Schedule
ND-1TC

North Dakota Office of State Tax Commissioner
Tax Credits

2012

Attach to Form ND-1

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

Name(s) shown on return	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 or green diesel fuel supplier (wholesaler) credit **(NN) 6** _____

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

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

b. Number of eligible interns hired in 2012 **(NQ) 8b** _____

c. Total compensation paid to eligible interns in 2012 **(NR) 8c** _____

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

b. Amount of qualifying new investment in 2012 **(NT) 9b** _____

c. Amount of qualifying new employment in 2012 **(NU) 9c** _____

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

b. Research expense credit purchased from another taxpayer in 2012 **(NW) 10b** _____

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

b. Angel fund investment credit purchased from another taxpayer in 2012 **(OJ) 11b** _____

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 2011 tax year **(OB) 13b** _____

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

14. Geothermal energy device 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. Credit for wages paid to a mobilized employee *(Attach Schedule ME)* **(OF) 15** _____

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

17. Carryover of unused 2009 retroactive property tax relief credit **(OI) 17** _____

18. Credit for contribution to endowment fund *(Attach Schedule ND-1QEC)* **(OK) 18** _____

19. Housing incentive fund credit *(Attach copy of credit certificate from ND Housing Finance Agency)* **(OL) 19** _____

20. Total other credits. Add lines 1 through 8a, 9a, 10a through 13a, and 14b through 19. Enter the result on Form ND-1, line 25 **(NZ) 20** _____

Purpose of schedule

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

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 program, enter your allowable credit on this line. A qualified investment is evidenced by 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 to a certified business during the 2012 tax year, the credit is equal to 30% of the total amount invested. Include on this line an agricultural commodity investment tax credit from a North Dakota Schedule K-1. If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 10 years.

Unused credit carryover. Include on this line an allowable unused credit from a prior tax year. For an unused credit based on investments made in tax years 2001 through 2004—*however, see the **Note** below for an exception for 2004*—the amount you may use from each year is limited to the smaller of (1) the unused credit, (2) 50% of the total credit allowed on the initial investment, (3) $3,000, or (4) 50% of the tax liability before credits on your 2012 return. Do not include on this line any remaining unused credit from the 2005 or 2006 tax year. For an unused credit based on investments made in tax years 2007 through 2011, the amount you may use is subject to the annual and lifetime limits—see below.

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

Annual limit. Of the total credits available (including unused credit carryovers except carryovers from tax years before 2007), you may use no more than $50,000 on your 2012 return.

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

Line 4 - *Seed capital investment credit*
If you made a qualified investment in a business certified for the seed capital investment credit program, enter your allowable credit on this line. A qualified investment is evidenced by the investment reporting form that the certified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly to a certified business during the 2012 tax year, the credit is equal to 45% of the total amount invested. Include on this line a seed capital investment tax credit from a North Dakota Schedule K-1. If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 4 years.

Unused credit carryover. Include on this line an allowable unused credit from a prior tax year. For an unused credit based on investments made in tax years 2008 through 2011, the amount you may use is subject to the annual limit—see below. Do not include on this line any remaining unused credit from tax years prior to 2008.

Annual limit. Of the total credits available (including unused credit carryovers from tax years 2008 and after), you may use no more than $112,500 on your 2012 return.

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

Line 6 - *Biodiesel or green diesel fuel supplier credit*
A tax credit is allowed to a North Dakota licensed fuel supplier (wholesaler) for blending biodiesel or green diesel fuel in North Dakota with a minimum 5% blend ("B5") that meets ASTM specifications. The credit is equal to 5 cents per gallon blended. Include on this line a biodiesel or green diesel fuel credit from a North Dakota Schedule K-1. If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 5 years.

Unused credit carryover. Include on this line an allowable unused credit from tax years 2007 through 2011.

Line 7 - *Biodiesel or green diesel fuel seller credit*
A tax credit is allowed to a North Dakota licensed fuel seller (retailer) of biodiesel or green diesel fuel. The credit is equal to 10% of the costs to adapt or add equipment to the seller's facility in North Dakota to enable it to sell biodiesel or green diesel with a minimum 2% blend ("B2") that meets ASTM specifications. The credit

is allowed in each of 5 tax years, starting with the tax year in which sales of the eligible fuel begin. Eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin may be included. Include on this line a biodiesel or green diesel fuel credit from a North Dakota Schedule K-1. If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 5 years.

Unused credit carryover. Include on this line an allowable unused credit from tax years 2007 through 2011.

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

Line 8 - *Employer internship program credit*

A tax credit is allowed to a taxpayer based on 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 during the tax year. The credit is allowed for up to 5 eligible interns in a tax year. The intern must be enrolled in an institution of higher education or vocational technical education program in a major field of study closely related to the work to be performed and must be supervised and evaluated by the employer. The internship must qualify for academic credit.

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

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

Line 8b. Enter the number of eligible interns hired during the 2012 tax year. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 8c. Enter on this line the total amount of wages, salaries, or other compensation paid to eligible interns during the 2012 tax year (as shown on their 2012 Form W-2s). *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 9 - *Microbusiness credit*

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

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

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

If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 5 years.

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

Line 9a. Enter the allowable credit on this line. Include on this line an unused credit 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 2012 on which the credit is based. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 9c. Enter on this line the amount of qualifying new employment in 2012 on which the credit is based. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

Line 10 - *Research expense credit*

If you incurred qualified expenses for qualified research in North Dakota, you may be eligible for a tax credit. The credit is allowed on the excess of "qualified research expenses" over a "base amount." These terms have the same meaning as those defined under Internal Revenue Code § 41, but only to the extent the expenses were incurred within North Dakota. The tax credit is equal to a percentage of the excess of North Dakota qualified research expenses incurred during the tax year over the North Dakota base amount for the tax year. On the first $100,000 of excess North Dakota qualified research expenses, the percentage is 25%. On excess North Dakota qualified research expenses over $100,000 for the 2012 tax year, the percentage is:

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

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

If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried back to the previous 3 tax years' returns and carried forward to the subsequent 15 tax years' returns. It must be carried back to the earliest tax year first, and then to each succeeding tax year until it is used up.

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

Line 10a. Enter the allowable credit on this line. Include on this line an 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 obtained from another taxpayer through a sale, assignment, or transfer in 2012—report this amount on Line 10b.*

Line 10b. Enter on this line a research credit obtained from another taxpayer through a sale, assignment, or transfer in 2012.

Line 11 - *Angel fund investment credit*

If you made a qualified investment in a North Dakota angel fund, enter your allowable credit on this line—see instructions to line 11a below. A qualified investment is evidenced by the investment reporting form that the angel fund is required to provide to you at the time you made your investment. The credit is equal to the smaller of (1) 45% of the investment or (2) $45,000. If you claim an angel fund credit for an investment in an angel fund, you may not claim a seed capital investment tax credit or an agricultural commodity processing facility investment tax credit passed through to you by the same angel fund.

If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 7 years.

Election to sell, assign, or transfer credit. For investments made in an angel fund that is certified for the first time by the North Dakota Commerce Department on or after August 1, 2011, you may be eligible to make an irrevocable election to sell, assign, or transfer part or all of the tax credit allowed for the investment. This transfer election is only available for investments you make directly to an angel fund; you may not transfer any angel fund credit that you receive as an owner of a partnership or other passthrough entity that invested in an angel fund. There are other conditions, procedures, and reporting requirements that must be satisfied to make this election—see N.D.C.C. § 57-38-01.26. This election is allowed only for the 2011 and 2012 tax years.

Lifetime credit limit. For investments made in angel funds on or after January 1, 2011, you are allowed no more than $150,000 in total angel fund credits based on your own investments plus any angel fund credits you receive as an owner of a passthrough entity that invested in an angel fund. This limitation does not apply to any credits you may acquire from another taxpayer by purchase, assignment, or transfer. If you are married, you and your spouse are considered one taxpayer for this purpose.

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

Line 11b. Enter on this line an angel fund credit obtained from another taxpayer through a sale, assignment, or transfer in 2012.

Line 12 - *Endowment fund credit from passthrough entity*

If you owned an interest in a partnership or other passthrough entity that qualified for the North Dakota endowment fund tax credit, enter on this line your share of the credit from North Dakota Schedule K-1. If you are unable to use all of the credit received from the passthrough entity on your 2012 return, the unused portion may be carred over to subsequent tax years' returns for up to 3 years. Include on this line an allowable unused credit from tax years 2009 through 2011.

Line 13 - *Workforce recruitment credit*

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

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

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

If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 5 years.

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 the 2011 tax year. *Disregard this line if the credit is from a North Dakota Schedule K-1.*

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

Line 14 - *Geothermal energy device credit*

You are eligible for a tax credit if you 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.
- You completed the installation of the device ***on or after January 1, 2009***.

A qualifying geothermal energy device is one that meets all of the following requirements:

- It consists 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 the 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.
- 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 total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 10 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 North Dakota Schedule K-1.*

Line 14b. Enter the allowable credit on this line. Only for devices installed on or after January 1, 2009, include on this line an allowable unused credit from a prior tax year and a geothermal energy device credit 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.

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

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

Include on this line an allowable unused credit from a prior tax year and a credit for wages paid to a mobilized employee from a North Dakota Schedule K-1. If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 5 years.

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

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

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

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

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

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

Line 17 - *Unused 2009 retroactive property tax relief credit*

If you claimed the retroactive property tax credit on your 2009 Form ND-1, Schedule ND-1TC, line 17, but you were unable to use all of it on your 2009 through 2011 returns, enter the unused portion on this line.

Line 18 - *Endowment fund credit*

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

Line 19 - *Housing incentive fund credit*

If you made a qualifying contribution in 2012 to the Housing Incentive Fund administered by the North Dakota Housing Finance Agency, enter on this line the amount shown on the credit certificate issued to you by the Agency. Include on this line a housing incentive fund credit from a North Dakota Schedule K-1.

If the total credit (including a credit from a North Dakota Schedule K-1) first allowed on the 2012 tax year's return exceeds the tax for the year, the unused credit may be carried over to subsequent tax years' returns for up to 10 years.

Adjustment to taxable income—Your North Dakota taxable income must be increased by the amount of the contribution to the Housing Incentive Fund to the extent it reduced your federal taxable income. See the instructions to the 2012 Form ND-1, line 4b.