

Introduced by

Representative Headland

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to amend and reenact section 57-38-30, subsection 1 of section 57-38-30.3,
2 and section 57-51.1-02 of the North Dakota Century Code, relating to a corporate and individual
3 income tax rate reduction and the oil extraction tax rate; to provide an effective date; and to
4 provide an expiration date.

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

6 **SECTION 1. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-38-30. Imposition and rate of tax on corporations.**

9 A tax is hereby imposed upon the taxable income of every domestic and foreign corporation
10 which must be levied, collected, and paid annually as in this chapter provided:

- 11 1. For the first twenty-five thousand dollars of taxable income, at the rate of one and
12 ~~forty-one hundredths~~two-tenths percent.
- 13 2. On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty
14 thousand dollars, at the rate of three and ~~fifty-five hundredths~~two-hundredths percent.
- 15 3. On all taxable income exceeding fifty thousand dollars, at the rate of ~~four and~~
16 ~~thirty-one~~three and sixty-six hundredths percent.

17 **SECTION 2. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota
18 Century Code is amended and reenacted as follows:

- 19 1. A tax is hereby imposed for each taxable year upon income earned or received in that
20 taxable year by every resident and nonresident individual, estate, and trust. A taxpayer
21 computing the tax under this section is only eligible for those adjustments or credits
22 that are specifically provided for in this section. Provided, that for purposes of this
23 section, any person required to file a state income tax return under this chapter, but
24 who has not computed a federal taxable income figure, shall compute a federal

1 taxable income figure using a pro forma return in order to determine a federal taxable
2 income figure to be used as a starting point in computing state income tax under this
3 section. The tax for individuals is equal to North Dakota taxable income multiplied by
4 the rates in the applicable rate schedule in subdivisions a through d corresponding to
5 an individual's filing status used for federal income tax purposes. For an estate or
6 trust, the schedule in subdivision e must be used for purposes of this subsection.

7 a. Single, other than head of household or surviving spouse.

8 If North Dakota taxable income is:

9	Over	Not over	The tax is equal to	Of amount over
10	\$0	\$37,450	1.10%	\$0
11	\$37,450	\$90,750	\$411.95 + 2.04%	\$37,450
12	\$90,750	\$189,300	\$1,499.27 + 2.27%	\$90,750
13	\$189,300	\$411,500	\$3,736.36 + 2.64%	\$189,300
14	\$411,500		\$9,602.44 + 2.90%	\$411,500
15	<u>\$0</u>	<u>\$40,525</u>	.94%	<u>\$0</u>
16	<u>\$40,525</u>	<u>\$98,100</u>	<u>\$378.91 + 1.73%</u>	<u>\$40,525</u>
17	<u>\$98,100</u>	<u>\$204,675</u>	<u>\$1,377.26 + 1.93%</u>	<u>\$98,100</u>
18	<u>\$204,675</u>	<u>\$445,000</u>	<u>\$3,433.62 + 2.24%</u>	<u>\$204,675</u>
19	<u>\$445,000</u>		<u>\$8,826.51 + 2.47%</u>	<u>\$445,000</u>

20 b. Married filing jointly and surviving spouse.

21 If North Dakota taxable income is:

22	Over	Not over	The tax is equal to	Of amount over
23	\$0	\$62,600	1.10%	\$0
24	\$62,600	\$151,200	\$688.60 + 2.04%	\$62,600
25	\$151,200	\$230,450	\$2,496.04 + 2.27%	\$151,200
26	\$230,450	\$411,500	\$4,295.02 + 2.64%	\$230,450
27	\$411,500		\$9,074.74 + 2.90%	\$411,500
28	<u>\$0</u>	<u>\$67,700</u>	.94%	<u>\$0</u>
29	<u>\$67,700</u>	<u>\$163,550</u>	<u>\$633.00 + 1.73%</u>	<u>\$67,700</u>
30	<u>\$163,550</u>	<u>\$249,150</u>	<u>\$2,295.04 + 1.93%</u>	<u>\$163,550</u>

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1	<u>\$249,150</u>	<u>\$445,000</u>	<u>\$3,946.69 + 2.24%</u>	<u>\$249,150</u>
2	<u>\$445,000</u>		<u>\$8,341.56 + 2.47%</u>	<u>\$445,000</u>
3	c. Married filing separately.			
4	If North Dakota taxable income is:			
5	Over	Not over	The tax is equal to	Of amount over
6	\$0	<u>\$31,300</u>	1.10%	\$0
7	<u>\$31,300</u>	<u>\$75,600</u>	<u>\$344.30 + 2.04%</u>	<u>\$31,300</u>
8	<u>\$75,600</u>	<u>\$115,225</u>	<u>\$1,248.02 + 2.27%</u>	<u>\$75,600</u>
9	<u>\$115,225</u>	<u>\$205,750</u>	<u>\$2,147.51 + 2.64%</u>	<u>\$115,225</u>
10	<u>\$205,750</u>		<u>\$4,537.37 + 2.90%</u>	<u>\$205,750</u>
11	<u>\$0</u>	<u>\$33,850</u>	.94%	<u>\$0</u>
12	<u>\$33,850</u>	<u>\$81,775</u>	<u>\$316.50 + 1.73%</u>	<u>\$33,850</u>
13	<u>\$81,775</u>	<u>\$124,575</u>	<u>\$1,147.52 + 1.93%</u>	<u>\$81,775</u>
14	<u>\$124,575</u>	<u>\$222,500</u>	<u>\$1,973.35 + 2.24%</u>	<u>\$124,575</u>
15	<u>\$222,500</u>		<u>\$4,170.79 + 2.47%</u>	<u>\$222,500</u>
16	d. Head of household.			
17	If North Dakota taxable income is:			
18	Over	Not over	The tax is equal to	Of amount over
19	\$0	<u>\$50,200</u>	1.10%	\$0
20	<u>\$50,200</u>	<u>\$129,600</u>	<u>\$552.20 + 2.04%</u>	<u>\$50,200</u>
21	<u>\$129,600</u>	<u>\$209,850</u>	<u>\$2,171.96 + 2.27%</u>	<u>\$129,600</u>
22	<u>\$209,850</u>	<u>\$411,500</u>	<u>\$3,993.64 + 2.64%</u>	<u>\$209,850</u>
23	<u>\$411,500</u>		<u>\$9,317.20 + 2.90%</u>	<u>\$411,500</u>
24	<u>\$0</u>	<u>\$54,300</u>	.94%	<u>\$0</u>
25	<u>\$54,300</u>	<u>\$140,200</u>	<u>\$507.71 + 1.73%</u>	<u>\$54,300</u>
26	<u>\$140,200</u>	<u>\$226,950</u>	<u>\$1,997.22 + 1.93%</u>	<u>\$140,200</u>
27	<u>\$226,950</u>	<u>\$445,000</u>	<u>\$3,671.06 + 2.24%</u>	<u>\$226,950</u>
28	<u>\$445,000</u>		<u>\$8,564.10 + 2.47%</u>	<u>\$445,000</u>
29	e. Estates and trusts.			
30	If North Dakota taxable income is:			

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	Over	Not over	The tax is equal to	Of amount over
1				
2	\$0	\$2,500	1.10%	\$0
3	\$2,500	\$5,900	\$27.50 + 2.04%	\$2,500
4	\$5,900	\$9,050	\$96.86 + 2.27%	\$5,900
5	\$9,050	\$12,300	\$168.37 + 2.64%	\$9,050
6	\$12,300		\$254.17 + 2.90%	\$12,300
7	<u>\$0</u>	<u>\$2,750</u>	<u>.94%</u>	<u>\$0</u>
8	<u>\$2,750</u>	<u>\$6,350</u>	<u>\$25.71 + 1.73%</u>	<u>\$2,750</u>
9	<u>\$6,350</u>	<u>\$9,750</u>	<u>\$88.13 + 1.93%</u>	<u>\$6,350</u>
10	<u>\$9,750</u>	<u>\$13,300</u>	<u>\$153.73 + 2.24%</u>	<u>\$9,750</u>
11	<u>\$13,300</u>		<u>\$233.39 + 2.47%</u>	<u>\$13,300</u>

- f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:
- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
 - (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

- g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be

1 the same as that used for adjusting the income brackets for federal income tax
2 purposes.

3 h. The tax commissioner shall prescribe an optional simplified method of computing
4 tax under this section that may be used by an individual taxpayer who is not
5 entitled to claim an adjustment under subsection 2 or credit against income tax
6 liability under subsection 7.

7 **SECTION 3. AMENDMENT.** Section 57-51.1-02 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **57-51.1-02. Imposition of oil extraction tax.**

10 There is hereby imposed an excise tax, to be known as the "oil extraction tax", upon the
11 activity in this state of extracting oil from the earth, and every owner, including any royalty
12 owner, of any part of the oil extracted is deemed for the purposes of this chapter to be engaged
13 in the activity of extracting that oil.

14 The rate of tax is five percent of the gross value at the well of the oil extracted. However, if
15 the average price of a barrel of crude oil exceeds the trigger price of ninety dollars for each
16 month in any consecutive three-month period, then the rate of tax on oil extracted from all
17 taxable wells is six percent of the gross value at the well of the oil extracted until the average
18 price of a barrel of crude oil is less than the trigger price of ninety dollars for each month in any
19 consecutive three-month period, in which case the rate of tax reverts to five percent of the gross
20 value at the well of the oil extracted. By December thirty-first of each year, the tax commissioner
21 shall determine an indexed trigger price under this section by applying to the current trigger
22 price an adjustment equal to the percentage rate of change of the producer price index for
23 industrial commodities as calculated and published by the United States department of labor,
24 bureau of labor statistics, for the twelve months ending June thirtieth of that year and the
25 indexed trigger price so determined is the trigger price for the following calendar year.

26 For purposes of this section, "average price" of a barrel of crude oil means the monthly
27 average of the daily closing price for a barrel of west Texas intermediate cushing crude oil, as
28 those prices appear in the Wall Street Journal, midwest edition. When computing the monthly
29 average price, the most recent previous daily closing price must be considered the daily closing
30 price for the days on which the market is closed.

1 **SECTION 4. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable years
2 beginning after December 31, 2020. Section 3 of this Act is effective for taxable production
3 beginning after December 31, 2021.

4 **SECTION 5. EXPIRATION DATE.** Sections 1 and 2 of this Act are effective for the first two
5 taxable years beginning after December 31, 2020, and are thereafter ineffective.