

HOUSE BILL NO. 1413

Introduced by

Representatives Poolman, Clark, Nicholas

Senators Grindberg, Krebsbach, St. Aubyn

1 A BILL for an Act to create and enact a new subsection to section 57-38-30.3 of the North
2 Dakota Century Code, relating to allowing the seed capital investment tax credit on the
3 short-form income tax return; and to amend and reenact section 57-38.5-03 of the North Dakota
4 Century Code, relating to allowing the seed capital investment tax credit on the short-form
5 income tax return; and to provide an effective date.

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

7 **SECTION 1.** A new subsection to section 57-38-30.3 of the 1997 Supplement to the
8 North Dakota Century Code is created and enacted as follows:

9 A taxpayer filing a return under this section is entitled to the credit provided under
10 section 57-38.5-03.

11 **SECTION 2. AMENDMENT.** Section 57-38.5-03 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **57-38.5-03. Seed capital investment tax credit.** If a taxpayer makes a qualified
14 investment in a qualified business, the taxpayer is entitled to a credit against state income tax
15 liability under ~~section~~ sections 57-38-29 or 57-38-30.3. The amount of the credit to which a
16 taxpayer is entitled is thirty percent of the amount invested by the taxpayer in qualified
17 businesses during the taxable year, subject to the following:

- 18 1. The aggregate annual investment for which a taxpayer may obtain a tax credit
19 under this section is not less than five thousand dollars and not more than fifty
20 thousand dollars. This subsection may not be interpreted to limit additional
21 investment by a taxpayer for which that taxpayer is not applying for a credit.
- 22 2. In any taxable year, a taxpayer may claim no more than fifty percent of the credit
23 under this section which is attributable to investments in a single taxable year. The
24 amount of the credit allowed under this section for any taxable year may not

- 1 exceed fifty percent of the taxpayer's tax liability as otherwise determined under
2 this chapter.
- 3 3. Any amount of credit under this section not allowed because of the limitations in
4 this section may be carried forward for up to fifteen taxable years after the taxable
5 year in which the investment was made.
- 6 4. A partnership that invests in a qualified business must be considered to be the
7 taxpayer for purposes of the investment limitations in this section and the amount
8 of the credit allowed with respect to a partnership's investment in a qualified
9 business must be determined at the partnership level. The amount of the total
10 credit determined at the partnership level must be allowed to the partners, limited
11 to individuals, estates, and trusts, in proportion to their respective interests in the
12 partnership.
- 13 5. The investment must be at risk in the business. An investment for which a credit is
14 received under this section must remain in the business for at least three years.
- 15 6. Tax credits for investments in one qualified business may not exceed the least of
16 the following amounts:
- 17 a. Thirty percent of the total amount of investments in the qualified business
18 during the taxable year.
- 19 b. Gross receipts from out-of-state sales of the business during the taxable year.
- 20 c. Two hundred fifty thousand dollars.
- 21 7. The entire amount of an investment for which a credit is claimed under this section
22 must be expended by the qualified business for plant, equipment, research and
23 development, marketing and sales activity, or working capital for the qualified
24 business.
- 25 8. A taxpayer who owns a controlling interest in the qualified business or whose
26 full-time professional activity is the operation of the business is not entitled to a
27 credit under this section. A member of the immediate family of a taxpayer
28 disqualified by this subsection is not entitled to the credit under this section. For
29 purposes of this subsection, "immediate family" means the taxpayer's spouse,
30 parent, sibling, or child or the spouse of any such person.

1 9. The tax commissioner may disallow any credit otherwise allowed under this section
2 if any representation by a business in the application for certification as a qualified
3 business proves to be false or if the taxpayer or qualified business fails to satisfy
4 any conditions under this section or any conditions consistent with this section
5 otherwise determined by the tax commissioner. The amount of any credit
6 disallowed by the tax commissioner that reduced the taxpayer's income tax liability
7 for any or all applicable tax years, plus penalty and interest as provided under
8 section 57-38-45, must be paid by the taxpayer.

9 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
10 December 31, 1998.