

**FIRST ENGROSSMENT
with House Amendments**

Fifty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2278

Introduced by

Senators D. Mathern, Flakoll, T. Mathern

Representatives Delmore, Hawken, S. Kelsh

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subsection to
2 section 57-38-30.3 of the North Dakota Century Code, relating to a credit against corporate,
3 individual, estate, and trust income taxes for the payment of a retention bonus to recent
4 graduates in targeted jobs; and to provide an effective 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
7 created and enacted as follows:

8 **Employers of recent graduates tax credit.** A taxpayer is entitled to a credit against
9 tax liability as determined under section 57-38-29, 57-38-30, or 57-38-30.3 for the payment of a
10 retention bonus during the taxable year to each recent graduate employed by the taxpayer in a
11 targeted job. The credit is equal to fifty percent of the retention bonus paid to each recent
12 graduate during the taxable year and may not exceed two thousand five hundred dollars per
13 year. The credit is available for each of the first four full taxable years of the recent graduate's
14 employment in a targeted job. For purposes of this section:

- 15 1. "Recent graduate" means a person initially employed in a targeted job by the
16 taxpayer within nine months of the person's graduation from an institution of higher
17 education in this state or, for a resident or former resident of this state, from an
18 institution of higher education outside this state.
- 19 2. "Retention bonus" means an amount paid by the taxpayer for the purpose of
20 keeping and retaining the employee in the targeted job for a minimum of twelve
21 months from the date of payment, and is not to be considered part of the salary to
22 be paid to the employee under subsection 3.
- 23 3. "Targeted job" means a job with a wage paid by the employer of thirty-five
24 thousand dollars or more per year which is in an occupation designated by job

1 service North Dakota as a labor shortage occupation for the taxable year the
2 person is employed. Job service North Dakota shall conduct studies on an annual
3 basis incorporating information gathered from employers, local development
4 corporations and economic development organizations, and other sources to
5 determine current and projected labor shortages in the primary sector for
6 occupations that could qualify for the credit under this section.

7 4. A partnership, limited partnership, subchapter S corporation, limited liability
8 company or any other passthrough entity that employs a recent graduate in a
9 targeted job must be considered to be the taxpayer for purposes of the credit
10 limitations in this section. The amount of the credit allowed with respect to the
11 entity's payment of a retention bonus must be determined at the passthrough entity
12 level. The amount of the total credit determined at the passthrough entity level
13 must be allowed to the partners or shareholders in proportion to their respective
14 interests in the passthrough entity.

15 5. If a recent graduate is not employed for the full twelve months following the date
16 the retention bonus was paid, the credit is disallowed for the taxable year in which
17 the credit was claimed by the taxpayer. If this subsection applies, the taxpayer
18 must file an amended return within ninety days after the date the recent graduate's
19 employment ends to report the disallowed credit and pay the resulting tax due.
20 Notwithstanding the time periods for assessment in section 57-38-38, if a taxpayer
21 fails to file the amended return and pay the tax due, the tax commissioner may
22 assess the tax due resulting from the credit disallowance.

23 Upon application by an employer, job service North Dakota shall provide the employer with a
24 certificate of the number of targeted jobs of the employer under this section for the taxable
25 year. To claim a credit under this section, a taxpayer shall attach to the taxpayer's return the
26 certificate provided by job service North Dakota under this section. Credits allowed under this
27 section may not exceed the taxpayer's tax liability under this chapter.

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

30 A taxpayer filing a return under this section is entitled to the credit provided under
31 section 1 of this Act.

1 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
2 December 31, 2000.