

Schedule
ND-1TC

North Dakota Office of State Tax Commissioner
Tax Credits



2016

See separate instructions.

Attach to Form ND-1

Name(s) shown on return	Your social security number
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- 1. Family member care tax credit *(Attach Schedule ND-1FC)* (S2) 1 _____
- 2. Renaissance zone tax credit *(Attach Schedule RZ)* (S3) 2 _____
- 3. Agricultural commodity processing facility investment tax credit (NE) 3 _____
- 4. Seed capital investment tax credit (NG) 4 _____
- 5. Planned gift tax credit *(Attach Schedule ND-1PG)* (NM) 5 _____
- 6. Biodiesel or green diesel fuel blending tax credit (NN) 6 _____
- 7. Biodiesel or green diesel fuel sales equipment tax credit (NO) 7 _____
- 8. a. Employer internship program tax credit (NP) 8a _____
 - b. Number of eligible interns hired in 2016 (NO) 8b _____
 - c. Total compensation paid to eligible interns in 2016 (NR) 8c _____
- 9. a. Microbusiness tax credit (NS) 9a _____
 - b. Amount of qualifying new investment in 2016 (NT) 9b _____
 - c. Amount of qualifying new employment in 2016 (NU) 9c _____
- 10. a. Research expense tax credit (NV) 10a _____
 - b. Research expense tax credit purchased from another taxpayer in 2016 (NW) 10b _____
- 11. a. Angel fund investment tax credit (NX) 11a _____
 - b. Carryover of angel fund investment tax credit purchased from another taxpayer (OJ) 11b _____
- 12. Endowment fund tax credit from passthrough entity (NY) 12 _____
- 13. a. Workforce recruitment tax credit (OA) 13a _____
 - b. Number of eligible employees whose 12th month of employment ended in 2015 tax year (OB) 13b _____
 - c. Total compensation paid for first 12 months of employment to eligible employees included on line 13b (OC) 13c _____
- 14. Geothermal energy device tax credit *(only for devices installed on or after January 1, 2009, and before January 1, 2015):*
 - a. Date on which installation of device was completed- enter as follows: mm/dd/yyyy (OD) 14a _____
 - b. Amount of credit (OE) 14b _____
- 15. Tax credit for wages paid to a mobilized employee *(Attach Schedule ME)* (OF) 15 _____
- 16. Partnership plan long-term care insurance tax credit (OG) 16 _____
- 17. Endowment fund contribution tax credit *(Attach Schedule ND-1QEC)* (OK) 17 _____
- 18. Housing incentive fund tax credit *(Attach credit certificate from ND Housing Finance Agency)* (OL) 18 _____
- 19. Automation tax credit (OM) 19 _____
- 20. Nonprofit private primary school contribution credit from passthrough entity (ON) 20 _____
- 21. Nonprofit private high school contribution credit from passthrough entity (OO) 21 _____
- 22. Nonprofit private college contribution credit from passthrough entity (OP) 22 _____
- 23. **Total other credits.** Add lines 1 through 8a, 9a, 10a through 13a, and 14b through 22. Enter the result on Form ND-1, line 23 (NZ) 23 _____

Purpose of schedule

If you have any of the income tax credits shown on Schedule ND-1TC, you must complete and attach it to Form ND-1.

Attach supporting schedule. If the instructions do not specify an officially-prescribed schedule to be attached, you must attach your own statement showing the calculation of the credit, including any unused credit carried over from a prior year.

Specific line instructions

Line 1 - Family member care credit

A tax credit is allowed for paying qualifying expenses for the care of a disabled or elderly family member. See Schedule ND-1FC for details. **Attach Schedule ND-1FC.**

Line 2 - Renaissance zone credit

Income tax credits are allowed under the North Dakota Renaissance Zone Program for qualifying purchases, improvements, or investments made in a state-approved zone. For details, see the *Renaissance Zone Act Tax Incentives Guideline* and Schedule RZ. **Attach Schedule RZ.**

Line 3 - Ag commodity processing facility investment credit

If you made a qualified investment in a business certified for the agricultural commodity processing facility investment credit program, enter your allowable credit on this line. A qualified investment is evidenced by the Ag Commodity Processing Facility Investment Reporting Form that the certified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly to a certified business during the 2016 tax year, the credit is equal to 30% of the total amount invested. Include on this line an agricultural commodity investment tax credit from a North Dakota Schedule K-1. The unused portion of a 2016 credit may be carried over up to 10 tax years.

Unused credit carryover. Include on this line an unused credit carried over from a prior tax year. For an unused credit based on investments made in tax years 2001 through 2004—*however, see the Note below for an exception for 2004*—the amount you may use from each year is limited to the smaller of (1) the unused credit, (2) 50% of the total credit allowed on the initial investment, (3) \$3,000, or (4) 50% of the tax liability before credits on your 2016 return. Do not include on this line an unused credit based on an investment made in the 2005 or 2006 tax year. For an unused credit based on investments made in tax years 2007 through 2015, the amount you may use is subject to the annual and lifetime limits—see below.

Note for certain 2004 investments: Do not include on this line an unused credit based on an investment made in the 2004 tax year if it is attributable to the 2004 retroactive relief credit legislation passed by the 2005 North Dakota Legislature.

Annual limit. Of the total credits available, including carryovers of unused credits, that are based on investments made in tax years 2007 and after, you may use no more than \$50,000 on your 2016 return.

Lifetime credit limit. You are allowed no more than \$250,000 in total tax credits for investments made in tax years 2005 and after.

Line 4 - Seed capital investment credit

If you made a qualified investment in a business certified for the seed capital investment credit program, enter your allowable credit on this line. A qualified investment is evidenced by the Qualified Seed Capital Business Investment Reporting Form that the certified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly to a certified business during the 2016 tax year, the credit is equal to 45% of the total amount invested. Include on this line a seed capital investment tax credit from a North Dakota Schedule K-1. The unused portion of a 2016 credit may be carried over up to 4 tax years.

Unused credit carryover. Include on this line an unused credit carried over from a prior tax year. For an unused credit based on investments made in tax years 2011 through 2015, the amount you may use is subject to the annual limit—see below. Do not include on this line any unused credits based on investments made in tax years prior to 2011.

Annual limit. Of the total credits available (including unused credit carryovers from tax years 2011 through 2015), you may use no more than \$112,500 on your 2016 return.

Line 5 - Planned gift credit

A tax credit is allowed for making a charitable contribution under a qualifying planned gift arrangement to a qualified nonprofit organization or qualified endowment fund in North Dakota. See Schedule ND-1PG for details. **Attach Schedule ND-1PG.**

Line 6 - Biodiesel or green diesel fuel blending credit

A tax credit is allowed to a North Dakota licensed fuel supplier (wholesaler) for blending biodiesel or green diesel fuel in North Dakota with a minimum 5% blend (“B5”) that meets ASTM specifications. The credit is equal to 5 cents per gallon blended. Include on this line a biodiesel or green diesel fuel credit from a North Dakota Schedule K-1. The unused portion of a 2016 credit may be carried over up to 5 tax years.

Unused credit carryover. Include on this line an unused credit carried over from tax years 2011 through 2015.

Line 7 - Biodiesel or green diesel fuel sales equipment credit

A tax credit is allowed to a North Dakota licensed fuel seller (retailer) of biodiesel or green diesel fuel. The credit is equal to 10% of the costs to adapt or add equipment to the seller’s facility in North Dakota to enable it to sell biodiesel or green diesel with a minimum 2% blend (“B2”) that meets ASTM specifications. The credit is allowed in each of 5 tax years, starting with the tax year in which sales of the

eligible fuel begin. Eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin may be included. Include on this line a biodiesel or green diesel fuel credit from a North Dakota Schedule K-1. The unused portion of a 2016 credit may be carried over up to 5 tax years.

Unused credit carryover. Include on this line an unused credit carried over from tax years 2011 through 2015.

Lifetime credit limit. A taxpayer is allowed no more than \$50,000 in total tax credits for eligible costs incurred in all tax years.

Line 8 - Employer internship program credit

A tax credit is allowed to a taxpayer based on compensation paid to an eligible college student hired as an intern under a qualifying internship program set up in North Dakota. The credit is equal to 10% of the compensation paid during the tax year. The credit is allowed for up to 5 eligible interns in a tax year. The intern must be enrolled in an institution of higher education or vocational technical education program in a major field of study closely related to the work to be performed and must be supervised and evaluated by the employer. The internship must qualify for academic credit.

Lifetime credit limit. A taxpayer is allowed no more than \$3,000 in total tax credits for eligible wages paid in all tax years.

Line 8a. Enter the allowable credit on this line. Include on this line an employer internship program credit from a North Dakota Schedule K-1.

Line 8b. Enter the number of eligible interns hired during the 2016 tax year. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 8c. Enter on this line the total amount of wages, salaries, or other compensation paid to eligible interns hired during the 2016 tax year (as shown on their 2016 Form W-2s). *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 9 - Microbusiness credit

A tax credit is allowed to an eligible small business certified as a microbusiness by the North Dakota Commerce Department's Division of Economic Development and Finance (EDF). The credit is equal to 20% of the total qualifying new investment and qualifying new employment.

“Qualifying new investment” equals the excess of the cost of real property and depreciable personal property located in North Dakota purchased during the current tax year over the cost of real property and depreciable personal property located in North Dakota purchased during the previous tax year. Do not include the cost of vehicles registered for operation on North Dakota roads and highways. Include the excess of eligible rent paid to lease real property and depreciable personal property located in North Dakota during the current tax year over the eligible rent paid to lease real property and depreciable personal property located in North Dakota during the previous tax year. “Eligible rent” means the average net annual rent multiplied by the number of years, not to exceed 10 years, that the taxpayer is obligated under the lease contract. Do not include any increase in rent paid for property leased under a contract entered into prior to the current tax year.

“Qualifying new employment” equals the excess of compensation paid to North Dakota resident employees employed during the current tax year over the compensation paid to North Dakota resident employees employed during the previous tax year. Do not include salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the tax year.

The unused portion of a 2016 credit may be carried over up to 5 tax years.

Lifetime credit limit. A taxpayer is allowed no more than \$10,000 in total tax credits for all tax years.

Line 9a. Enter the allowable credit on this line. Include on this line an unused credit carried over from tax years 2011 through 2015 and a microbusiness credit from a North Dakota Schedule K-1.

Line 9b. Enter on this line the amount of qualifying new investment in 2016 on which the credit is based. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 9c. Enter on this line the amount of qualifying new employment in 2016 on which the credit is based. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 10 - Research expense credit

If you incurred qualified expenses for qualified research in North Dakota, you may be eligible for a tax credit. The credit is allowed on the excess of “qualified research expenses” over a “base amount.” These terms have the same meanings as those defined under Internal Revenue Code § 41, except that they do not include research activity or sales outside North Dakota. The tax credit is equal to a percentage of the excess of North Dakota qualified research expenses incurred during the tax year over the North Dakota base amount for the tax year. On the first \$100,000 of excess North Dakota qualified research expenses, the percentage is 25%. On excess North Dakota qualified research expenses over \$100,000 for the 2016 tax year, the percentage is:

- 20%, if you first started conducting qualified research in North Dakota in tax years 2007 through 2010, or
- 8%, if you first started conducting qualified research in North Dakota in tax year 2011 or later.

Tax planning note: *If qualified research is conducted in North Dakota for the first time in tax years 2007 through 2010, the 20% credit percentage for excess North Dakota qualified research expenses over \$100,000 applies for the 2007 through 2016 tax years; it changes to 8% for tax*

years 2017 and after. If qualified research is conducted in North Dakota for the first time in tax years 2011 and after, the credit percentage for excess North Dakota qualified research expenses over \$100,000 is 8% for all tax years.

The unused portion of a 2016 credit must be carried back to the previous 3 tax years' returns and then carried over to the subsequent 15 tax years' returns. It must be carried back to the earliest tax year first, and then to each succeeding tax year until it is used up.

Election to sell, assign, or transfer unused credit. If you have an unused research credit and you obtain certification as a "qualified research and development company," you may elect to sell, assign, or transfer the unused credit to another taxpayer. For the conditions and procedures, including the reporting requirements, see N.D.C.C. § 57-38-30.5. Application for certification must be made to the North Dakota Commerce Department's Division of Economic Development and Finance (EDF).

Line 10a. Enter the allowable credit on this line. Include on this line an unused credit carried over from a prior tax year and a research credit from a North Dakota Schedule K-1. *Do not include on this line any research credit obtained from another taxpayer through a sale, assignment, or transfer in 2016—report this amount on Line 10b.*

Line 10b. Enter on this line a research credit obtained from another taxpayer through a sale, assignment, or transfer in 2016.

Line 11 - Angel fund investment credit

If you made a qualified investment in a North Dakota angel fund, enter your allowable credit on this line. A qualified investment is evidenced by the Angel Fund Investment Reporting Form that the angel fund is required to provide to you at the time you made your investment.

For qualified investments that you made directly to a certified angel fund during the 2016 tax year, the credit is equal to the smaller of (1) 45% of the investment or (2) \$45,000.

If you claim an angel fund credit for an investment in an angel fund, you may not claim a seed capital investment tax credit or an agricultural commodity processing facility investment tax credit passed through to you by the same angel fund.

The unused portion of a 2016 credit may be carried over up to 7 tax years.

Lifetime credit limit. For investments made in angel funds on or after January 1, 2013, you are allowed no more than \$500,000 in total credits from your own investments plus any credits you receive from a passthrough entity that invested in an angel fund. If you are married, you and your spouse are considered one taxpayer for this purpose.

Line 11a. Enter the allowable credit on this line. Include on this line an unused credit carried over from tax years 2011 through 2015 and an angel fund credit from a North Dakota Schedule K-1. *Do not include on this line an unused credit carried over from a prior tax year that was obtained from another taxpayer through a sale, assignment, or transfer made in tax year 2011 or 2012—report this amount on Line 11b.*

Line 11b. Enter on this line an unused credit carried over from a prior tax year that was obtained from another taxpayer through a qualifying sale, assignment, or transfer made in tax year 2011 and 2012.

Line 12 - Endowment fund credit from passthrough entity

If you owned an interest in a partnership, S corporation, or other passthrough entity that qualified for the North Dakota endowment fund tax credit, enter on this line your share of the credit from North Dakota Schedule K-1. If you are unable to use all of the credit received from the passthrough entity on your 2016 return, the unused portion may be carried over up to 3 tax years. Include on this line an unused credit carried over from tax years 2013 through 2015.

Line 13 - Workforce recruitment credit

A tax credit is allowed to an employer for using extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota. The credit is equal to 5% of the compensation paid during the first 12 consecutive months to the employee hired to fill a hard-to-fill position. The credit is allowed in the first tax year following the tax year in which the employee completes the 12th consecutive month of employment.

To be eligible for the credit, the employer must pay an annual salary that is at least 125% of North Dakota's average wage as published by Job Service North Dakota and must have employed all of the following recruitment methods for at least 6 months to fill a position for which the credit is claimed: (1) contracted with a professional recruiter for a fee; (2) advertised in a professional trade journal, magazine, or other publication directed at a particular trade or profession; (3) provided employment information on a web site for a fee; and (4) offered to pay a signing bonus, moving expenses, or non-typical fringe benefits.

The employer must provide a statement to the employee hired to fill the hard-to-fill position containing the following: (1) name of employer; (2) federal employer identification number of employer; (3) statement that employer qualifies for the workforce recruitment credit based on the employee's employment; (4) amount of signing bonus, moving expense payment, or non-typical fringe benefit payment; and (5) statement that the payment of the bonus, moving expenses, or fringe benefit may be deductible on the employee's North Dakota income tax return.

The unused portion of a 2016 credit may be carried over up to 5 tax years.

Line 13a. Enter the allowable credit on this line. Include on this line an unused credit carried over from tax years 2011 through 2015 and a workforce recruitment credit from a North Dakota Schedule K-1.

Line 13b. Enter the number of eligible employees whose first 12 months of employment ended within the 2015 tax year. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 13c. For the eligible employees included on line 13b, enter the total compensation paid during the first 12 consecutive months of employment. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 14 - Geothermal energy device credit

Note: *The geothermal energy device income tax credit allowed to individuals expired on December 31, 2014, and is not allowed for a geothermal energy device installed on or after January 1, 2015.*

Complete this line only if any of the following apply:

- You installed a qualifying geothermal energy device on or after January 1, 2009, and before January 1, 2015, and
 - the 2016 tax year is one of the five tax years in which the credit is allowed for the installation, or
 - an unused tax credit attributable to the installation is being carried over to the 2016 tax year.
- You own an interest in a partnership, S corporation, or other passthrough entity that installed a qualifying geothermal energy device on or after January 1, 2009, and before January 1, 2015, and the 2016 tax year is one of the five tax years in which the credit is allowable for the installation. Enter the allowable credit shown on the North Dakota Schedule K-1 received from the passthrough entity.

Line 14a. If you installed the qualifying geothermal energy device, enter the date the installation was completed. Enter the date in the following format: *mm/dd/yyyy*. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 14b. Enter the allowable credit on this line.

Line 15 - Credit for wages paid to a mobilized employee

If you have an employee who is a member of the National Guard or Reserve, and the employee was mobilized for federal active military duty during the tax year, you may be eligible for a tax credit if you continued to pay part or all of the employee's wages during the period of mobilization. See Schedule ME for details. **Attach Schedule ME.**

Include on this line a credit for wages paid to a mobilized employee from a North Dakota Schedule K-1.

Line 16 - Partnership plan long-term care insurance credit

You are allowed a tax credit for premiums you pay for a partnership plan long-term care insurance policy that covers you or your spouse. To qualify, you must be a North Dakota resident at the time you pay the premiums.

A partnership plan policy is a special type of long-term care insurance policy that meets specific consumer protection and federal income tax law requirements, is recognized by North Dakota for Medicaid benefit purposes, and provides the proper inflation protection based on the insured individual's age at time of purchase.

An insurance company is required to provide you with a statement certifying the policy as a partnership plan policy at time of issuance. If you are filing a paper return, attach copies of the certification statement and the first page of the policy which identifies the insurance company and the name(s) of the insured. If you are electronically filing your return, you must be able to provide these copies upon request by the Office of State Tax Commissioner.

Important: *There are long-term care insurance policies that ARE NOT partnership plan policies for which the premiums are not eligible for this credit. Therefore, you must check your policy or contact your insurance company to confirm that it is a partnership plan policy.*

The credit is equal to the premiums you paid during the tax year, up to a maximum credit of \$250 (or \$500, if both you and your spouse are insured).

Line 17 - Endowment fund credit

A tax credit is allowed for making one or more charitable contributions totaling at least \$5,000 to a qualified endowment fund in North Dakota. See Schedule ND-1QEC for details. **Attach Schedule ND-1QEC.**

Do not include on this line an endowment fund tax credit from a North Dakota Schedule K-1. Instead, report it on line 12.

Line 18 - Housing incentive fund credit

If you made a qualifying contribution in 2016 to the Housing Incentive Fund administered by the North Dakota Housing Finance Agency, enter on this line the amount shown on the credit certificate issued to you by the Agency. Include on this line an unused credit carried over from tax years 2011 through 2015 and a housing incentive fund credit from a North Dakota Schedule K-1.

The unused portion of a credit for a 2015 contribution may be carried over up to 10 tax years.

Adjustment to taxable income—Your North Dakota taxable income must be increased by the amount of the contribution to the Housing Incentive Fund to the extent it reduced your federal taxable income. See the instructions to the 2016 Form ND-1, line 4b.

Line 19 - Automation credit

If you qualified for the automation tax credit under N.D.C.C. § 57-38-01.33, enter on this line the amount of the credit shown on the credit approval letter issued to you by the North Dakota Office of State Tax Commissioner. Include on this line an unused credit carried over from tax years 2013 through 2015 and an automation credit from a North Dakota Schedule K-1. The unused portion of a 2016 credit may be carried over up to 5 tax years.

Line 20 - Nonprofit private primary school contribution credit from passthrough entity

If you owned an interest in a partnership, S corporation, or other passthrough entity that qualified for the income tax credit for making a charitable contribution to a North Dakota nonprofit private primary school, enter on this line the lesser of the following:

- Total of nonprofit private primary school tax credits from all North Dakota Schedule K-1 forms.
- 20% of the tax on Form ND-1, line 20.
- \$2,500.

The amount of the credit in excess of the above limitation is not allowed in any other tax year.

Line 21 - Nonprofit private high school contribution credit from passthrough entity

If you owned an interest in a partnership, S corporation, or other passthrough entity that qualified for the income tax credit for making a charitable contribution to a North Dakota nonprofit private high school, enter on this line the lesser of the following:

- Total of nonprofit private high school tax credits from all North Dakota Schedule K-1 forms.
- 20% of the tax on Form ND-1, line 20.
- \$2,500.

The amount of the credit in excess of the above limitation is not allowed in any other tax year.

Line 22 - Nonprofit private college contribution credit from passthrough entity

If you owned an interest in a partnership, S corporation, or other passthrough entity that qualified for the income tax credit for making a charitable contribution to a North Dakota nonprofit private college, enter on this line the lesser of the following:

- Total of nonprofit private college tax credits from all North Dakota Schedule K-1 forms.
- 20% of the tax on Form ND-1, line 20.
- \$2,500.

The amount of the credit in excess of the above limitation is not allowed in any other tax year.