



ECONOMIC DEVELOPMENT TAX INCENTIVE STUDY - REPORTING REQUIREMENTS

The following chart provides a summary of the statutory reporting requirements for each of the economic development tax incentives selected for study during the 2021-22 interim.

Economic Development Tax Incentive	Statutory Reporting Requirements
1. Manufacturing and recycling equipment sales tax exemption	No specific reporting requirements are provided in North Dakota Century Code Section 57-39.2-04.3.
2. Manufacturing automation equipment credit	<p>The Department of Commerce shall provide the Tax Commissioner the following information related to each taxpayer approved as qualifying for the credit:</p> <ul style="list-style-type: none"> • Name; • Address; • Federal identification number or Social Security number; and • A list of any items approved as qualified expenditures. <p>The taxpayer making the purchase shall provide the Tax Commissioner with the following information with the taxpayer's tax return:</p> <ul style="list-style-type: none"> • Name; • Address; • Federal identification number or Social Security number; • A list of each item of machinery or equipment purchased for purposes of automation; • A description of the equipment or system being upgraded or advanced; • An explanation of how the upgrade or advancement will improve job quality or increase productivity; • The amount paid for each item; and • The date on which payment for the item was made. <p>Within 1 year after claiming the tax credit, a taxpayer shall file a report documenting the following:</p> <ul style="list-style-type: none"> • "Improved job quality," which is defined as a 5 percent increase in average wages or a 5 percent improvement in workplace safety as documented through participation in Workforce Safety and Insurance safety incentive programs; or • "Increased productivity," which is defined as no less than a 5 percent increase in output or a 5 percent increase in the number of units produced per automated line per time period. <p>A taxpayer also shall submit any other information the Tax Commissioner determines is necessary.</p>

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3. Soybean or canola crushing facility construction or retrofit credit	No specific reporting requirements are provided in Section 57-38-30.6.
4. Agricultural commodity processing facility investment credit	<p>Within 30 days after the date on which an investment in a qualified business is purchased, the qualified business shall file with the investor, the Tax Commissioner, and the Director of the Department of Commerce's Division of Economic Development and Finance the following:</p> <ul style="list-style-type: none"> • The name, address, and Social Security number of the taxpayer who made the investment; • The amount remitted by the taxpayer for the investment; and • The date on which the investment was received by the qualifying business. <p>If the investment is a contribution of real property, the qualified business receiving the investment shall provide to the Tax Commissioner, within 30 days after the property transfer is recorded, copies of:</p> <ul style="list-style-type: none"> • The appraised valuation of the property; • The governing body's resolution approving the value of the contribution; and • The statement of full consideration.
5. Research expense credit	<p>If a qualifying taxpayer elects to sell, transfer, or assign certain unused research expense tax credits to another taxpayer, a transferor and transferee of the unused research expense tax credits are required to jointly file information with the Tax Department within 30 days of the parties executing a purchase agreement, including:</p> <ul style="list-style-type: none"> • A copy of the purchase agreement; • The name, address, and taxpayer identification number of both parties to the transfer; • The amount of the credit being transferred; • The gross proceeds received by the transferor; • The taxable year or years for which the credits may be claimed; and • A Form 500 to allow the Tax Department to disclose tax information to either party for purposes of verifying the correctness of the transferred credit.
6. Seed capital investment credit	<p>A qualified business is required to file the following information with the investor, the Tax Commissioner, and the Director of the Department of Commerce's Division of Economic Development and Finance:</p> <ul style="list-style-type: none"> • The name, address, and Social Security number of the taxpayer who made the investment; • The amount remitted by the taxpayer for the investment; and • The date on which the investment was received by the qualifying business.
7. New or expanding business exemptions	<p>No specific reporting requirements are provided in Chapter 40-57.1.</p> <p>Taxpayers who utilize the new or expanding business exemptions and receive qualifying incentives totaling \$25,000 or more in a given year from state or local grantors may be subject to reporting requirements under the business accountability law as provided in Chapter 54-60.1.</p> <p>Among other requirements, the business accountability law requires qualifying businesses to report information to the state or political subdivision that directly or indirectly granted the incentive to the business, including:</p> <ul style="list-style-type: none"> • The name and address of the recipient; • The type, public purpose, and value of the business incentive; • The number of new jobs to be created or retained in association with the business incentive;

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	<ul style="list-style-type: none"> • The average compensation of all jobs to be created or retained in association with the business incentive, including identification of the average benefits and the average earnings provided by the employer on all jobs created or retained in association with the business incentive; • The date the job and average compensation goals are expected to be reached; • A statement of goals identified in the business incentive agreement and an update on achievement of these goals. The update must provide the actual number of jobs created or retained and the average compensation of jobs created or retained, including identification of the average benefits actually provided and the average earnings actually provided by the employer on all jobs created or retained; • The location of the recipient prior to receiving the business incentive; • The name and address of the parent corporation of the recipient, if any; • A list of business incentives by all grantors for the project; and • Other information the department and grantor may request. <p>Following receipt of the recipient report, the grantors provide the information to the Department of Commerce, and the department, in turn, summarizes the information and provides an annual report to the Legislative Council.</p>
<p>8. New jobs credit from income tax withholding</p>	<p>Upon execution of a Job Service North Dakota agreement, Job Service North Dakota is required to notify the Tax Commissioner of the agreement and the identity of the employer. A Job Service North Dakota agreement may contain additional reporting requirements not specifically enumerated in statute.</p> <p>Job Service North Dakota also is required to provide an annual report on the new jobs training program to the Governor and the Legislative Assembly.</p>