Schedule
# ND-1TC

North Dakota Office of State Tax Commissioner
# Tax Credits

**2009**

***Attach to Form ND-1***

**Please type or print in black or blue ink. See separate instructions.**

| Your name (First, MI, Last name) | Your social security number |
|---|---|
| | |

- **Complete and attach this schedule to Form ND-1 if you are claiming any of the tax credits listed on this schedule**
- **Attach any official schedule that is required to be completed and attached (as indicated in parentheses)**

**1.** Family member care credit *(Attach Schedule ND-1FC)* ..... **(S2) 1** _____

**2.** Renaissance zone credit *(Attach Schedule RZ)* ..... **(S3) 2** _____

**3.** Agricultural commodity investment credit ..... **(NE) 3** _____

**4.** Seed capital investment credit ..... **(NG) 4** _____

**5.** Planned gift credit *(Attach Schedule ND-1PG)* ..... **(NM) 5** _____

**6.** Biodiesel fuel supplier (wholesaler) credit ..... **(NN) 6** _____

**7.** Biodiesel fuel seller (retailer) credit ..... **(NO) 7** _____

**8. a.** Employer internship program credit ..... **(NP) 8a** _____

**b.** Number of eligible interns hired in 2009 ..... **(NQ) 8b** _____

**c.** Total compensation paid to eligible interns in 2009 ..... **(NR) 8c** _____

**9. a.** Microbusiness credit ..... **(NS) 9a** _____

**b.** Amount of qualifying new investment in 2009 ..... **(NT) 9b** _____

**c.** Amount of qualifying new employment in 2009 ..... **(NU) 9c** _____

**10. a.** Research expense credit ..... **(NV) 10a** _____

**b.** Research expense credit purchased from another taxpayer in 2009 ..... **(NW) 10b** _____

**11.** Angel fund investment credit ..... **(NX) 11** _____

**12.** Endowment fund credit from passthrough entity ..... **(NY) 12** _____

**13. a.** Workforce recruitment credit ..... **(OA) 13a** _____

**b.** Number of eligible employees whose 12th month of employment ended in 2008 ..... **(OB) 13b** _____

**c.** Total compensation paid for first 12 months of employment to eligible employees included on line 13b **(OC) 13c** _____

**14. NEW!** Geothermal energy device credit *(only for devices installed on or after January 1, 2009):*

**a.** Date on which installation of device was completed- enter as follows: *mm/dd/yyyy* ..... **(OD) 14a** _____

**b.** Amount of credit ..... **(OE) 14b** _____

**15. NEW!** Credit for wages paid to a mobilized employee *(Attach Schedule ME)* ..... **(OF) 15** _____

**16. NEW!** "Partnership plan" long-term care insurance credit ..... **(OG) 16** _____

**17. NEW!** Retroactive property tax relief credit *(Attach Schedule ND-1RPT)* ..... **(OH) 17** _____

**18. Total other credits.** Add lines 1 through 8a, 9a, 10a through 13a, and 14b through 17. Enter the result on Form ND-1, line 25 ..... **(NZ) 18** _____

## New for 2009!

Schedule ND-1TC contains four new income tax credits for 2009—see lines 14 through 17.

## Purpose of schedule

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

## Specific line instructions

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

**Line 2 - *Renaissance zone credit***
If you qualified for a tax credit under the North Dakota Renaissance Zone Act (N.D.C.C. ch. 40-63), you must complete Schedule RZ. **Attach Schedule RZ.**

**Line 3 - *Ag commodity investment credit***
If you made a qualified investment in a business certified for the agricultural commodity processing facility investment credit under N.D.C.C. ch. 57-38.6, enter your allowable credit on this line. You will know if you made a qualified investment by means of the investment reporting form that the certified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly in a certified business during the 2009 tax year, the credit is equal to 30% of the total amount invested. No more than $50,000 of the total credit may be used on your 2009 return or any carryover year's return. The portion of the credit allowed for your 2009 investments that you are unable to use on your 2009 return may be carried over and used on subsequent years' returns for up to 10 tax years.

**Credit from passthrough entity.** Include on this line an agricultural commodity investment tax credit from a North Dakota Schedule K-1. Of the total credits from your direct investments made in 2009 and the credits received from passthrough entities for 2009 investments, no more than $50,000 of the credits may be used on your 2009 return or any carryover year's return.

**Unused credit carryover.** Include on this line the allowable portion of an unused credit from a prior tax year. For an unused credit based on investments made in tax years 2001 through 2004, the amount you may use from each year is limited to the smaller of: (1) The unused credit; (2) 50% of the total credit allowed on the initial investment; (3) $3,000; or, (4) 50% of the tax liability before credits on your 2009 return. For an unused credit based on investments made in tax years 2005 and 2006, the amount you may use from each year is limited to the smaller of: (1) The unused credit; (2) 50% of the total credit allowed on the initial investment; (3) $25,000; or (4) 50% of the tax liability before credits on your 2009 return. For an unused credit based on investments made in tax years 2007 and 2008, the amount you may use is limited to the smaller of (1) the unused credit or (2) $50,000. *Note: If the unused credit is attributable to the 2004 retroactive relief credit passed by the 2005 North Dakota Legislature, the amount of unused credit you may use is limited to the smaller of: (1) The unused credit; (2) 25% of the total credit allowed on the initial investment; or (3) $18,750.*

**Cumulative limit.** You are allowed to claim no more than $250,000 in cumulative tax credits for investments made in tax years after 2004.

**Line 4 - *Seed capital investment credit***
If you made a qualified investment in a business certified for the seed capital investment credit under N.D.C.C. ch. 57-38.5, enter your allowable credit on this line. You will know if you made a qualified investment by means of the investment reporting form that the certified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly in a certified business during the 2009 tax year, the credit is equal to 45% of the total amount invested. No more than $112,500 of the total credit may be used on your 2009 return or any carryover year's return. The portion of the credit allowed for your 2009 investments that you are unable to use on your 2009 return may be carried over and used on subsequent years' returns for up to 4 tax years.

**Credit from passthrough entity.** Include on this line a seed capital investment tax credit from a North Dakota Schedule K-1. Of the total credits from your direct investments made in 2009 and the credits received from passthrough entities for 2009 investments, no more than $112,500 of the credits may be used on your 2009 return or any carryover year's return.

**Unused credit carryover.** Include on this line the allowable portion of an unused credit from a prior tax year. For an unused credit based on investments made in tax years 2005 and 2006, the amount you may use from each year is limited to the smaller of: (1) The unused credit; (2) One-third of the total credit allowed on the initial investment; or (3) $37,500. For an unused credit based on investments made in tax years 2007 and 2008, the amount you may use is limited to the smaller of (1) the unused credit or (2) $112,500. *Note: If the unused credit is attributable to the 2004 retroactive relief credit passed by the 2005 North Dakota Legislature, the amount of unused credit you may use is limited to the smaller of: (1) The unused credit; (2) 25% of the total credit allowed on the initial investment; or (3) $28,125.*

**Line 5 - *Planned gift credit***
A tax credit is allowed for making a charitable contribution to a qualified nonprofit organization in North Dakota under a qualifying planned gift arrangement. **Attach Schedule ND-1PG.**

**Line 6 - *Biodiesel fuel supplier credit***
A tax credit is allowed to a licensed supplier (wholesaler) of biodiesel fuel for blending biodiesel fuel with a minimum 5% blend ("B5") that meets ASTM

specifications. The credit is equal to 5 cents per gallon blended. If you are unable to use all of the credit for fuel blended in the 2009 tax year on your 2009 return, you may carry over and use the unused credit on subsequent years' returns for up to 10 tax years. Include on this line an allowable unused credit from a prior tax year and a biodiesel fuel supplier credit from a North Dakota Schedule K-1.

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**Line 7 - *Biodiesel fuel seller credit***

A tax credit is allowed to a licensed seller (retailer) of biodiesel fuel. The credit is equal to 10% of the costs to adapt or add equipment to the seller's facility to enable it to sell biodiesel with a minimum 2% blend ("B2") that meets ASTM specifications. The credit is allowed in each of 5 tax years, starting with the tax year in which sales of the eligible fuel begin. Except for costs incurred before January 1, 2005, eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin may be included. The unused portion of the credit calculated in each of the initial 5 tax years may be carried over and used on subsequent years' returns for up to 5 tax years. A seller is allowed no more than $50,000 of credits in all tax years. Include on this line an allowable unused credit from a prior tax year and a biodiesel fuel seller credit from a North Dakota Schedule K-1.

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**Line 8 - *Employer internship program credit***

A tax credit is allowed to an employer based on wages paid to an eligible college student hired as an intern under a qualifying internship program set up in North Dakota. The credit is equal to 10% of the compensation paid to up to 5 eligible interns. To be eligible, an intern must be enrolled in an institution of higher education or vocational technical education program in a major field of study closely related to the work to be performed and must be supervised and evaluated by the employer, and the internship must qualify for academic credit. A taxpayer is allowed no more than $3,000 of credits for all tax years.

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

**Line 8b.** Enter the number of eligible interns hired during the 2009 tax year. *Disregard this line if the credit is from a passthrough entity.*

**Line 8c.** Enter on this line the total amount of wages, salaries, or other compensation paid to eligible interns during the 2009 tax year (as shown on their 2009 Form W-2s). *Disregard this line if the credit is from a passthrough entity.*

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**Line 9 - *Microbusiness credit***

A tax credit is allowed to an eligible small business certified as a microbusiness by the ND Commerce Department's Division of Economic Development and Finance (EDF). For information on obtaining certification, go to EDF's web site at **www.growingnd.com.**

The credit is equal to 20% of the total of the following amounts:

- **Qualifying new investment.** This equals the excess of the cost of real property and depreciable personal property located in North Dakota purchased during the 2009 tax year over the cost of real property and depreciable personal property located in North Dakota purchased during the 2008 tax year. Do not include the cost of vehicles registered for operation on North Dakota roads and highways. Also include the excess of eligible rent paid to lease real property and depreciable personal property located in North Dakota during the 2009 tax year over the eligible rent paid to lease real property and depreciable personal property located in North Dakota during the 2008 tax year. "Eligible rent" means the average net annual rent multiplied by the number of years, not to exceed 10 years, that the taxpayer is obligated under the lease contract. Do not include any increase in rent paid for property leased under a contract entered into prior to the 2009 tax year.
- **Qualifying new employment.** This equals the excess of compensation paid to North Dakota resident employees employed during the 2009 tax year over the compensation paid to North Dakota resident employees employed during the 2008 tax year. ***Do not*** include salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the tax year.

If you are unable to use all of the credit for qualifying investment and employment on your 2009 return, you may carry over and use the unused credit on subsequent years' returns for up to 5 tax years.

**Cumulative limit.** You are allowed to claim no more than $10,000 of credits for all tax years.

**Line 9a.** Enter the allowable credit on this line. Include on this line an allowable unused credit from a prior tax year and a microbusiness credit from a North Dakota Schedule K-1.

**Line 9b.** Enter on this line the amount of qualifying new investment in 2009 on which the credit is based. *Disregard this line if the credit is from a passthrough entity.*

**Line 9c.** Enter on this line the amount of qualifying new employment in 2009 on which the credit is based. *Disregard this line if the credit is from a passthrough entity.*

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**Line 10 - *Research expense credit***

A tax credit is allowed for conducting qualified research in North Dakota. The credit is allowed on "qualified research expenses" that exceed the "base amount." These terms have the same meaning as those defined under I.R.C. § 41, but only to the extent they were incurred within North Dakota. For the 2009 tax year, the tax credit is calculated by subtracting the North Dakota base amount from North Dakota qualified research expenses and applying the following rates to the result:

- 25% of the first $100,000; and
- 20% of the amount over $100,000.

***Tax planning note:*** *The 25% credit rate applies to the first $100,000 of excess expenses in each tax year. However, the 20% credit rate for excess expenses over $100,000 only applies to the 2007 through 2016 tax years, and changes to 8% after the 2016 tax year, if qualified research is first conducted within North Dakota in the 2007, 2008, 2009, or 2010 tax year. If qualified research is first conducted within North Dakota after the 2010 tax year, the credit for excess expenses over $100,000 is 8%.*

If you are unable to use all of the credit for expenses incurred in the 2009 tax year, you may carry the unused credit back to the previous 3 tax years and forward to the subsequent 15 tax years. You must carry the credit back to the earliest tax year first, and then to each succeeding tax year until it is used up.

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

**Line 10a.** Enter the allowable credit on this line. Include on this line an allowable unused credit from a prior tax year and a research credit from a North Dakota Schedule K-1. *Do not include on this line any research credit that you obtained from another taxpayer through a sale, assignment, or transfer in 2009—report this amount on Line 10b.*

**Line 10b.** Enter on this line a research credit that you obtained from another taxpayer through a sale, assignment, or transfer in 2009.

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### Line 11 - *Angel fund investment credit*

A tax credit is allowed for making a qualified investment in an entity certified as a North Dakota angel fund by the North Dakota Commerce Department. The credit is equal to the smaller of (1) 45% of the investment or (2) $45,000. An unused credit based on an investment made in the 2009 tax year may be carried over and used on subsequent years' returns for up to 4 tax years. The investment must be at risk in the angel fund for at least 3 years from the date of the investment. If you claim this credit, you may not claim a seed capital investment tax credit passed through to you by the angel fund. Include on this line an allowable unused credit from a prior tax year.

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### Line 12 - *Endowment fund credit*

If you owned an interest in a passthrough entity that qualified for the North Dakota endowment fund tax credit, enter on this line your share of the credit from North Dakota Schedule K-1. If you are unable to use all of the credit received from the passthrough entity in the 2009 tax year on your 2009 return, you may carry over and use the unused credit on subsequent years' returns for up to 3 tax years. Include on this line an allowable unused credit from a prior tax year.

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### Line 13 - *Workforce recruitment credit*

A tax credit is allowed to an employer for using extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota. The credit is equal to 5% of the compensation paid during the first 12 consecutive months to the employee hired to fill a hard-to-fill position, and is allowed in the first tax year following the tax year in which the employee completes the 12th consecutive month of employment. The unused portion of a credit first allowed in the 2009 tax year may be carried over and used on subsequent years' returns for up to 5 tax years.

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

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

**Line 13a.** Enter the allowable credit on this line. Include on this line an allowable unused credit from a prior tax year and a workforce recruitment credit from a North Dakota Schedule K-1.

**Line 13b.** Enter the number of eligible employees whose first 12 months of employment ended within your 2008 tax year. *Disregard this line if the credit is from a passthrough entity.*

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

***New for 2009!***

**Line 14 - *Geothermal energy device credit***

You may be eligible for a tax credit if you installed a geothermal energy device. To be eligible, you must meet all of the following requirements:

- You installed a qualifying geothermal energy device *(defined below);*
- You installed the device in a building or on property located in North Dakota that you own or lease; and,
- You installed the device ***on or after January 1, 2009***.

A qualifying geothermal energy device must meet all of the following requirements:

- It must consist of a system or mechanism, or series of mechanisms, designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.
- If a geothermal energy device is a part of a system which uses other means of energy, only that portion of the total system directly attributable to the cost of the geothermal energy device may be included in determining the amount of the credit; and,
- The costs of installation may not include the costs of redesigning, remodeling, or otherwise altering the structure of a building in which the geothermal energy device is installed.

The credit is equal to 3% of the actual costs of acquisition and installation of the device, and is allowed in each of 5 tax years starting with the tax year in which the installation of the device is completed.

If the credit calculated in any of the 5 tax years in which the credit is allowed exceeds the tax liability for the tax year, the excess credit may be carried over and used on subsequent years' returns for up to 10 tax years.

**Line 14a.** Enter the date on which the installation of the device was completed. Enter the date in the following format: *mm/dd/yyyy*. ***If this date is before January 1, 2009, you are not eligible for this credit.***

*Disregard this line if the credit is from a passthrough entity.*

**Line 14b.** Enter the allowable credit on this line. Include on this line a geothermal energy device tax credit ***for a device installed on or after January 1, 2009,*** from a North Dakota Schedule K-1.

***DO NOT enter on this line a credit for a geothermal energy device installed before January 1, 2009.***

***New for 2009!***

**Line 15 - *Credit for wages paid to a mobilized employee***

If you have an employee who is a member of the National Guard or Reserve, and the employee is mobilized for federal active military duty, you may be eligible for a tax credit if you continue to pay part or all of the employee's wages while the employee is away on military duty. **Attach Schedule ME.**

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

***New for 2009!***

**Line 16 - *"Partnership plan" long-term care insurance credit***

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

A "partnership plan" policy is a special type of long-term care insurance policy that:

- meets specific consumer protection and federal income tax law requirements,
- is recognized by North Dakota for Medicaid benefit purposes, and
- provides the proper inflation protection based on the insured individual's age at time of purchase.

An insurance company is required to provide you with a notice certifying the policy as a "partnership policy" at time of issuance. Upon audit, you must be able to provide a copy of that notice (or a more current notice, if requested) to support the credit claimed.

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

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

***New for 2009!***

**Line 17 - *Retroactive property tax relief credit***

You may be eligible for a retroactive property tax credit on your 2009 return if:

- you were not eligible for the property tax relief credit on your 2007 or 2008 North Dakota individual income tax return for North Dakota agricultural property owned by you or owned by a partnership, S corporation, or limited liability company in which you held an interest, or
- you are a beneficiary of an estate or trust that is eligible for the retroactive property tax credit but elects to allow you to claim part or all of its eligible property taxes to calculate the retroactive property tax credit.

To see if you are eligible for the retroactive property tax credit on your 2009 return, obtain and complete the 2009 Schedule ND-1RPT. ***Attach Schedule ND-1RPT.***