



North Dakota Office of State Tax Commissioner

# 2006 Individual Income Tax

Cory Fong, Tax Commissioner

## Form ND-2

Are you using  
the right  
form?

If not, you may be  
paying too much tax!

See page 2  
for more  
information.

Do you owe  
Use tax?

Did you purchase  
goods in another  
state? If you did,  
you may have to pay  
a use tax.

See inside front  
cover for more  
information.

Dear Taxpayer,

Did you know that your choice of forms will affect the amount of tax you have to pay? It is important that you use the form that is to your advantage. The vast majority of North Dakota's individual taxpayers have discovered that they have a lower tax when they use Form ND-1. If you are unsure which form is best for your particular situation, turn to page 2 and read **Which form to use**.

Last year, over 50 percent of the state individual income tax returns were filed electronically. Taxpayers have found e-file offers several benefits compared to filing a paper return. For instance, taxpayers who are anticipating a refund receive their refunds more quickly. And, e-file is more accurate than a paper return. This is because the computer automatically checks e-filed returns for errors, which results in fewer delays and faster processing, which is particularly helpful if you file during the last-minute filing rush.

If you have not tried e-file, I ask you to consider it for this year. You will find the process to be simple and quick to use. It's important for you to know that if you would like to e-file, you will need to use the Form ND-1.

A new feature to our web site this year is the "Where's My Refund?" option that allows you to track the status of your refund. You can learn if your return was received, if your return is being processed, or the date your refund was issued. Turn to page 1 of this booklet to read more about this new feature.

To learn more about e-file, to track your refund, or for other tax-related information, please visit our web site at [www.nd.gov/tax](http://www.nd.gov/tax).

Please let us know what you think we are doing well and what we can do to improve our service to you. Our phone, address, and e-mail information is found on the back of this booklet.

Thank you,

Cory Fong,  
Tax Commissioner



See page 15 for details  
on using your credit card  
to pay your taxes.

Visit our web site for forms or to  
learn about North Dakota's taxes:  
[www.nd.gov/tax](http://www.nd.gov/tax).



## This booklet contains the following forms—

● Form ND-2

● Schedule 2

● Schedule 3

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### Taxpayer Bill of Rights

You may get a copy of the North Dakota Taxpayer Bill of Rights by contacting the Office of State Tax Commissioner or visiting our web site at [www.nd.gov/tax](http://www.nd.gov/tax)

If you need a form or document mentioned in this booklet, you may obtain it from our web site at [www.nd.gov/tax](http://www.nd.gov/tax), or request it by phone, e-mail, fax, or letter—see the back cover of this booklet for phone numbers and addresses.

### ***You might be eligible for a refund of local sales tax!***

Beginning October 1, 2005, most city and county local tax ordinances contain a local sales tax maximum. If a customer exceeds that maximum, they may apply to the state Tax Department for a refund of the amount of local tax paid that exceeds that maximum. The local sales tax maximum varies between local taxing jurisdictions and ranges from \$25 to \$50. For example, you purchase \$4,000 of furniture in a city that has a one percent sales tax and allows for a \$25 local tax maximum. The retailer will collect \$200 in state sales tax and \$40 in local tax at the time of purchase. You may then apply to the Tax Commissioner for a refund of \$15 (\$40 local tax paid - \$25 local tax maximum). You can access the form, **Claim For Refund of City or County Sales and Use Tax Transmittal**, on our web site at [www.nd.gov/tax](http://www.nd.gov/tax) or by calling (701) 328-3470 or e-mailing [salestax@state.nd.us](mailto:salestax@state.nd.us).

### ***Do you owe use tax?***

If you purchased goods from outside North Dakota or outside the U.S. you might owe state and local sales tax. Technically, what you have to pay is called a use tax. It applies to the same goods that are subject to North Dakota's sales tax. The use tax applies whether you purchased goods in person at an out-of-state location, by mail, phone, or the Internet.

If you didn't pay any sales tax or you paid tax to another country at the time of purchase, you must pay the use tax at the North Dakota sales tax rate. If you did pay sales tax to another state but you paid less than what you would have paid in North Dakota, the difference between the rates is the amount of use tax you owe.

If this applies to you, you must file a **North Dakota Use Tax Return**. You can access the form on our web site at [www.nd.gov/tax](http://www.nd.gov/tax) or call the Sales and Withholding Taxes Division at (701) 328-3470.

**Privacy Act information.** In compliance with the Federal Privacy Act of 1974 (Public Law 93-579), the disclosure of an individual's social security number on the North Dakota income tax return and any required schedules is mandatory and is required under subsections 1 and 7 of North Dakota Century Code § 57-38-31. An individual's social security number is used as an identification number by the North Dakota Office of State Tax Commissioner for file control and recordkeeping purposes, and for cross-checking an individual's files with those of the Internal Revenue Service.

# Changes affecting you and your income tax

## Developments, updates, and items of interest relating to individual income tax

### New online feature available— Where's My Refund?

Wondering about the status of your 2006 refund? Now you don't have to call or write to find out. You can check on it at your convenience 24 hours a day, 7 days a week. Just go to our website at [www.nd.gov/tax](http://www.nd.gov/tax) and look for the link to "Where's My Refund?"

Clicking on the link will take you to a secure web page where you will find instructions on how to make your inquiry. You will be asked to enter your social security number, your filing status (that is, single, married filing jointly, etc.), and the exact amount of your refund. Having a copy of your return handy will make the process go fast and easy. Upon entering the correct information, you will be able to find out if our office has:

- Received your return;
- Processed your return; or
- Issued your refund.

Keep in mind that a refund on an electronically filed return generally is issued within 5 business days. A refund on a paper return can take up to 6 weeks from the date our office receives the return.

### You may now allow the Tax Department to contact your preparer about your return

A new check-off box has been added to Form ND-2 that you may use to authorize the Office of State Tax Commissioner (Tax Department) to talk to your tax preparer about your return. By checking the box, which is located next to the signature area on page 1 of Form ND-2, you authorize the Tax Department to contact your preparer with any questions that arise during the processing of your return. You also authorize your preparer to:

- Provide any information missing from your return.
- Contact the Tax Department about the status of your return's processing, including a related refund or payment.
- Respond to Tax Department notices that you share with your preparer relating to math errors and return preparation. (*Note: The Tax Department will send notices directly to the taxpayer.*)

The authorization only applies to the return on which it is made, and it automatically expires on the due date (*excluding extensions*) for filing the next year's return.

The authorization applies only to the individual whose printed name and signature appear in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section. The authorization does not authorize the tax preparer to receive your refund check, to bind you in any way (*including any additional tax liability*), or to otherwise represent you before the Tax Department.

### Members of passthrough entities may receive the new state Schedule K-1

If you are a member of a passthrough entity, you may receive the new North Dakota Schedule K-1 containing information that you may need to prepare your 2006 Form ND-2. You are a member of a passthrough entity if you are:

- A partner in a partnership;
- A member of a limited liability company that files like a partnership;
- A shareholder in a subchapter S corporation; or
- A beneficiary of a trust required to file a fiduciary income tax return.

Starting with its 2006 tax year, a passthrough entity must complete and provide North Dakota Schedule K-1 to:

- Each of its members who are not legal residents of North Dakota.
- Each of its members who are legal residents of North Dakota, *but only if* the passthrough entity is passing through a North Dakota adjustment or tax credit that may affect the resident member's state income tax calculation.

If you are not a legal resident of North Dakota, in addition to any North Dakota adjustments or tax credits, the new North Dakota Schedule K-1 will show your share of the income and deduction items that you must report to North Dakota on Schedule 3, Part 2, of Form ND-2.

If you are a legal resident of North Dakota, you will not receive the new North Dakota Schedule K-1 if the passthrough entity does not have any North Dakota adjustments or tax credits to pass through to its members.

### Schedule 4 instructions have been clarified for certain joint filers

The tax credit allowed to residents of North Dakota for paying income tax to another state on income that is also taxed by North Dakota is calculated on Schedule 4. The instructions to the 2006 schedule have been revised to better explain how to complete the schedule in the case of married individuals who file a joint return and have different residency statuses. See the 2006 Schedule 4 for details.

### Technical changes were made to Schedule FC to clarify its application

The 2006 Schedule FC, Family Member Care Tax Credit, was revised to make some technical changes to it and to clarify what expenses are allowed. A new line was added on which the taxpayer must show the portion of qualified care expenses that were deducted on the taxpayer's federal income tax return. Qualified care expenses deducted on the federal income tax return are not allowed for the family care income tax credit. See the 2006 Schedule FC for details.

### Schedule PG has been revised to incorporate the 2-year carryover feature

The 2006 Schedule PG, Planned Gift Tax Credit, has been revised to incorporate into the calculation the 2-year unused tax credit carryover feature in the law. Lines were added to the schedule to account for the carryover to 2006 of any unused credit from 2005, and to account for any unused credit from the 2005 and 2006 tax years, respectively, that remains to be carried over to the 2007 tax year. It is important to note that the new lines will produce accurate amounts only if an accurate amount is entered on the line for the amount actually used to reduce the tax liability for the current tax year (line 9 of the 2006 Schedule PG). See the 2006 Schedule PG for details.

# 2006 Form ND-2 instructions

General and specific line instructions for Form ND-2 (Optional Method)



Are you sure Form ND-2 is the right form to use?  
If not, you may pay too much tax!  
See **Which form to use** on this page before using Form ND-2.

## General instructions

This section provides information on selecting the right form, filing requirements, procedures for obtaining an extension, estimated tax requirements, correcting a return, and other general information.

## Which form to use

It is important to note that North Dakota income tax law provides for two methods of calculating the individual income tax. The two methods are implemented on two different forms—Form ND-1 and Form ND-2. (This booklet contains Form ND-2 and its instructions.)

### **Your choice of forms will affect the amount of your tax!**

The two forms (and their respective calculation methods) are governed by different provisions of North Dakota income tax law. The calculation method and tax rates are different under each method. Your choice of forms is important because **you will calculate a different tax under each one!** For the majority of individuals, the tax will be lowest on Form ND-1.

### **So, which form should I use?**

Generally, you should use Form ND-1. Over 97 percent of all filers will calculate a lower tax on Form ND-1 than on Form ND-2. If you used Form ND-2 last year, do not automatically use Form ND-2 for this year, but check out Form ND-1 to make sure you are paying the lowest tax.

### **Who should use Form ND-2?**

Very few individuals—less than 3 percent—will benefit from using Form ND-2. Form ND-2 should be used only if it produces a tax that is lower than the tax calculated on Form ND-1. Although you calculate a North Dakota taxable income on both forms, do not base your choice on this number alone. You must also consider the tax rates which are much lower on Form ND-1.

### **Shouldn't I use Form ND-2 if I have one of the deductions or credits on it?**

Not necessarily. There are a number of special deductions, exclusions, and credits that may be claimed only if Form ND-2 is used. As a general rule, they are usually not enough to offset the higher tax rates on Form ND-2. Some taxpayers will benefit from using Form ND-2, but we estimate that they make up less than 3 percent of all individual filers.

If in doubt as to which form to use, use Form ND-1. If you find later that your tax would have been lower on Form ND-2, you have the option of filing an amended return (within the statutorily prescribed time periods) to change forms.

### **Filing Tip:**

Have you checked out Form ND-1? Over 97 percent of taxpayers will have the lowest tax on the Form ND-1.

## Who must file

### **Full-year resident**

If you were a full-year resident of North Dakota for the 2006 tax year and you are required to file a 2006 federal individual income tax return, you must file a 2006 North Dakota individual income tax return. This applies even though you may have worked outside North Dakota (including employment overseas) during the tax year, or part of your income is derived from sources outside North Dakota. You were a full-year resident of North Dakota if you were a resident of North Dakota for the entire tax year, or you meet the statutory 7-month rule.

**Definition of resident**—In these instructions, the term “resident” refers to an individual who is a legal resident of North Dakota. Legal residence (which is also called domicile) means the place that is your permanent home to which you always intend to return whenever absent from it. If you have more than one physical place of abode, only one of them may be your legal residence. Legal residence is based on your intent and your actions.

**Statutory 7-month rule**—Even though you were not a resident of North Dakota for any part of the tax year—that is, you were a full-year nonresident—you must file as a full-year resident of North Dakota if you maintain a permanent place of abode in North Dakota and spend in the aggregate more than 210 days of the tax year in North Dakota. A permanent place of abode means a house, apartment, or other dwelling containing cooking and bathroom facilities that is suitable for year-round living and is maintained

on a permanent or indefinite basis. This 7-month rule does not apply if you were (1) a part-year resident of North Dakota, (2) a full-year nonresident serving in the U.S. armed forces, or (3) a full-year resident of Montana or Minnesota covered by reciprocity.

### **Residents in U.S. armed forces**

If you are a resident of North Dakota serving in the U.S. armed forces and you are required to file a 2006 federal individual income tax return, you must file a 2006 North Dakota individual income tax return as a full-year resident. This applies regardless of where you were stationed during the tax year.

### **Full-year nonresident**

If you were a full-year nonresident of North Dakota for the 2006 tax year, you must file a 2006 North Dakota individual income tax return if **both** of the following apply:

- You are required to file a 2006 federal individual income tax return.
- You derived gross income from North Dakota sources during the 2006 tax year. (See the box on this page for what is included in gross income from North Dakota sources while a nonresident.)

You were a full-year nonresident if you were not a resident of North Dakota for any part of the tax year, and you do not meet the statutory 7-month rule—see page 2.

### **Nonresidents in U.S. armed forces**

If you are a full-year nonresident of North Dakota serving in the U.S. armed forces and your only gross income from North Dakota sources is your military compensation, you are not subject to North Dakota income tax. You do not have to file a North Dakota income tax return unless you are married and are filing a joint federal income tax return, and either you or your spouse has other types of gross income from North Dakota sources.

### **Minnesota or Montana resident**

If you are a Minnesota resident, you do not have to file a North Dakota individual income tax return if **both** of the following apply:

- Your only gross income from North Dakota sources was compensation for personal or professional services.
- You returned to your home in Minnesota at least once each month during the time you worked in North Dakota.

If you are a Montana resident, you do not have to file a North Dakota individual income tax return if your only gross income from North Dakota sources was wages.

See **Reciprocity** on page 4 for more information.

### **Nonresident alien**

If you are a nonresident alien of the United States and you received gross income from North Dakota sources during 2006, you must file a 2006 North Dakota individual income tax return. Except where an income tax treaty between the United States and a foreign country specifically exempts income

from taxation by a U.S. state, income tax treaties between the U.S. and foreign countries do not apply for North Dakota income tax purposes. Therefore, you may have to pay North Dakota income tax on income derived from North Dakota sources even though the income is exempt from U.S. income tax because of a treaty. For more information, including the instructions on how to complete the North Dakota return, obtain the *Income Tax Guideline: Taxation of Nonresident Aliens*.

### **Part-year resident**

If you were a part-year resident of North Dakota for the 2006 tax year, you must file a 2006 North Dakota individual income tax return if **both** of the following apply:

- You are required to file a 2006 federal individual income tax return.
- During the 2006 tax year, you derived gross income from **any** source inside or outside North Dakota while you were a resident of North Dakota, or you derived gross income from North Dakota sources while you were a nonresident of North Dakota. (See the box on this page for what is included in gross income from North Dakota sources while a nonresident.)

## **Gross income from North Dakota sources (for nonresidents only)**

Gross income from North Dakota sources includes the following items received while a nonresident of North Dakota:

- Compensation for services performed in North Dakota, such as wages, salaries, tips, commissions, and fees.
- Income from tangible property in North Dakota, such as rents, royalties, and gain from the sale or exchange of the property.
- Income from a sole proprietorship, partnership, S corporation, or other trade or business carried on in North Dakota.
- Income from an estate or trust, but only to the extent the income is derived from tangible property or a trade or business in North Dakota.
- Income from gambling activity carried on in North Dakota.

### **Exceptions**

Gross income from North Dakota sources **does not** include these items received while a nonresident of North Dakota: military pay, interest, dividends, pensions, annuities, gain from the sale or exchange of intangible property, compensation exempted under reciprocity with Minnesota or Montana, or compensation for services performed in North Dakota by an individual who performs regularly assigned duties in more than one state for an interstate motor, rail, air, or water carrier company as provided under federal interstate commerce law.

**Note:** *Interest, dividends, gains, and other income from intangible property are included in gross income from North Dakota sources if derived from a sole proprietorship, partnership, or S corporation doing business in North Dakota.*

You were a part-year resident of North Dakota if you were a resident of North Dakota for only part of the year. This generally applies if you moved into or out of North Dakota and the move constituted a change in your legal residence. See **Definition of resident** on page 2.

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## Native Americans

If you are a Native American, you are not subject to North Dakota income tax and do not have to file a North Dakota income tax return if *all* of the following apply:

- You are enrolled as a member of a federally-recognized Indian tribe.
- You live on the Indian reservation where enrolled.
- You derive all of your income from sources on the Indian reservation where enrolled.

If any of the above criteria are not met, you may be subject to North Dakota income tax. For more information, obtain the *Income Tax Guideline: Income Taxation of Native Americans*.

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## Reciprocity

North Dakota has income tax reciprocity agreements with the states of Minnesota and Montana. If certain conditions in the agreements are met, a resident of North Dakota does not have to pay Minnesota or Montana income tax on compensation received for work performed in the other state, and a resident of Minnesota or Montana does not have to pay North Dakota income tax on compensation received for work performed in North Dakota.

### **Minnesota and Montana residents**

If you are a resident of Minnesota and you maintain a permanent home in Minnesota to which you return at least once each month during the time you work in North Dakota, the compensation you receive for personal or professional services performed in North Dakota is not taxable by North Dakota.

If you are a resident of Montana, wages you receive for work performed in North Dakota are not taxable by North Dakota.

If you received wages covered by reciprocity, and your employer withheld North Dakota income tax from them, you must file a North Dakota individual income tax return at the end of the tax year to obtain a refund of the amount withheld. If this applies to you and you do not have any other gross income from North Dakota sources, obtain Form ND-1 and complete it according to the special instructions on page 6 of the Form ND-1 instruction booklet. Do not use Form ND-2.

If your wages are covered by reciprocity and you do not want your employer to withhold North Dakota income tax from them, you must complete and give to your employer a **Form NDW-R**. Ask your employer for this form.

### **North Dakota residents**

If you are a resident of North Dakota and you maintain a permanent home in North Dakota to which you return at least once each month during the time you work in Minnesota, the compensation that you receive for personal or professional services performed in Minnesota is not taxable by Minnesota. Also, wages you receive for work performed in Montana while a resident of North Dakota are not taxable by Montana.

If you received wages covered by reciprocity and your employer withheld Minnesota or Montana income tax from them, you must file an income tax return with Minnesota or Montana to obtain a refund of the amount withheld.

If your wages are covered by reciprocity and you do not want your employer to withhold Minnesota or Montana tax from them, you must give your employer a properly completed Minnesota Form MW-R or Montana Form NR-2, whichever applies. For assistance and forms, contact:

- Minnesota Department of Revenue  
Mail Station 5510  
St. Paul, MN 55146-5510  
Phone: (651) 296-3781  
www.taxes.state.mn.us
- Montana Department of Revenue  
PO Box 5805  
Helena, MT 59604-5805  
Phone: (406) 444-6900  
www.state.mt.us/revenue

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## When and where to file

If you are filing on a calendar year basis, you must file your 2006 North Dakota individual income tax return on or before April 15, 2007. If you are filing on a fiscal year basis, you must file on or before the 15th day of the fourth month following the close of your fiscal tax year. If the due date falls on a Saturday, Sunday or holiday, you have until the next day that is not a Saturday, Sunday, or holiday to file your return.

Mail your return in the preaddressed envelope provided in this booklet. If you don't have a preaddressed envelope, mail it to:

Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, North Dakota 58505-0550

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## Extension of time to file

You may obtain an extension of time to file your North Dakota individual income tax return by obtaining either a federal extension or a North Dakota extension.

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### **Federal extension**

If you obtain an extension of time to file your federal return, it will be recognized for North Dakota purposes. This includes the automatic extension allowed for being outside the U.S. and Puerto Rico on April 15. You do not have to file a separate state extension form, nor do you have to notify the Office of State Tax Commissioner that you have obtained a federal extension prior to filing your North Dakota return.

Fill in the circle next to “Extension” at the top of Form ND-2 to indicate that an extension has been obtained. A copy of the federal extension form *does not* have to be attached to Form ND-2; however, it must be retained on file in case the Office of State Tax Commissioner requests to see it.

### North Dakota extension

If you do not obtain a federal extension, but need additional time to file your North Dakota return, you may apply for a North Dakota extension by completing and filing **Form 101**. This is not an automatic extension—you must have good cause to request a North Dakota extension. Form 101 must be postmarked on or before the due date of your return. You will be notified whether your extension request is approved or rejected. If approved, fill in the circle next to “Extension” at the top of Form ND-2. A copy of the approved Form 101 *does not* have to be attached to Form ND-2; however, it must be retained on file in case the Office of State Tax Commissioner requests to see it.

### Extension interest

If you file your North Dakota return on or before the extended due date, and you pay any tax balance due with the return, no penalty will be charged. However, interest on any tax due on the return will be charged at the rate of 12% per year from the original due date of your return to the earlier of the date you file your return or the extended due date.

### Prepayment of tax due

If you are applying for an extension of time to file, you may prepay the tax that you expect to owe to avoid paying extension interest. To do so, submit your check or money order along with a completed **2006 Form 400-EXT** on or before the due date of your return (excluding extensions). Alternatively, you may submit your payment along with a letter containing the following:

- Your name.
- Your social security number.
- Your address and phone number.
- Statement that your payment is a prepayment of your 2006 North Dakota individual income tax.

### Penalty and interest

The full amount of your tax due must be paid by the due date (without extension) of your return to avoid penalty and interest charges. However, if you obtained an extension of time to file your return, you may pay the tax due by the extended due date of the return without penalty, but interest will apply—see **Extension interest** and **Prepayment of tax due** on this page.

If you pay your tax due after the due date (or extended due date, if applicable), a penalty equal to 5% of the tax due (with a minimum of \$5.00) will be charged. In addition, interest will be charged at the rate of 1% per month or a fraction of a month (except for the month in which the tax was due) until the tax is fully paid.

### Copy of federal return

You must attach a complete copy of your federal income tax return to your North Dakota return. A complete copy consists of Form 1040EZ, 1040A, or 1040 along with any supplemental forms and schedules. You do not have to include depreciation schedules or any other statements that you may have prepared as supporting documentation.

### Correcting your return

If you need to correct your North Dakota return after you file it, you must file an amended return. There is no special form for this purpose. See **How to prepare an amended return** on this page for step-by-step instructions.

If you paid too much tax because of an error in your return, you generally have three years after you file your original return to file an amended return to correct the error and claim a refund of the overpayment. There are other time periods that may apply, such as in the case of a net operating loss carryback, an overstatement of tax of over 25%, or an IRS audit. For more information, contact the Office of State Tax Commissioner.

### Change to federal return

By law, you must file an amended North Dakota return to report changes made to your federal return. This applies if the changes are attributable to your filing of an amended federal return or to an audit or correction by the IRS. The amended North Dakota return must be filed within 90 days after filing the amended federal return or within 90 days after the final determination of the IRS changes.

### How to prepare an amended return

1. Obtain a blank North Dakota individual income tax return for the tax year affected by the changes.
2. Enter your name, address, social security number, and other information required in the top portion of the return. Be sure to use your current address on the amended return.
3. Fill in the circle next to “Amended” in the top right-hand corner of the return.
4. Using the corrected information, complete the return through the net tax liability line.
5. Leave the line for income tax withholding blank unless you are claiming an additional amount not previously claimed.
6. On the estimated tax payment line, enter the net tax liability shown on your original return or previously filed amended return.
7. Complete the remaining portion of the return according to the instructions. On an amended return, you may not adjust the amount of any voluntary contribution to the wildlife or trees funds, nor the amount of an overpayment applied to the next year’s estimated tax.

8. Attach a statement explaining why you are correcting your return. If you are doing so because of changes you or the IRS made to your federal return, attach a copy of the amended federal return or IRS notice.

### Estimated tax requirement (for 2007)

You must pay estimated North Dakota income tax for the 2007 tax year if *all* of the following conditions apply:

1. You are required to pay estimated federal income tax for 2007.
2. Your net tax liability for 2006 is \$500 or more. (*If you are not required to file a North Dakota return for 2006, you do not have to pay estimated tax for 2007.*)
3. You expect to owe (*after subtracting any estimated North Dakota income tax withholding*) at least \$500 in tax for 2007.
4. You expect your North Dakota income tax withholding for 2007 to be less than the smaller of the following:
  - (a) 90% of your 2007 net tax liability.
  - (b) 100% of your 2006 net tax liability. If you moved into North Dakota during 2006 and had no income from North Dakota prior to the move, this 100% threshold does not apply; you must satisfy the 90% threshold in part (a).

In general, one-fourth (25%) of the total estimated tax required to be paid for the 2007 tax year must be paid by April 15, June 15, and September 15, 2007, and January 15, 2008.

If you are required to pay estimated tax for 2007, obtain the **2007 Form 400-ES, Estimated income tax—individuals**. If you paid estimated tax for 2006, a 2007 Form 400-ES will be mailed to you in early 2007.

### How to file a return for a deceased taxpayer

If a final federal income tax return is required to be filed for a decedent for the year of death, a final North Dakota income tax return must also be filed. A court-appointed personal representative is responsible for filing the decedent's final return, even if there is a surviving spouse. The information from the final federal return is used to complete the final North Dakota return, and the North Dakota return is to be signed in the same manner as required for federal income tax purposes.

If there is a personal representative and no surviving spouse, a copy of the court document showing the appointment must be attached to the final return.

If there is a surviving spouse and the final return will be filed on a joint basis, a refund will be mailed in both spouses' names.

If the surviving spouse experiences any problem with depositing or cashing the check, or if there is no surviving spouse and no personal representative has been appointed for the decedent, contact the Individual Income Tax Section, Office of State Tax Commissioner for assistance (see the back cover of this booklet).

### General instructions for completing Form ND-2

#### Rounding of numbers

You may enter your numbers on the return in dollars and cents, or you may round your numbers to the nearest whole dollar. If you choose to round your numbers, drop the cents if less than 50 cents and round up to the next whole dollar amount if 50 cents or higher. For example, \$25.36 becomes \$25.00, and \$25.50 becomes \$26.00.

#### Reminder for 2006!

#### No residency status check off

There is no residency status check-off on Form ND-2. The residency status will be assumed to be **full-year resident** unless Schedule 3 is completed and attached.

If you were a nonresident of North Dakota for part or all of the tax year, you must complete and attach Schedule 3 to Form ND-2. On Schedule 3, you will indicate whether you are a **full-year nonresident** or a **part-year resident** at the top of the schedule.

If you are married and filing a joint return, and either you or your spouse was a nonresident of North Dakota for part or all of the tax year, you must complete Schedule 3 on a joint basis and attach it to Form ND-2. On Schedule 3, each of you must indicate your residency status at the top of the schedule.

#### Reminder for 2006!

#### Married persons having different states of residence

Married persons who file a joint federal return must file a joint North Dakota return, regardless of their residency status.

If you and your spouse are filing a joint federal return and had different states of residence (one of which is North Dakota) for the tax year, you must complete the North Dakota return on a joint basis and use Schedule 3 to calculate your North Dakota taxable income.

### How to complete Form ND-2

#### Step 1

Complete the top portion of Form ND-2 as instructed later on this page.

#### Step 2

Calculate your North Dakota taxable income on the appropriate schedule as follows:

- If you were a full-year resident, you must complete Schedule 2 according to the instructions on page 8. This also applies if you are filing a joint return and both you and your spouse were full-year residents. Schedule 2 is on the reverse side of Form ND-2.
- If you were a full-year nonresident or a part-year resident, you must complete Schedule 3 according to the instructions on page 10. This also applies if you are filing a joint return and either you or your spouse was a nonresident for part or all of the tax year. Schedule 3 is a separate form included in this booklet.

**Step 3**

Complete the Tax Computation Schedule on the front of Form ND-2 according to the instructions on page 13.

**Tax year**

Your tax year for North Dakota income tax purposes must be the same as the tax year used for federal income tax purposes. If you used a fiscal tax year for federal income tax purposes, enter the dates of your fiscal tax year from your federal return in the spaces provided at the top of Form ND-2.

**Name and address**

Print or type your full name and address in the spaces provided on the return. If you are married and are filing a joint return, include your spouse's full name.

**Social security number(s)**

Print or type your social security number (and your spouse's social security number, if married) in the spaces provided on the return. Omitting one or both numbers, or entering an incorrect number, will delay the processing of your return.

**Filing status**

Fill in the circle next to the filing status that you used on your federal individual income tax return.

**Income source code**

From the following list, select the code number that most closely corresponds to the area from which you derived the majority of your income for the tax year.

| Source of income  | Code number |
|---|-------------|
| Farming, ranching, or agricultural production .....   | 1           |
| Retail, wholesale trade, and eating and drinking places .....   | 2           |
| Federal, state, county, or city government service .....  | 3           |
| Public or private education .....   | 4           |
| Accounting, legal, health, motel, and other personal or professional services not classified elsewhere..... | 5           |
| Construction .....  | 6           |
| Manufacturing.....  | 7           |
| Transportation, communication, and public utilities .....   | 8           |
| Exploration, development, and extraction of coal, oil, and natural gas .....                                | 9           |
| Banking, insurance, real estate, and other financial services.....  | 10          |
| Military service.....   | 11          |
| Retirement (Pensions, annuities, IRAs, etc.) .....  | 12          |

**School district code**

Select the code number from the list on page 16 for the school district in which you resided during the tax year and enter it in the boxes provided on the return. If you resided in more than one school district during the tax year, enter the code number for the school district in which you resided for the greater amount of time.

**Federal estimated tax requirement**

If you were required to pay estimated federal income tax for any part of the 2006 tax year, you must check the box next to "Yes." This applies whether or not you actually made the required payment. Otherwise, check the box next to "No."

**Amended or extended return**

Fill in the circle next to "Amended" *only if* you are completing this return for the purpose of correcting a return you previously filed for the 2006 tax year. See **Correcting your return** on page 5 for more information.

Fill in the circle next to "Extension" *only if* you have an extension to file your North Dakota return. See **Extension of time to file** on page 4 for more information.

**Specific line instructions for Schedule 2**

**Full-year resident only**

If you were a full-year resident of North Dakota for the 2006 tax year, you must complete this schedule to calculate your North Dakota taxable income for purposes of Form ND-2. This also applies if you are filing a joint return and both you and your spouse were full-year residents.

**Worksheet for Schedule 2, line 3**

**A.** Amount of state and local income taxes from Schedule A (Form 1040), line 5 ..... **A** \_\_\_\_\_

**B.** Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions ..... **B** \_\_\_\_\_

**C.** Divide line **A** by line **B** ..... **C**    \_\_\_ . \_\_\_ \_\_\_

**D.** Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions ..... **D** \_\_\_\_\_

**E.** Multiply line **D** by line **C** ..... **E** \_\_\_\_\_

**F.** Subtract line **E** from line **A**. Enter this amount on line 3 of Schedule 2 ..... **F** \_\_\_\_\_

**Line 1 - Federal taxable income**

If your federal taxable income is a negative number (that is, it is less than zero mathematically), you are instructed to enter zero on your federal income tax return. However, for purposes of completing Schedule 2, enter the negative number on line 1.

**Line 2 - Interest from state and local obligations**

Except for interest from obligations of the state of North Dakota and its political subdivisions, enter interest income from state and local government obligations which is exempt from federal income tax.

**Line 3 - State and local income taxes**

Enter the amount of state and local income taxes deducted on your federal income tax return. If a portion of your itemized deductions claimed on your federal return was disallowed because your federal adjusted gross income exceeded \$150,500 (\$75,250, if married filing separately), complete the worksheet on page 7.

**Line 4 - Other additions**

The following items must be included on this line:

- Taxable portion of a lump-sum distribution from a qualified retirement plan reported on Federal Form 4972. Enter on this line the amount from Form 4972, line 6 plus line 10.
- Loss from a pass-through entity subject to North Dakota's financial institution tax. For more information, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From A Pass-Through Entity Subject To N.D.C.C. ch. 57-35.3. Attach a copy of the statement you received from the entity.*
- If you are claiming the planned gift credit, enter the amount, if any, from Schedule PG, line 17.

**Line 7 - U.S. obligation interest**

Enter the following on this line:

- Interest income from U.S. obligations.
- Interest income from other securities specifically exempted from state income tax by federal statute.
- The portion of dividend income from a mutual fund attributable to investment in U.S. obligations and other securities the interest from which is exempted from state income tax by federal statute.

Common sources of interest income that may be entered on this line include:

- U.S. savings bonds and Treasury bills and notes.
- Securities issued by—
  - Banks for cooperatives
  - Commodity Credit Corporation
  - Federal Deposit Insurance Corporation
  - Federal Farm Credit System
  - Federal Home Loan Banks
  - Federal Intermediate Credit Banks
  - Federal Land Banks
  - Federal Savings & Loan Insurance Corporations
  - Student Loan Marketing Association

**Do not** enter on this line interest income from securities of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), nor from a federal income tax refund or repurchase agreement. **Attach a statement identifying the specific securities from which you derived the interest amount entered on this line.**

**Line 8 - Military pay exclusion**

Enter up to \$1,000 of your military pay received for active duty service in the U.S. armed forces, or for attending periodic training for drill and instruction as a member of the National Guard or a reserve unit of the U.S. armed forces. This exclusion is allowed only to the extent that your military pay is included in federal taxable income (on line 1, Schedule 2).

**Line 9 - Additional military pay exclusion for overseas duty**

If you are a member of the U.S. armed forces who served overseas for at least thirty days during the tax year, enter up to \$300 of your military pay for each month (or fraction of a month) you were overseas. You are considered to have served overseas if you were stationed outside the United States and the District of Columbia.

This exclusion is allowed only to the extent that your military pay is included in federal taxable income (on line 1, Schedule 2). The total of this exclusion and the exclusion on line 8 (military pay exclusion) may not exceed the total of your active duty military pay.

Field grade and general officers are not eligible for this exclusion. Field grade and general officers are persons with a rank of: Major or higher in the U.S. Army, Air Force, or Marines; Lieutenant commander or higher in the U.S. Navy; and Surgeon or higher in the U.S. Public Health Service.

**Line 10 - Military retirement pay exclusion**

If you received military retirement pay for service in the U.S. armed forces (including the Coast Guard) or any of its reserve components, and you are at least 50 years old, enter up to \$5,000 of your military retirement pay. This exclusion is allowed only to the extent that your military retirement pay is included in federal taxable income (on line 1, Schedule 2). If you also received social security benefits, you must reduce the amount otherwise deductible on this line by the amount of your social security benefits.

**Line 11 - Other retirement pay exclusions**

Enter up to \$5,000 of your retirement pay received from the following sources:

- Federal government pension fund
- North Dakota city firefighters relief association

- North Dakota city policemen's pension fund
- North Dakota highway patrolmen's retirement system

This exclusion is allowed only to the extent that your retirement pay is included in federal taxable income (on line 1, Schedule 2). If you also received social security benefits, you must reduce the amount otherwise deductible on this line by the amount of your social security benefits.

### **Lines 12, 13, and 14 - Beginning farmer deductions**

Deductions are available for selling or leasing farmland to a qualifying beginning farmer. To determine if you qualify, obtain the *Income Tax Guideline: Beginning Farmer Income Tax Deductions*. If you qualify, you must complete a *Beginning Farmer Statement* and attach it to your return.

#### **• Line 12 - Interest deduction**

Enter interest income derived from a qualifying contract for deed for the sale of 80 or more acres of farmland to a qualifying beginning farmer.

#### **• Line 13 - Rental deduction**

Enter up to \$25,000 of net rental income derived from a qualifying contract for the lease of 20 or more acres of farmland to a qualifying beginning farmer.

#### **• Line 14 - Gain deduction**

Enter the taxable part of a gain from the sale of 20 or more acres of farmland to a qualifying beginning farmer.

### **Line 15- Interest from financial institution**

Enter up to \$300 (\$600, if married filing joint) of interest income received from a bank, credit union or similar financial institution located in North Dakota.

### **Worksheet for line 24 of Schedule 2 (Form 1040 filers only)**

|  |                |
|--|----------------|
| <b>A.</b> Amount from Form 1040, line 57 .....   | <b>A</b> _____ |
| <b>B.</b> If applicable, enter amount from Form 1040, line 47 .....  | <b>B</b> _____ |
| <b>C.</b> If applicable, enter taxes from Form 5329, lines 4 and 8.....  | <b>C</b> _____ |
| <b>D.</b> If applicable, enter the following taxes included on Form 1040, line 63.....   | <b>D</b> _____ |
| • Form 4970 tax                      • Section 72(m)(5) excess benefits tax  |                |
| • Recapture taxes (if Form 37 or Form ND-2 was used in credit year)  |                |
| <b>E.</b> Add lines <b>A, B, C,</b> and <b>D</b> .....   | <b>E</b> _____ |
| <b>F.</b> If applicable, enter amounts from Form 1040, lines 45, 66a, 68, and 71 .....   | <b>F</b> _____ |
| <b>G.</b> Subtract line <b>F</b> from line <b>E</b> . If result is zero or less, enter -0-. Enter this amount on line 24 of Schedule 2 ..... | <b>G</b> _____ |

### **Lines 16, 17, and 18 - Beginning entrepreneur deductions**

Deductions are available for selling or leasing a revenue-producing enterprise to a qualifying beginning entrepreneur. To determine if you qualify, obtain the *Income Tax Guideline: Beginning Entrepreneur Income Tax Deductions*. If you qualify, you must complete a *Beginning Entrepreneur Statement* and attach it to your return.

#### **• Line 16 - Interest deduction**

Enter interest income derived from a qualifying contract for deed for the sale of a revenue-producing enterprise to a qualifying beginning entrepreneur.

#### **• Line 17 - Rental deduction**

Enter up to \$25,000 of net rental income derived from a qualifying contract for the lease of a revenue-producing enterprise to a qualifying beginning entrepreneur.

#### **• Line 18 - Gain deduction**

Enter the taxable part of a gain from the sale of a revenue-producing enterprise to a qualifying beginning entrepreneur.

### **Line 21 - Other subtract adjustments**

The following items may be entered on this line. **Attach a statement explaining each adjustment claimed on this line.**

- Compensation received by a National Guard or U.S. armed forces reserve member mobilized for federal active duty under Title 10, United States Code. Do not include compensation for attending annual training, basic military training, professional military education, nor for voluntary active duty for which you did not receive mobilization orders. **Attach a copy of your mobilization orders.**
- Exempt income of a Native American. See **Native Americans** on page 4.
- Retirement, unemployment, and sick pay benefits received from the U.S. Railroad Retirement Board. **Attach a copy of Federal Form RRB-1099, RRB-1099-R, or both.**
- \$1,750 for adopting a child under the age of 21 who qualifies as a dependent on your federal return where the adoption was finalized in 2006. If married filing separately, only one spouse may claim this deduction.
- Up to \$1,000 of the costs of adopting a child under the age of 21 who is mentally disabled, or is blind or disabled as determined under Title XVI of U.S. Social Security Act. The child must qualify as a dependent on your federal return and the adoption must be finalized in 2006.

- \$750 for each adopted child under the age of 21 who is mentally disabled, or is blind or disabled as determined under Title XVI of U.S. Social Security Act, and qualifies as a dependent on your federal return.
- Gain recognized on the sale of property due to the exercise of eminent domain.
- Amount of net income from a sole proprietorship or a passthrough entity that is exempted under the new or expanding industry exemption (N.D.C.C. ch. 40-57.1). **Attach a statement showing the calculation of exempt income or attach North Dakota Schedule K-1 from passthrough entity.**
- Amount of net income exempted under the renaissance zone provisions (N.D.C.C. ch. 40-63). **Attach Schedule RZ.**
- Amount of taxable gain from the sale of stock in a corporation that relocated to North Dakota—see N.D.C.C. § 57-38-01.18 for eligibility criteria.
- Amount of income from a pass-through entity subject to North Dakota's financial institution tax. For more information, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From A Pass-Through Entity Subject To N.D.C.C. ch. 57-35.3*. **Attach a copy of the statement you received from the entity.**
- Up to \$10,000 of lost wages not compensated for by sick pay and unreimbursed medical expenses incurred during the tax year and not deducted on federal return that are attributable to a donation of a human organ by you or your dependent. **Attach a statement showing the calculation of lost wages (and the name and FEIN of the employer), any sick pay received (or to be received), and the qualified medical expenses incurred.**
- State and local income tax refunds reported as income on the federal return, but only if (1) Form 37 or Form ND-2 was filed for the tax year

in which the taxes were deducted on the federal return and (2) the taxes were added back into income on that state return.

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### Line 24 - Federal income tax

Enter the amount from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter the amount from line 11 less lines 8a and 9.
- If you used **Form 1040A**, enter the amount from line 35 less the alternative minimum tax (included on line 28) less lines 40a, 41 and 42.
- If you used **Federal Form 1040**, complete the worksheet on page 9 to determine the amount to enter here.

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### Line 26 - Total adjustments from income

Enter the total of lines 7 through 18 plus line 21; however, do not include any of the adjustments for adopted children or the deduction for state and local income tax refunds claimed on line 21.

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## Specific line instructions for Schedule 3

### Full-year nonresident or part-year resident only

If you were a full-year nonresident or a part-year resident of North Dakota for the 2006 tax year, you must complete this schedule to calculate your North Dakota taxable income for purposes of Form ND-2. This also applies if you are filing a joint return and *either* you or your spouse was a nonresident for part or all of the tax year.

### Minnesota and Montana residents—

If you were a full-year resident of Minnesota or Montana, and all of your income is exempt from North Dakota income tax under the income tax reciprocity agreement, do not complete this schedule. See **Reciprocity** on page 4 for more information.

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## How to complete Schedule 3

### Step 1

First complete Part 2 (on page 2) of Schedule 3 to calculate your North Dakota adjusted gross income. The instructions for Part 2 start on this page.

### Step 2

Complete Part 1 (on page 1) of Schedule 3 to calculate your North Dakota taxable income. The instructions for Part 1 start on page 12.

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## Instructions for Schedule 3, Part 2

Complete Column A first by filling in the amounts as shown on your federal income tax return. Then complete Column B by filling in the portion of the amount shown in Column A that is derived from North Dakota sources, as explained in the instructions that follow.

**Important: The following instructions for lines 1 through 14 of the worksheet only apply to Column B.**

### Line 1, Column B

Include wages, salaries, tips, commissions, bonuses, and other compensation received for services performed in North Dakota while a nonresident, and all compensation received while a North Dakota resident.

**Minnesota resident**—Do not include compensation received for work performed in North Dakota while a Minnesota resident if you maintained a permanent home in Minnesota that you returned to at least once each month.

**Montana resident**—Do not include compensation received for work performed in North Dakota while a Montana resident.

**Interstate commerce employee**—Do not include compensation received for work performed in North Dakota while a nonresident if it was for performing regularly assigned duties in more than one state for a rail, motor, air, or water carrier as provided under federal interstate commerce law.

**Line 2, Column B**

Include amounts received (or credited to your account) while a North Dakota resident. However, do not include interest from U.S. obligations. Also include your share of North Dakota-source interest and dividends which you received from a pass-through entity (e.g., a partnership) while a nonresident.

**Line 3, Column B**

Include net income or loss attributable to the portion of a sole proprietorship operated in North Dakota while a nonresident, and all net income or loss from a sole proprietorship (regardless of where its operations are located) while a North Dakota resident.

**Minnesota resident**—Do not include net income or loss from a personal or professional service business operated in North Dakota while a Minnesota resident if the income is eligible for income tax reciprocity.

**Line 4, Column B**

Include net gains and losses from tangible property in North Dakota received while a nonresident, and net gains and losses from all property (regardless of its location) received while a resident. Also include your share of North Dakota-source net gains and losses which you received from a pass-through entity (e.g., a partnership) while a nonresident.

**Line 5, Column B**

Include amounts received while a North Dakota resident.

**Line 6, Column B**

Include net income and losses from the rental of tangible property in North

Dakota received while a nonresident, and net income and losses from the rental of all property (regardless of location) received while a North Dakota resident.

Include royalties and other income from interests in oil, coal, or other mineral property in North Dakota received while a nonresident, and income from all mineral properties (regardless of location) received while a resident.

Include your share of North Dakota-source ordinary income or loss, net rental income, and other income not reported on other lines from a pass-through entity (e.g., a partnership) received while a nonresident, and all similar types of income and losses received from a pass-through entity while a resident.

Include your share of North Dakota-source income and losses from an estate or trust received while a nonresident. Do not include interest, dividends, pensions, or annuities received from an estate or trust while a nonresident.

**Line 7, Column B**

Include net income or loss attributable to the portion of a farm operated in North Dakota while a nonresident, and all net income or loss from a farm (regardless of where it is located) while a North Dakota resident.

**Line 8, Column B**

Include amounts received while a North Dakota resident, and amounts received from North Dakota sources while a nonresident. Do not include state and local income tax refunds, alimony, and social security benefits received while a nonresident.

**Part-year resident**—To determine the amount of your taxable social security benefits to include on this line, multiply the total gross social security benefits received while a resident by a percentage equal to the total taxable portion of your social security benefits divided by your total gross social security benefits.

**Line 10, Column B**

If a part-year resident, include expenses paid while a North Dakota resident. Otherwise, multiply these expenses by a ratio equal to North Dakota income divided by total income.

**Line 11, Column B**

Include moving expenses paid while a North Dakota resident or that were attributable to a move into North Dakota.

**Line 12, Column B**

Multiply amount in Column A by a ratio equal to North Dakota self-employment income divided by total self-employment income.

**Worksheet for Schedule 3, Part 1, line 8 (Form 1040 filers only)**

- A.** Amount from Form 1040, line 57 ..... **A** \_\_\_\_\_
- B.** If a part-year resident, enter amount from Form 1040, line 47, **but only to the extent the foreign income is included on Schedule 3, Part 1, line 1B** ..... **B** \_\_\_\_\_
- C.** If applicable, enter taxes from Form 5329, lines 4 and 8..... **C** \_\_\_\_\_
- D.** If applicable, enter the following taxes included on Form 1040, line 63..... **D** \_\_\_\_\_
  - Form 4970 tax
  - Section 72(m)(5) excess benefits tax
  - Recapture taxes (if Form 37 or Form ND-2 was used in credit year)
- E.** Add lines **A**, **B**, **C**, and **D** ..... **E** \_\_\_\_\_
- F.** If applicable, enter amounts from Form 1040, lines 45, 66a, 68, and 71..... **F** \_\_\_\_\_
- G.** Subtract line **F** from line **E**. If result is zero or less, enter -0-. Enter this amount on Schedule 3, Part 1, line 8 ..... **G** \_\_\_\_\_

**Line 13, Column B**

Multiply amount in Column A by a ratio equal to North Dakota earned income divided by total earned income.

**Line 14, Column B**

Multiply the amount of a deduction for an MSA and the business expenses of reservists, performing artists, and fee-basis government officials by a ratio equal to North Dakota compensation for services (to which the deduction or expenses relate) divided by total compensation.

Include the amount of a penalty on early withdrawal only if the related interest income is included on line 2, Column B.

Multiply a clean fuel vehicle deduction and a health savings account deduction by a ratio equal to North Dakota income divided by total income.

If a part-year resident, include alimony paid while a North Dakota resident. Otherwise, multiply the total alimony paid by a percentage equal to North Dakota income divided by total income.

Include the portion of the domestic production activities deduction based on North Dakota income.

Multiply any other adjustment included in total on line 36 of Form 1040 by a ratio equal to North Dakota income to which adjustment relates divided by total income to which adjustment relates.

Include jury duty pay only if the related employer wages are included on line 1, Column B.

**Instructions for Schedule 3, Part 1**

Fill in your name, social security number, and residency status at the top of the schedule. If you were a resident of another state for part or all of the tax year, enter the name of the other state in the box provided. If you were a part-year resident of North Dakota for the tax year, also enter the dates you were a resident of North Dakota.

**Lines 2 through 5 - North Dakota subtractions**

You may be eligible for certain deductions and exclusions from your North Dakota adjusted gross income on line 1B. See the instructions for lines 7 through 18, and line 21, of Schedule 2 (Form ND-2) starting on page 8 of this booklet for the deductions and exclusions that may apply. Except for the adoption deductions and the human organ donation deduction listed in the instructions for line 21 of Schedule 2, a deduction or exclusion is not allowed unless the related income is included in the amount on line 1B. If you are eligible for any of the adoption deductions listed in the instructions for line 21 of Schedule 2, multiply the deduction amount by a ratio equal to North Dakota adjusted gross income (on line 1B) divided by federal adjusted gross income (on line 1A). *(Note: If line 1B is positive and line 1A is zero or negative, the ratio is 1.0000.)*

**Attach a statement on which you identify the deduction or exclusion and show its calculation.**

If you qualify for the deduction for income from a passthrough entity subject to North Dakota's financial institution tax listed in the instructions for line 21 of Schedule 2, you must attach a copy of the statement that you received from the passthrough entity.

**Line 8 - Federal income tax**

Enter your federal income tax from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter the amount from line 11 less lines 8a and 9.

- If you used **Form 1040A**, enter the amount from line 35 less the alternative minimum tax (included on line 28) less lines 40a, 41 and 42.
- If you used **Form 1040**, complete the worksheet on page 11 to determine the amount to enter on this line.

**Line 12 - North Dakota additions**

If you were a part-year resident of North Dakota during the tax year, enter the following if received while a resident of North Dakota:

- Interest income from state and local government obligations (other than North Dakota and its political subdivisions) that is exempt from federal income tax.
- Taxable portion of a lump-sum distribution from a qualified retirement plan from Form 4972, line 6 plus line 10.

If claiming the planned gift credit, multiply the amount (if any) from Schedule PG, line 17, by a ratio equal to North Dakota adjusted gross income (on line 1B) divided by federal adjusted gross income (on line 1A), and enter result on this line.

If your North Dakota adjusted gross income on line 1B includes a loss from a passthrough entity subject to North Dakota's financial institution tax, enter the loss on this line as a positive number. See instructions for line 4 of Schedule 2 for more information. **Attach a copy of the statement you received from the entity.**

**Worksheet for Schedule 3, Part 1, line 17**

|  |                    |
|--|--------------------|
| <b>A.</b> Amount of state and local income taxes from Schedule A (Form 1040), line 5 .....                   | <b>A</b> _____     |
| <b>B.</b> Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions .....        | <b>B</b> _____     |
| <b>C.</b> Divide line <b>A</b> by line <b>B</b> .....  | <b>C</b> ___ . ___ |
| <b>D.</b> Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions .....        | <b>D</b> _____     |
| <b>E.</b> Multiply line <b>D</b> by line <b>C</b> .....  | <b>E</b> _____     |
| <b>F.</b> Subtract line <b>E</b> from line <b>A</b> . Enter this amount on Schedule 3, Part 1, line 17 ..... | <b>F</b> _____     |

**Line 17 - State and local income taxes**

If a portion of your federal itemized deductions was disallowed because your federal adjusted gross income exceeded \$150,500 (\$75,250, if married filing separately), complete the worksheet on page 12 to determine the amount to enter on this line.

**Line 19 - Standard deduction**

Enter your federal standard deduction from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 24.
- If you used **Form 1040**, enter amount from line 40.
- If you used **Form 1040EZ**, the amount to enter on this line depends on the box(es) you checked on line 5 of Form 1040EZ—
  - If you did not check either “You” or “Spouse,” enter \$5,150, if single, or \$10,300, if married filing jointly.
  - If you checked “You” or “Spouse,” enter the larger of: (1) \$850 or (2) the amount from Form 1040EZ, line 1, plus \$300; however, do not enter more than \$5,150, if single, or \$10,300, if married filing jointly.

**Line 21 - Exemptions**

Enter your federal exemption amount from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 26.
- If you used **Form 1040**, enter amount from line 42.

- If you used **Form 1040EZ**, the amount to enter on this line depends on the box(es) you checked on line 5 of Form 1040EZ—
  - If you did not check either “You” or “Spouse,” enter \$3,300, if single, or \$6,600, if married filing jointly.
  - If you are single and checked “You”, or you are married filing jointly and checked both boxes, enter \$0.
  - If you are married filing jointly and checked either “You” or “Spouse,” enter \$3,300.

**Specific line instructions for Tax Computation Schedule**

**To be completed by all Form ND-2 filers**

**Line 3 - Credit for income tax paid to another state**

If you were a full-year resident or part-year resident of North Dakota, and you paid income tax to another state on income also taxed by North Dakota, you may be eligible for an income tax credit. Obtain **Schedule 4** for details. **Attach Schedule 4 and a copy of the other state’s return.**

**Lines 4 and 5 - Credit for contribution to qualifying private high school or college**

If you made a charitable contribution to a qualifying nonprofit private high school or college in North Dakota, you may qualify for a credit. Contributions do not qualify unless they are made directly

to, or are specially designated for the exclusive use of, a qualifying school. Contributions to a fund that benefits both qualifying and nonqualifying schools do not qualify for the credit. A contribution may be made up to the due date or extended due date of your return. Following are the qualifying schools in each category of institution:

**High school category**

- St. Mary’s Central High School (Bismarck)
- Dakota Memorial High School (Minot)
- Dickinson Trinity High School (Dickinson)
- Shiloh Christian School (Bismarck)
- Shanley High School (Fargo)
- Dakota Adventist Academy (Bismarck)
- Oak Grove Lutheran High School (Fargo)
- Johnson Corners Christian Academy (Watford City)
- Our Redeemer’s Christian School (Minot)
- Anne Carlsen School (Jamestown)
- Bishop Ryan High School (Minot)
- Trinity Christian School (Williston)
- Prairie Learning Education Center (Raleigh)
- New Testament Baptist Christian School (Larimore)

**College category**

- University of Mary (Bismarck)
- Trinity Bible College (Ellendale)
- Jamestown College (Jamestown)
- ND Independent College Fund
- United Tribes Technical College (Bismarck)

The credit allowed for *each* category of school is equal to the lesser of (1) 50% of the contributions made to all schools in the category, (2) 40% of the tax on line 2 of the Tax Computation Schedule, or (3) \$250. Enter the credit on the applicable line. **Attach a statement identifying the qualifying school along with a copy of a receipt or canceled check (front and back).**

**2006 Form ND-2 Tax Rate Schedule**

**If North Dakota taxable income is:**

**The tax is equal to:**

| Over   | But not over |          |   |        |                             |
|--------|--------------|----------|---|--------|-----------------------------|
| \$ 0   | \$ 3,000     |          |   | 2.67%  | of the amount on line 1     |
| 3,000  | 5,000        | \$ 80.10 | + | 4.00%  | of the amount over \$ 3,000 |
| 5,000  | 8,000        | 160.10   | + | 5.33%  | of the amount over 5,000    |
| 8,000  | 15,000       | 320.00   | + | 6.67%  | of the amount over 8,000    |
| 15,000 | 25,000       | 786.90   | + | 8.00%  | of the amount over 15,000   |
| 25,000 | 35,000       | 1,586.90 | + | 9.33%  | of the amount over 25,000   |
| 35,000 | 50,000       | 2,519.90 | + | 10.67% | of the amount over 35,000   |
| 50,000 |              | 4,120.40 | + | 12.00% | of the amount over 50,000   |

### Line 6 - Long-term care insurance credit

If you paid premiums on a long-term care insurance policy covering yourself, your spouse, child, parent, or stepparent, you are eligible for a credit equal to the lesser of (1) 25% of the premiums paid during the year or (2) \$100 multiplied by the number of qualifying persons covered by the policy. **Attach a statement showing the name of the insurance company, the policy number, the number of qualifying persons covered by the policy and the amount of premiums paid during the year.**

### Line 7 - Other income tax credits

The following additional income tax credits are allowed on Form ND-2:

- You may qualify for a credit if you installed a qualifying geothermal, solar, or wind energy device on property you own or lease in North Dakota. For details, obtain the brochure *North Dakota Tax Incentives For Solar, Wind, Or Geothermal Devices*. **Attach a statement describing the device, a detailed list of the costs of acquisition and installation, and the date the device was completely installed.**
- If you paid wages to a developmentally disabled or chronically mentally ill employee, you are eligible for a credit equal to 5 percent of the first \$6,000 of wages paid during the first twelve months of employment. In any tax year, the credit must be calculated on the wages paid during the tax year. The amount of the credit allowed in any tax year is limited to 50 percent of the tax on line 2. **Attach a statement showing the name and social security number of the employee, the start date of employment, and amount of wages paid during the tax year.**
- If you paid for the cost of care of a family member to prevent the placement of the family member in a long-term care facility, you may be eligible for a credit. Obtain **Schedule FC** for details. **Attach Schedule FC.**
- If you qualified for a tax credit under the North Dakota Renaissance Zone Act, enter the amount from Schedule RZ, Part 6, line 6. **Attach Schedule RZ.**
- If you invested in a qualified business for purposes of the agricultural commodity processing facility investment credit under N.D.C.C. ch. 57-38.6, you may be eligible for a credit. The qualified business is required to provide you with an investment reporting form that verifies the investment and explains how to calculate the credit. **Attach a copy of the investment reporting form.**
- If you own a sole proprietorship that is a licensed supplier (wholesaler) of biodiesel fuel, you are allowed a credit of five cents per gallon for blending biodiesel fuel having at least a five percent blend (“B5”). The unused portion of the credit may be carried forward for five tax years. The biodiesel fuel must meet ASTM specifications. **Attach a statement showing the name and FEIN of your business and your calculation of the credit.**  
  
If you own an interest in a partnership, S corporation, or other passthrough entity that qualifies for the biodiesel fuel supplier credit, enter on this line your share of the credit from the entity. **Attach a copy of North Dakota Schedule K-1.**
- If you own a sole proprietorship that is a licensed seller (retailer) of biodiesel fuel, you are allowed a credit of 10 percent of the costs to adapt or add equipment to your facility to enable it to sell diesel fuel having at least a 2 percent blend (“B2”). Except for costs incurred before January 1, 2005, include eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin. The credit is allowed in each of five tax years, starting with the tax year in which sales of the eligible biodiesel fuel begin. The unused portion of the credit in each of the initial five years may be carried forward for five tax years. A taxpayer is allowed no more than \$50,000 of credits in all tax years.

The biodiesel fuel must meet ASTM specifications. **Attach a statement showing the name and FEIN of your business and your calculation of the credit.**

If you own an interest in a partnership, S corporation, or other passthrough entity that qualifies for the biodiesel fuel seller credit, enter on this line your share of the credit from the entity. **Attach a copy of North Dakota Schedule K-1.**

- If you made a charitable contribution to a qualified North Dakota nonprofit organization under a qualified planned gift arrangement, you may be eligible for a tax credit. Obtain **Schedule PG** for details. **Attach Schedule PG.**

### Lines 8 - Certified development corporation credit

If you bought membership in, paid dues to, or contributed to a certified nonprofit development corporation under N.D.C.C. § 10-33-124, you may be eligible for a credit. The corporation is required to provide you with an investment reporting form that verifies the payment and explains how to calculate the credit. **Attach a copy of the investment reporting form.**

### Lines 9 - Seed capital investment tax credit

If you invested in a qualified business for purposes of the seed capital investment tax credit under N.D.C.C. ch. 57-38.5, you may be eligible for a credit. The business is required to provide you with an investment reporting form that verifies the investment and explains how to calculate the credit. **Attach a copy of the investment reporting form.**

### Line 15 - Application of overpayment to 2007

If you have an overpayment on line 14, you may elect to apply part or all of it as an estimated payment toward your 2007 income tax liability. If you make this election, you may not change the election or the amount you applied after you file your return.

### Lines 16 and 17 - Voluntary contributions

If you have an overpayment on line 14, you may make a voluntary contribution of part or all of your overpayment to the Watchable Wildlife Fund or the Trees For North Dakota Program Trust Fund (or both) by entering on the applicable line the amount you wish to contribute. If contributing, you must contribute at least \$1.00. A contribution will reduce your refund.

### Lines 20 and 21 - Voluntary contributions

If you have a tax due on line 19, you may make a voluntary contribution to the Watchable Wildlife Fund or the Trees For North Dakota Program Trust Fund (or both) by entering on the applicable line the amount you wish to contribute. If contributing, you must contribute at least \$1.00. A contribution will increase your balance due.

### Line 22 - Balance due

The balance due (including the amount, if any, from line 23) must be paid in full with your return. Make your check or money order payable to "ND State Tax Commissioner." A late payment is subject to penalty and interest charges—see **Penalty and interest** on page 5.

**Pay by credit card.** You may pay your balance due by credit card. To do so, go to Link2Gov Corporation's web site at [www.ndtaxpayment.com](http://www.ndtaxpayment.com) or call them toll-free at 1-888-ND-TAXES (1-888-638-2937). A convenience fee will be charged to your credit card by Link2Gov Corporation for its services. The State of North Dakota does not receive any part of this fee. You will be told what the fee is during the transaction and you will have the option to continue or cancel the transaction.

### Line 23 - Interest on underpaid estimated tax

If you were required to pay estimated North Dakota income tax for 2006, but you did not pay enough or you paid it late, interest is charged on the underpayment or late payment. To determine if you owe interest, obtain and complete the **2006 Form 400-UT**.

### Sign your return

Sign and date your return. If you are filing a joint return, both spouses must sign. An unsigned return is not a valid return and will be sent back to you. This may result in penalty and interest charges if you refile it after the due date.

**Disclosure authorization.** You may authorize the Office of State Tax Commissioner (Tax Department) to directly contact your tax return preparer to discuss your 2006 return by checking the box to the right of the signature area on the return. This allows the Tax Department to ask questions and request missing information needed to process your return. It also allows your preparer to respond to the questions and provide the requested information, to check on the status of your return's processing (including a related refund or payment), and to respond to notices that you share with your preparer about math errors and return preparation. (*Note: The Tax Department will only send notices directly to you.*)

This authorization only applies to the individual whose printed name and signature appear in the preparer's signature area (and not to any firm). The authorization only applies to the return on which it is made, and it automatically expires on the due date (excluding extensions) for filing the next year's return. The authorization does not allow your preparer to receive your refund check, to bind you in any way (including any additional tax liability), or to otherwise represent you before the Tax Department.

## Tips for trouble-free filing

A complete and accurate return ensures the fastest processing of your return as well as a fast refund. Errors or omissions in the return mean delayed processing and possibly having to contact you.

**Important:** A return missing a signature or a copy of the federal return is not a properly filed return, and it will be sent back to you. This could result in late filing and payment charges if you resubmit the return after the due date.

### Before you file, check the following—

- Write legibly**  
Our inability to read your information may result in errors.
- Enter your correct social security number**  
We use this number to identify your return. If married, include your spouse's social security number.
- Check your math**  
Math errors are one of the most common errors made.
- Include all Form W-2s**  
Be sure to include a copy of all your W-2s. Also include a copy of any Form 1099 or North Dakota Schedule K-1 showing North Dakota income tax withholding.
- Use the right address**  
Amazingly, thousands of North Dakota returns are mailed to the Internal Revenue Service by mistake each year. Use the preprinted envelope in this booklet.
- Use the right postage**  
Insufficient postage means the U.S. Postal Service will send your return back to you.
- Sign the return**  
Each year we receive thousands of unsigned returns. Before we can process them, we must return them to taxpayers for their signatures.
- Include a copy of your federal return**  
A copy of the federal return is part of a complete state return. If it's missing, we cannot process the return, and it will be sent back to you.

## School district codes

If you were a resident of North Dakota for part or all of the tax year, enter the code number for the school district in which you resided in the boxes on Form ND-2. If you are married and filing a joint return, and only one spouse was a resident of North Dakota for part or all of the tax year, enter the code number for the school district in which that spouse resided.

If you were a nonresident of North Dakota for the entire tax year, enter 54-000 in the boxes on Form ND-2. This also applies if you are married and filing a joint return and both spouses were nonresidents of North Dakota for the entire tax year.

| School District Address | School District | Code No.             | School District Address | School District | Code No. | School District Address | School District | Code No.     |    |                      |        |
|-------------------------|-----------------|----------------------|-------------------------|-----------------|----------|-------------------------|-----------------|--------------|----|----------------------|--------|
| Adams                   | ND              | Adams 128            | 50-128                  | Grand Forks     | ND       | Grand Forks 1           | 18-001          | New Salem    | ND | New Salem 7          | 30-007 |
| Alexander               | ND              | Alexander 2          | 27-002                  |                 |          | Air Force Base 140      | 18-140          | New Town     | ND | New Town 1           | 31-001 |
| Almont                  | ND              | Sims 8               | 30-008                  | Grenora         | ND       | Grenora 99              | 53-099          | Newburg      | ND | Newburg-United 54    | 05-054 |
| Amidon                  | ND              | Central Elem. 32     | 44-032                  | Gwinner         | ND       | N Sargent 3             | 41-003          | Northwood    | ND | Northwood 129        | 18-129 |
| Anamoose                | ND              | Anamoose 14          | 25-014                  | Hague           | ND       | Bakker 10               | 15-010          | Oakes        | ND | Oakes 41             | 11-041 |
| Ashley                  | ND              | Ashley 9             | 26-009                  | Halliday        | ND       | Halliday 19             | 13-019          | Oberon       | ND | Oberon 16            | 03-016 |
| Baldwin                 | ND              | Baldwin 29           | 08-029                  |                 |          | Twin Buttes 37          | 13-037          | Page         | ND | Page 80              | 09-080 |
| Beach                   | ND              | Beach 3              | 17-003                  | Hankinson       | ND       | Hankinson 8             | 39-008          | Park River   | ND | Park River 78        | 50-078 |
| Belcourt                | ND              | Belcourt 7           | 40-007                  | Harvey          | ND       | Harvey 38               | 52-038          | Parshall     | ND | Parshall 3           | 31-003 |
| Belfield                | ND              | Belfield 13          | 45-013                  | Hatton          | ND       | Hatton 7                | 49-007          | Pembina      | ND | North Border 100     | 34-100 |
| Berthold                | ND              | Lewis and Clark 161  | 51-161                  | Hazelton        | ND       | Haz-Mof-Brad 6          | 15-006          | Pettibone    | ND | Pettibone-Tuttle 11  | 22-011 |
| Beulah                  | ND              | Beulah 27            | 29-027                  | Hazen           | ND       | Hazen 3                 | 29-003          | Pingree      | ND | Pingree-Buchanan 10  | 47-010 |
| Binford                 | ND              | Midkota 7            | 20-007                  | Hebron          | ND       | Hebron 13               | 30-013          | Powers Lake  | ND | Powers Lake 27       | 07-027 |
| Bisbee                  | ND              | Bisbee-Egeland 2     | 48-002                  | Hettinger       | ND       | Hettinger 13            | 01-013          | Ray          | ND | Nesson 2             | 53-002 |
| Bismarck                | ND              | Bismarck 1           | 08-001                  | Hillsboro       | ND       | Hillsboro 9             | 49-009          | Richardton   | ND | Richardton-Taylor 34 | 45-034 |
|                         |                 | Naughton 25          | 08-025                  | Hoopole         | ND       | Valley 12               | 34-012          | Robinson     | ND | Robinson 14          | 22-014 |
|                         |                 | Apple Creek 39       | 08-039                  | Hope            | ND       | Hope 10                 | 46-010          | Rock Lake    | ND | N Central 28         | 48-028 |
|                         |                 | Manning 45           | 08-045                  | Hunter          | ND       | Northern Cass 97        | 09-097          | Rogers       | ND | N Central 65         | 02-065 |
| Bottineau               | ND              | Bottineau 1          | 05-001                  | Hurdsfield      | ND       | Pleasant Valley 35      | 52-035          | Rolette      | ND | Rolette 29           | 40-029 |
| Bowbells                | ND              | Bowbells 14          | 07-014                  | Inkster         | ND       | Midway 128              | 18-128          | Rolla        | ND | Mt. Pleasant 4       | 40-004 |
| Bowman                  | ND              | Bowman Co 1          | 06-001                  | Jamestown       | ND       | Jamestown 1             | 47-001          | Roseglen     | ND | White Shield 85      | 28-085 |
| Buxton                  | ND              | Central Valley 3     | 49-003                  | Kenmare         | ND       | Kenmare 28              | 51-028          | Rugby        | ND | Rugby 5              | 35-005 |
| Calvin                  | ND              | Border Central 14    | 10-014                  | Kensal          | ND       | Kensal 19               | 47-019          | Sawyer       | ND | Sawyer 16            | 51-016 |
| Cando                   | ND              | Southern 8           | 48-008                  | Killdeer        | ND       | Killdeer 16             | 13-016          | Scranton     | ND | Scranton 33          | 06-033 |
| Carrington              | ND              | Carrington 49        | 16-049                  | Kindred         | ND       | Kindred 2               | 09-002          | Selfridge    | ND | Selfridge 8          | 43-008 |
| Carson                  | ND              | Roosevelt 18         | 19-018                  | Kulm            | ND       | Kulm 7                  | 23-007          | Sheldon      | ND | Sheldon 2            | 37-002 |
| Cartwright              | ND              | Horse Creek 32       | 27-032                  | Lakota          | ND       | Lakota 66               | 32-066          | Sidney       | MT | Earl 18              | 27-018 |
| Casselton               | ND              | Central Cass 17      | 09-017                  | LaMoure         | ND       | LaMoure 8               | 23-008          |              |    | Bowline Butte 19     | 27-019 |
| Cavalier                | ND              | Cavalier 6           | 34-006                  | Langdon         | ND       | Langdon 23              | 10-023          | Solen        | ND | Solen 3              | 43-003 |
| Center                  | ND              | Center-Stanton 1     | 33-001                  | Larimore        | ND       | Larimore 44             | 18-044          | South Heart  | ND | South Heart 9        | 45-009 |
| Colfax                  | ND              | Richland 44          | 39-044                  | Leeds           | ND       | Leeds 6                 | 03-006          | Spiritwood   | ND | Spiritwood 26        | 47-026 |
| Cooperstown             | ND              | Griggs County        |                         | Lidgerwood      | ND       | Lidgerwood 28           | 39-028          | St. Anthony  | ND | Little Heart 4       | 30-004 |
|                         |                 | Central 18           | 20-018                  | Lignite         | ND       | Burke Central 36        | 07-036          | St. John     | ND | St. John 3           | 40-003 |
| Crosby                  | ND              | Divide County 1      | 12-001                  | Linton          | ND       | Linton 36               | 15-036          | St. Thomas   | ND | St. Thomas 43        | 34-043 |
| Des Lacs                | ND              | United 7             | 51-007                  | Lisbon          | ND       | Lisbon 19               | 37-019          | Stanley      | ND | Stanley 2            | 31-002 |
| Devils Lake             | ND              | Devils Lake 1        | 36-001                  | Maddock         | ND       | Maddock 9               | 03-009          | Starkweather | ND | Starkweather 44      | 36-044 |
| Dickinson               | ND              | Dickinson 1          | 45-001                  | Mandan          | ND       | Mandan 1                | 30-001          | Steele       | ND | Steele-Dawson 26     | 22-026 |
| Dodge                   | ND              | Dodge 8              | 13-008                  |                 |          | Sweet Briar 17          | 30-017          | Sterling     | ND | Sterling 35          | 08-035 |
| Drake                   | ND              | Drake 57             | 25-057                  | Mandaree        | ND       | Mandaree 36             | 27-036          | Strasburg    | ND | Strasburg 15         | 15-015 |
| Drayton                 | ND              | Drayton 19           | 34-019                  | Mantador        | ND       | Mantador 5              | 39-005          | Surrey       | ND | Surrey 41            | 51-041 |
| Dunseith                | ND              | Dunseith 1           | 40-001                  | Manvel          | ND       | Manvel 125              | 18-125          | Tappen       | ND | Tappen 28            | 22-028 |
| Edgeley                 | ND              | Edgeley 3            | 23-003                  | Mapleton        | ND       | Mapleton 7              | 09-007          | Thompson     | ND | Thompson 61          | 18-061 |
| Edinburg                | ND              | Edinburg 106         | 50-106                  | Marion          | ND       | Litchville-Marion 46    | 02-046          | Tioga        | ND | Tioga 15             | 53-015 |
| Edmore                  | ND              | Edmore 2             | 36-002                  | Marmarth        | ND       | Marmarth 12             | 44-012          | Tower City   | ND | Maple Valley 4       | 09-004 |
| Elgin                   | ND              | Elgin-New Leipzig 49 | 19-049                  | Max             | ND       | Max 50                  | 28-050          | Towner       | ND | TGU 60               | 25-060 |
| Ellendale               | ND              | Ellendale 40         | 11-040                  | Mayville        | ND       | May-Port CG 14          | 49-014          | Trenton      | ND | Eight Mile 6         | 53-006 |
| Emerado                 | ND              | Emerado 127          | 18-127                  | McClusky        | ND       | McClusky 19             | 42-019          | Turtle Lake  | ND | Turtle Lake-         |        |
| Enderlin                | ND              | Enderlin 22          | 37-022                  | McVille         | ND       | Makota Prairie 1        | 32-001          |              |    | Mercer 72            | 28-072 |
| Fairmount               | ND              | Fairmount 18         | 39-018                  | Medina          | ND       | Medina 3                | 47-003          | Tuttle       | ND | Tuttle-Pettibone 20  | 22-020 |
| Fairview                | MT              | Yellowstone 14       | 27-014                  | Medora          | ND       | Billings Co. 1          | 04-001          | Underwood    | ND | Underwood 8          | 28-008 |
| Fargo                   | ND              | Fargo 1              | 09-001                  | Menoken         | ND       | Menoken 33              | 08-033          | Valley City  | ND | Valley City 2        | 02-002 |
| Fessenden               | ND              | Fessenden-Bowden 25  | 52-025                  | Milnor          | ND       | Milnor 2                | 41-002          | Velva        | ND | Velva 1              | 25-001 |
| Finley                  | ND              | Finley-Sharon 19     | 46-019                  | Minnewaukan     | ND       | Minnewaukan 5           | 03-005          | Verona       | ND | Verona 11            | 23-011 |
| Flasher                 | ND              | Flasher 39           | 30-039                  | Minot           | ND       | Minot 1                 | 51-001          | Wahpeton     | ND | Wahpeton 37          | 39-037 |
| Fordville               | ND              | Fordville-Lankin 5   | 50-005                  |                 |          | Nedrose 4               | 51-004          | Warwick      | ND | Warwick 29           | 03-029 |
| Forman                  | ND              | Sargent Central 6    | 41-006                  |                 |          | Bell 10                 | 51-010          | Washburn     | ND | Washburn 4           | 28-004 |
| Ft. Ransom              | ND              | Ft. Ransom 6         | 37-006                  |                 |          | Eureka 19               | 51-019          | Watford City | ND | McKenzie Co 1        | 27-001 |
| Ft. Totten              | ND              | Ft. Totten 30        | 03-030                  |                 |          | S Prairie 70            | 51-070          | West Fargo   | ND | West Fargo 6         | 09-006 |
| Ft. Yates               | ND              | Ft. Yates 4          | 43-004                  |                 |          | Air Force Base 160      | 51-160          | Westhope     | ND | Westhope 17          | 05-017 |
| Gackle                  | ND              | Gackle-Streeter 56   | 24-056                  | Minto           | ND       | Minto 20                | 50-020          | Wildrose     | ND | Wildrose-Alamo 91    | 53-091 |
| Garrison                | ND              | Garrison 51          | 28-051                  | Mohall          | ND       | Mohall-Lansford         |                 | Williston    | ND | Williston 1          | 53-001 |
| Glen Ullin              | ND              | Glen Ullin 48        | 30-048                  |                 |          | -Sherwood 1             | 38-001          |              |    | New 8                | 53-008 |
| Glenburn                | ND              | Glenburn 26          | 38-026                  | Montpelier      | ND       | Montpelier 14           | 47-014          | Wilton       | ND | Montefiore 1         | 28-001 |
| Golden Valley           | ND              | Golden Valley 20     | 29-020                  | Mott            | ND       | Mott-Regent 1           | 21-001          | Wimbledon    | ND | Wimbledon-           |        |
| Golva                   | ND              | Lone Tree 6          | 17-006                  | Munich          | ND       | Munich 19               | 10-019          |              |    | Courtney 82          | 02-082 |
| Goodrich                | ND              | Goodrich 16          | 42-016                  | Napoleon        | ND       | Napoleon 2              | 24-002          | Wing         | ND | Wing 28              | 08-028 |
| Grafton                 | ND              | Grafton 3            | 50-003                  | New England     | ND       | New England 9           | 21-009          | Wishek       | ND | Wishek 19            | 26-019 |
|                         |                 | Nash 51              | 50-051                  | New Rockford    | ND       | New Rockford            |                 | Wolford      | ND | Wolford 1            | 35-001 |
|                         |                 |                      |                         |                 |          | -Sheyenne 2             | 14-002          | Wyndmere     | ND | Wyndmere 42          | 39-042 |
|                         |                 |                      |                         |                 |          |                         |                 | Zeeland      | ND | Zeeland 4            | 26-004 |



## NORTH DAKOTA FOREST SERVICE

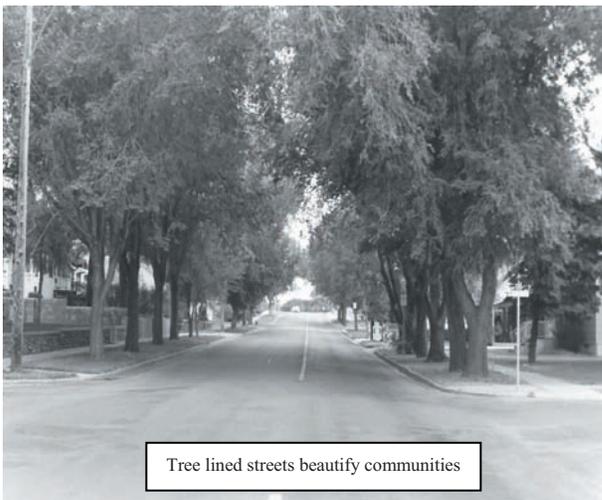
*Celebrating "100 Years of Forestry"*



*Please Contribute to the  
"Trees for North Dakota" Income Tax Check-Off*

North Dakotans celebrated **"100 Years of Forestry"** in 2006. You can help continue the historic tree planting traditions started by our early predecessors through a voluntary contribution on your 2006 tax return to the TREES FOR NORTH DAKOTA TRUST FUND.

The North Dakota Forest Service centennial theme: ***"rooted in the past – growing towards the future"*** honors past forestry accomplishments and highlights the agency's future direction for the next century! While many years have passed, the mission is still guided by the early foundations in forestry to **"care for, protect and improve forest resources to enhance the quality of life for future generations."**

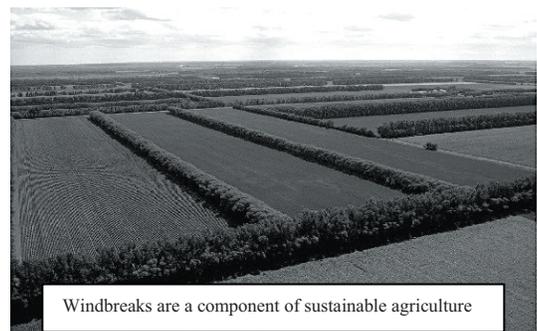


Tree lined streets beautify communities

**Community Forestry** - A century ago, settlers planted tree seeds they brought with them or transplanted young seedlings from the riverbanks into their yards. Today, the Community Forestry Program provides financial assistance for tree planting and other forestry development projects. They also offer technical assistance for tree planting plans, management plans, shade tree ordinances, pest surveys and tree workshops for activities in city parks, tree-lined streets or other green spaces within a community.

**Fire Management** - A century ago, prairie fires swept across the plains. Today, the North Dakota Forest Service administers a Fire Management Program to ensure the protection of lives, property and natural resources. It does this by training, organizing and equipping North Dakota's 376 rural volunteer and 12 career fire departments. Community protection is improved through grants for wildfire hazard mitigation and "FireWise" landscape projects. Fire prevention is stressed through the distribution of Smokey Bear materials.

**Forest Resource Management** - A century ago, the prairies lacked trees and homesteaders were demanding building materials, fuel, fence posts, and protection from the harsh winds for themselves and the soil. Today, our Forest Stewardship Program improves forest resources by direct financial assistance for forest improvement practices, and educating rural family and farm landowners on how to better manage, protect and utilize their native and planted forest resources.



Windbreaks are a component of sustainable agriculture

***Celebrating “100 Years of Forestry”***  
***Please Contribute to the***  
***“Trees for North Dakota” Income Tax Check-Off***

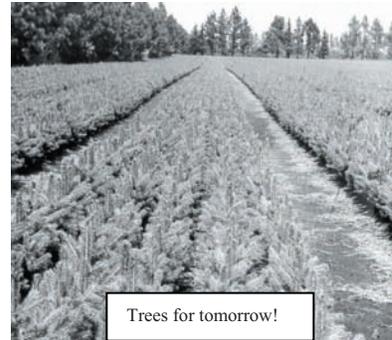


Students receive trees through the School Tree Program

**Information and Education** - A century ago, the citizens of North Dakota believed in training school children on the subject of forestry to teach them to become devoted life students of nature. Today, the Information and Education Program offers K-12 youth and adults “Project Learning Tree” (PLT) workshops and activities that help develop the knowledge and skills they need to make wise decisions about the conservation, use, and management of forest resources. The program also handles the daily requests for forestry information; the publication of educational materials; and a newsletter entitled “The Prairie Forester.”

**Sustainable Forestry** - A century ago, the foundations of forestry were set in place to help create diverse and healthy forest resources. Today, private, community and state forests are extremely valuable resources that provide innumerable benefits. This program ensures the perpetuation, health, productivity and growth of North Dakota’s private, community and five state forests, comprising approximately 13,278 acres. These woodlands play an important role in the economic well-being of several rural communities by attracting outdoor enthusiasts.

**Tree Production** - A century ago, the lack of trees caused settlers to construct homes from sod and heat with buffalo chips. Today, the 160-acre Towner State Nursery specializes in the production of conifer (evergreen) stock in over twenty different species and stock types. The nursery is a self-supporting operation that produces approximately 1.2 million tree seedlings annually for distribution to landowners. The trees are used for farmstead, living snow fence, field windbreak, wildlife, forestry and other conservation plantings. Since 1927, over 75 million tree seedlings have been produced and sold.



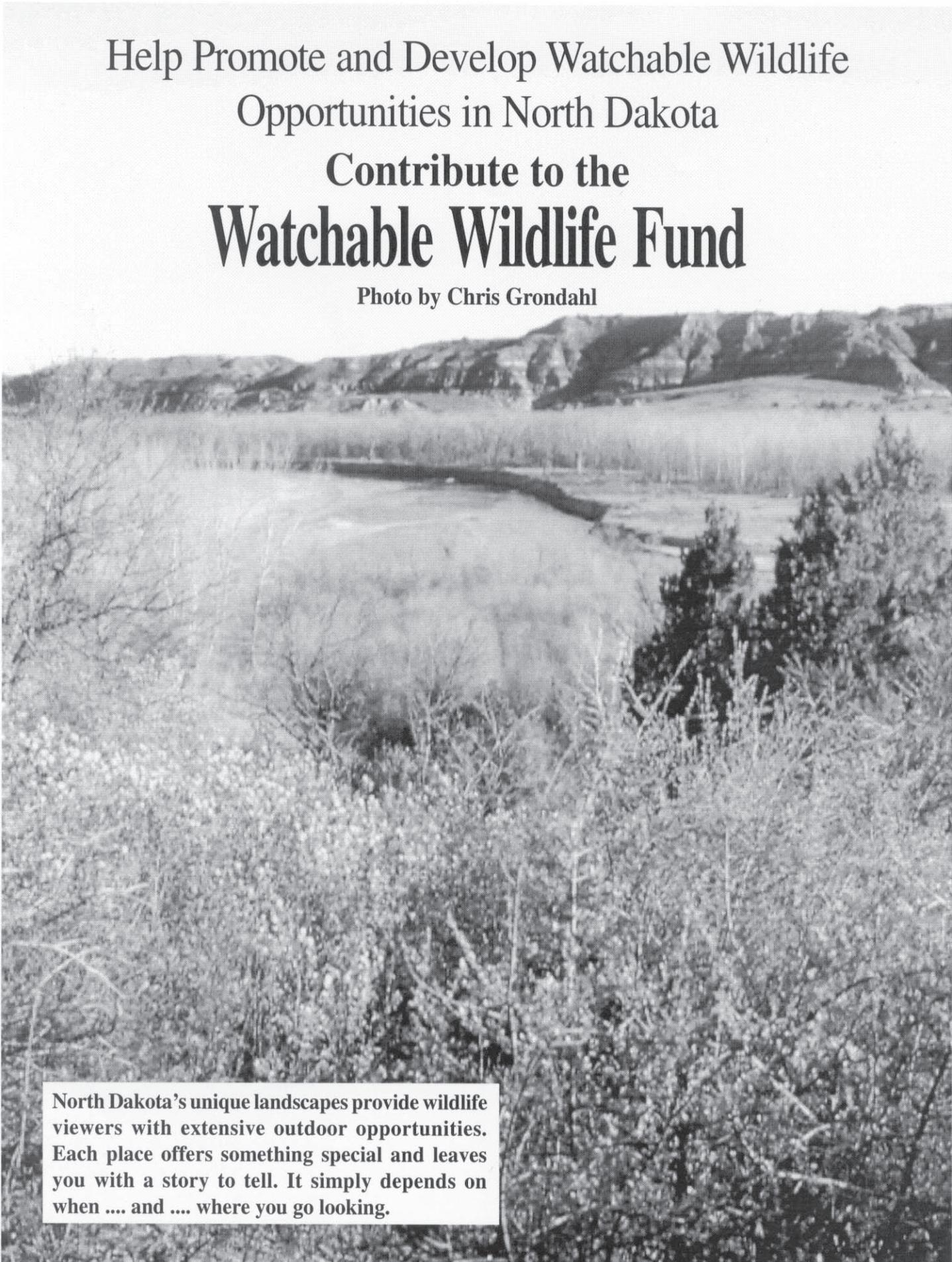
Trees for tomorrow!

***To contribute to the “Trees for North Dakota” Trust Fund and “take root...and plant trees for tomorrow,” consult your tax preparer or enter a voluntary contribution on the 2006 North Dakota Individual Income Tax Return. On Form ND-1, look for Line 34 on an overpayment return and Line 38 on a tax due return. On Form ND-2, use Line 17 on an overpayment return and Line 21 on a tax due return.***

**For more information contact:**  
**NORTH DAKOTA FOREST SERVICE**  
**307 First Street East**  
**Bottineau ND 58318-1100**  
**Tel: (701) 228-5422 Fax: (701) 228-5448**  
**[www.nd.gov/forest](http://www.nd.gov/forest)**

Help Promote and Develop Watchable Wildlife  
Opportunities in North Dakota  
Contribute to the  
**Watchable Wildlife Fund**

Photo by Chris Grondahl



North Dakota's unique landscapes provide wildlife viewers with extensive outdoor opportunities. Each place offers something special and leaves you with a story to tell. It simply depends on when .... and .... where you go looking.

Support North Dakota's

# Watchable Wildlife Fund

To contribute, see your state tax form  
or consult your tax preparer.

## Your Contributions Have Helped Fund:

- Outdoor Wildlife Learning Sites (OWLS)
- Bluebird Conservation Workshops and Bluebird Trails
- Cross Ranch State Park Nature Center
- Nursing Home Bird Feeder Project in Over 100 ND Communities
- Endangered Species Habitat Protection Projects
- Outdoor and Wildlife Photography Workshops
- Wildlife Viewing Guides for North Dakota
- Grants to Scouts and Other Civic Organizations for Wildlife Projects
- Watchable Wildlife Workshops
- Educational Wildlife Programs to Schools and Communities
- Grants to Wildlife Rehabilitators
- Winter Bird Feeding Survey and Workshops

The Watchable Wildlife Fund is a program of the North Dakota Game and Fish Department. All contributions are tax deductible.

For more information, contact:  
North Dakota Game and Fish Department  
100 N. Bismarck Expressway  
Bismarck, ND 58501  
701-328-6300

# How to assemble your return

Please assemble your documents in the order shown in the list below.

1. Form ND-2.
2. Schedule 3, if required.
3. Schedule 4, if required.
4. All other official North Dakota schedules and forms required to be attached (except Form 101).
5. Form W-2s, Form 1099s, and North Dakota Schedule K-1s showing North Dakota withholding.
6. Copy of federal tax return.
7. Supporting statements required in instructions.
8. Copy of other state's return, if attaching Schedule 4.

Staple all attachments to the top center of Form ND-2.  
Enclose your check or money order made payable to:  
**ND State Tax Commissioner.** Do not send cash.

# Before mailing . . .

- Make sure that you entered your name, correct mailing address, and social security number on the return. If married, include your spouse's social security number.
- Double-check your math.
- Make sure you included all of your Form W-2s, Form 1099s, and North Dakota Schedule K-1s showing North Dakota income tax withheld.
- Check to see that all required schedules and supporting statements are included.
- Enclose a complete copy of your federal tax return.
- Sign your return. If filing a joint return, your spouse also must sign.
- Use adequate postage.
- Make a copy of the return for your records.



## *Important:*

*If you do not include a copy of your federal return or do not sign your return, your return will be sent back to you. This may result in late filing and payment charges.*

# Need help with your federal return?

If you need federal tax forms, have federal tax questions, or would like to find out where you can find IRS walk-in services, you may contact the IRS in one of the following ways.

## Telephone assistance (toll free)

- **Federal tax questions..... 1-800-829-1040**  
**TTY/TDD ..... 1-800-829-4059**

Call this number if you have a question about your federal tax return or an IRS notice, need a transcript or copy of your federal return, or have questions on other federal tax matters.

- **Ordering forms and publications ..... 1-800-829-3676**

Call this number to order federal tax forms and informational publications.

- **Recorded tax and refund information..... 1-800-829-4477**

Call this number to listen to pre-recorded information on a wide variety of federal tax topics or to check the status of your federal income tax refund. Please allow at least 6 weeks after you file your return (3 weeks if you filed electronically) before calling about the status of your refund, and be sure to have your social security number, filing status, and exact whole-dollar amount of your refund available when you call.

## Web site

Access the IRS's Web site 24 hours a day, 7 days a week ..... **www.irs.gov**

## Walk-in service

In North Dakota, IRS walk-in services are available Monday through Friday, 8:30 a.m. to 4:30 p.m. (*except as noted*), at the following locations:

**Bismarck** (*closed 11 a.m.-12 noon*)  
Kirkwood Bank & Trust Building  
2911 N 14th Street (3rd Floor)  
(*next to Space Aliens restaurant*)

**Fargo** (*closed 11 a.m.-12 noon*)  
Federal Building  
Room 470  
657 2nd Avenue North

**Grand Forks** (*closed 11 a.m.-12 noon*)  
Federal Building  
Room 137  
102 North 4th Street

**Minot** (*closed 11 a.m.-12 noon*)  
305 17th Avenue SW  
(*behind Hollywood Video store*)

## Need forms or assistance?

### Web site

On our web site, [www.nd.gov/tax](http://www.nd.gov/tax), you will find the following services:

- Tax forms and instructions
- Income tax guidelines
- Online checking of your refund
- Answers to frequently asked questions (FAQs)
- Electronic filing information

### E-mail

Submit your questions or comments to us at [individualtax@nd.gov](mailto:individualtax@nd.gov)

### Phone

Call us toll free (within North Dakota) at **1-800-638-2901**,  
Monday—Friday, 8 a.m. to 5 p.m.

In the local Bismarck-Mandan area, or from outside North Dakota, call us with your:

Questions at **(701) 328-1032**, or

Form requests at: **(701) 328-3450**

If speech or hearing impaired, call us through Relay North Dakota at **1-800-366-6888**

### Walk in

In the Bismarck—Mandan area, stop in at our main office in Bismarck. We are located at:

Individual Income Tax Section  
State Capitol, 16th Floor

Monday—Friday, 8 a.m. to 5 p.m.

### Write

Mail your letters to us at:

Individual Income Tax Section  
Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

## Check the status of your refund

You may check the status of your refund on our web site at [www.nd.gov/tax](http://www.nd.gov/tax). Find and click on the link [Where's My Refund?](#).

This will take you to a secure web page where you will find instructions on how to make your inquiry. Have a copy of your return handy because you will be asked for the following information:

- Your social security number
- Your filing status (that is, single, married filing jointly, head of household, etc.)
- The *exact* amount of your refund.

A refund on an electronically filed return generally is issued within 5 business days. A refund on a paper return can take up to 6 weeks from the date our office receives the return.

If you do not have access to the Internet, and you did not direct deposit your refund, you may check the status of your refund by calling us at **(701) 328-3450**. If you direct deposited your refund, first contact your bank to see if your refund has been deposited into your account. If you contact us by phone or in writing, you must provide the following information:

- Your name (and spouse's name, if joint return).
- Your social security number (and spouse's social security number, if joint return).
- Tax year for which return was filed.
- Your filing status from your return.
- The *exact* amount of your refund.

## Request a copy of your return or other information

To obtain a copy of your return or information about your estimated tax payments, etc., you must submit a written request (by mail or fax) to our office. Your written request must contain the following:

- Your name and current address.
- Your social security number.
- Tax year
- Description of information requested.
- Your signature.
- Daytime telephone number.