from taxation -

Confidentiality of records - Required contributions.

- 18 1 Each city with a designated renaissance zone may establish a renaissance fund
19 corporation, if the provisions for such a corporation are clearly established in the
20 development plan and approved with the plan. The renaissance fund corporation
21 may be a for-profit subsidiary of the local authority if one is designated.
- 22 2. The purpose of a renaissance fund corporation is solely to raise funds to be used
23 to make investments in zone projects, and to provide financing to enterprise zone
24 projects in a manner that will encourage capital investment in downtowns and
25 central portions of cities, encourage the establishment or expansion of commercial
26 businesses in downtowns and central portions of cities, and encourage the
27 purchase of homes and encourage residency in the downtowns and central
28 portions of cities.
- 29 3. A renaissance fund corporation may provide financing to zone projects, including
30 projects undertaken by individuals, partnerships, limited partnerships, limited
31 liability companies, trusts, corporations, nonprofit organizations, and public entities.

- 1 The financing may include any combination of equity investments, loans,
2 guarantees, and commitments for financing. The amount of financing is not limited
3 by this Act.
- 4 4. A renaissance fund corporation is exempt from all state tax levies. However, a
5 renaissance fund corporation is not exempt from employment taxes or taxes
6 imposed by a county or by a city.
- 7 5. An investment made in a renaissance fund corporation is eligible for a fifty percent
8 tax credit. The credit may be taken against any tax liability of the state except
9 taxes on real or personal property. The credit has no carry-back provisions but
10 may be carried forward to any succeeding tax year in which the taxpayer has tax
11 liability.
- 12 6. The total amount of credits allowed under this section may not exceed, in the
13 aggregate, twenty-five million dollars for all taxpayers in all taxable years.
- 14 7. Income to a renaissance fund corporation derived from the sale or refinancing of
15 zone properties financed wholly or in part by the corporation may be dispersed as
16 annual dividends equal to the income, minus ten percent, derived from all sources
17 and proportional to the investment. In the event of a loss to the fund resulting in a
18 temporary diminishment of the fund below the original principal amount, no annual
19 dividend may be paid until the fund is restored.
- 20 8. Income to a renaissance fund corporation derived from interest or the temporary
21 investment of its funds in certificates of deposit, bonds, treasury bills, or securities
22 may be used for administration.
- 23 9. If an investment in a renaissance fund corporation which is the basis for a credit
24 under this section is redeemed by the investor within ten years of the date it is
25 purchased, the credit provided by this section for the investment must be
26 disallowed, and any credit previously claimed and allowed with respect to the
27 investment must be paid to the tax commissioner with the appropriate return of the
28 taxpayer covering the period in which the redemption occurred. When payments
29 are made to the tax commissioner under this section, the amount collected must be
30 handled in the same manner as if no credit had been allowed.

- 1 10. A renaissance fund corporation may invest in any housing, commercial, or
2 infrastructure project in a zone project.
- 3 11. Each petition for investment must include a plan for sale or refinancing that results
4 in proceeds equal to or in excess of the proportional investment made by the
5 renaissance fund corporation.
- 6 12. The office of intergovernmental assistance, in cooperation with the state board of
7 equalization, shall administer this section and issue forms sufficient to monitor the
8 use of the credit. The forms, upon submission by the taxpayer, are confidential
9 and may be used only by the office of intergovernmental assistance, the city or
10 local zone authority, if designated, and the state board of equalization.
- 11 13. If required by the city's development plan, a taxpayer receiving a credit under this
12 section shall contribute up to twenty percent of the value of the credit to the local
13 zone authority.

14 **SECTION 8. Contributions - Use.** A local zone authority shall use contributions
15 received under sections 4, 5, 6, and 7 of this Act for the support of the renaissance zone,
16 including promotion, development, and management of the zone.

17 **SECTION 9. Income tax secrecy exception.** The secrecy provisions of section
18 57-38-57 do no apply to credits received by taxpayers under this chapter, but only when a local
19 zone authority inquires of the tax commissioner about credits claimed under this chapter with
20 regard to that local zone authority.

21 **SECTION 10. EFFECTIVE DATE.** This Act is effective for taxable years beginning
22 after December 31, 1998, and does not apply to any investments or activities that occurred
23 before January 1, 1999.