

HOUSE BILL NO. 1339

Introduced by

Representatives Owens, D. Anderson, Damschen, Dockter, Haak, Hatlestad, Trottier

Senator Oehlke

1 A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-03.3 of
2 the North Dakota Century Code, relating to an income tax exclusion for municipal, state, and
3 federal retirement pension payments and social security benefits; to amend and reenact
4 subsection 5 of section 57-02-08.1 and section 57-38-01.28 of the North Dakota Century Code,
5 relating to a homestead credit exclusion and an income tax exclusion for municipal, state, and
6 federal retirement pension payments and social security benefits; and to provide an effective
7 date.

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

9 **SECTION 1. AMENDMENT.** Subsection 5 of section 57-02-08.1 of the North Dakota
10 Century Code is amended and reenacted as follows:

- 11 5. For the purposes of this section:
- 12 a. "Dependent" has the same meaning it has for federal income tax purposes.
 - 13 b. "Homestead" has the same meaning as provided in section 47-18-01.
 - 14 c. "Income" means income for the most recent complete taxable year from all
15 sources, including the income of any dependent of the applicant, and including
16 any county, state, or federal public assistance benefits, ~~social security, or other~~
17 and retirement benefits, but excluding any federal rent subsidy, any amount
18 excluded from income by federal or state law, and medical expenses paid during
19 the year by the applicant or the applicant's dependent which is not compensated
20 by insurance or other means.
 - 21 d. "Medical expenses" has the same meaning as it has for state income tax
22 purposes, except that for transportation for medical care the person may use the
23 standard mileage rate allowed for state officer and employee use of a motor
24 vehicle under section 54-06-09.

- 1 e. "Permanently and totally disabled" means the inability to engage in any
2 substantial gainful activity by reason of any medically determinable physical or
3 mental impairment which can be expected to result in death or has lasted or can
4 be expected to last for a continuous period of not less than twelve months as
5 established by a certificate from a licensed physician or a written determination of
6 disability from the social security administration or any federal or state agency
7 that has authority to certify an individual's disability.

8 **SECTION 2. AMENDMENT.** Section 57-38-01.28 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **57-38-01.28. Marriage penalty credit.**

- 11 1. A married couple filing a joint return under section 57-38-30.3 is allowed a credit of not
12 to exceed three hundred dollars per couple as determined under this section. The tax
13 commissioner shall adjust the maximum amount of the credit under this subsection
14 each taxable year at the time and rate adjustments are made to rate schedules under
15 subdivision g of subsection 1 of section 57-38-30.3.
- 16 2. The credit under this section is the difference between the tax on the couple's joint
17 North Dakota taxable income under the rates and income levels in subdivision b of
18 subsection 1 of section 57-38-30.3 and the sum of the tax under the rates and income
19 levels of subdivision a of subsection 1 of section 57-38-30.3 on the qualified income of
20 the lesser-earning spouse, and the tax under the rates and income levels of
21 subdivision a of subsection 1 of section 57-38-30.3 on the couple's joint North Dakota
22 taxable income, minus the qualified income of the lesser-earning spouse.
- 23 3. For a nonresident or part-year resident, the credit under this section must be adjusted
24 based on the percentage calculated under subdivision f of subsection 1 of section
25 57-38-30.3.
- 26 4. For purposes of this section:
- 27 a. "Qualifying income" means the sum of the following, to the extent included in
28 North Dakota taxable income:
- 29 (1) Earned income as defined in section 32(c)(2) of the Internal Revenue Code;
30 and

1 (2) Income received from a retirement pension other than a municipal, state, or
2 federal retirement pension, profit-sharing, stock bonus, or annuity plan; and

3 (3) ~~Social security benefits as defined in section 86(d)(1) of the Internal-~~
4 ~~Revenue Code.~~

5 b. "Qualifying income of the lesser-earning spouse" means the qualifying income of
6 the spouse with the lesser amount of qualifying income for the taxable year
7 minus the sum of:

8 (1) The amount for one exemption under section 151(d) of the Internal Revenue
9 Code; and

10 (2) One-half of the amount of the standard deduction under section 63(c)(2)(A)
11 (4) of the Internal Revenue Code.

12 **SECTION 3.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota
13 Century Code is created and enacted as follows:

14 Reduced by the amount of income from municipal, state, or federal retirement
15 pensions and the amount of social security benefits included in a taxpayer's
16 gross income for federal income tax purposes under section 86(d)(1) of the
17 Internal Revenue Code.

18 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
19 December 31, 2014.