

**SECOND ENGROSSMENT
with House Amendments
REENGROSSED SENATE BILL NO. 2292**

Introduced by

Senator Cook

1 A BILL for an Act to amend and reenact subsection 5 of section 57-38-04 and sections
2 57-38.1-09, 57-59-01, 57-59-05, 57-59-06, and 57-59-08 of the North Dakota Century Code,
3 relating to apportionment of business income and the multistate tax compact; to repeal section
4 57-59-02 of the North Dakota Century Code, relating to the optional computation provision of
5 the multistate tax compact; and to provide an effective date.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Subsection 5 of section 57-38-04 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 5. Whenever business activity is carried on partly within and partly without this state by a
10 nonresident of this state as a sole proprietorship, or through a partnership,
11 subchapter S corporation, or other passthrough entity, the entire income therefrom
12 must be allocated to this state and to other states, according to the provisions of
13 chapter 57-38.1 but only according to the apportionment method provided under
14 subsection 1 of section 57-38.1-09, providing for allocation and apportionment of
15 income of corporations doing business within and without this state.

16 **SECTION 2. AMENDMENT.** Section 57-38.1-09 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **57-38.1-09. Business income.**

19 1. AllExcept as permitted under subsections 2 through 4, all business income must be
20 apportioned to this state by multiplying the income by a fraction, the numerator of
21 which is the property factor plus the payroll factor plus the sales factor, and the
22 denominator of which is three.

23 2. For the first two taxable years beginning after December 31, 2017, a taxpayer that is
24 not a passthrough entity may elect to apportion business income to this state by

- 1 multiplying the income by a fraction, the numerator of which is the property factor plus
2 the payroll factor plus two times the sales factor, and the denominator of which is four.
- 3 a. The election must be made on the return as originally and timely filed in the form
4 and manner prescribed by the tax commissioner.
- 5 b. The election is applicable for all companies in a unitary group and for all
6 companies filing a consolidated North Dakota return.
- 7 c. The election is binding for five consecutive taxable years after making the
8 election, at which time the election lapses. The election under this subsection
9 also includes the election to use the sales factor under subsections 3 and 4 for
10 the taxable years those subsections apply.
- 11 d. Unless a taxpayer makes another election under subsection 4 in the taxable year
12 immediately following the final year of the binding effect of the election under this
13 subsection, the taxpayer must file under subsection 1 for a period of three
14 taxable years before it may make a new election under subsection 4.
- 15 3. For the first two taxable years beginning after December 31, 2019, a taxpayer that is
16 not a passthrough entity may elect to apportion business income to this state by
17 multiplying the income by a fraction, the numerator of which is the property factor plus
18 the payroll factor plus six times the sales factor, and the denominator of which is eight.
- 19 a. The election must be made on the return as originally and timely filed in the form
20 and manner prescribed by the tax commissioner.
- 21 b. The election is applicable for all companies in a unitary group and for all
22 companies filing a consolidated North Dakota return.
- 23 c. The election is binding for five consecutive taxable years after making the
24 election, at which time the election lapses. The election under this subsection
25 also includes the election to use the sales factor under subsection 4 for the
26 taxable years that subsection applies.
- 27 d. Unless a taxpayer makes another election under subsection 4 in the taxable year
28 immediately following the final year of the binding effect of the election under this
29 subsection, the taxpayer must file under subsection 1 for a period of three
30 taxable years before it may make a new election under subsection 4.

- 1 4. For taxable years beginning after December 31, 2021, a taxpayer that is not a
- 2 passthrough entity may elect to apportion business income to this state by multiplying
- 3 the income by the sales factor. A taxpayer electing to file using a single sales factor
- 4 must comply with the following:
- 5 a. The election must be made on the return as originally and timely filed in the form
- 6 and manner prescribed by the tax commissioner.
- 7 b. The election is applicable for all companies in a unitary group and for all
- 8 companies filing a consolidated North Dakota return.
- 9 c. The election is binding for five consecutive taxable years after making the
- 10 election, at which time the election lapses.
- 11 d. Unless a taxpayer makes another election under this subsection in the taxable
- 12 year immediately following the final year of a prior single sales factor election, the
- 13 taxpayer must file under subsection 1 for a period of three taxable years before it
- 14 may make a new single sales factor election.

15 **SECTION 3. AMENDMENT.** Section 57-59-01 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-59-01. Multistate tax compact.**

18 The multistate tax compact is hereby entered into law and entered into with all jurisdictions
19 legally joining therein, in the form substantially as follows:

20 **MULTISTATE TAX COMPACT**

21 **ARTICLE I - PURPOSES**

22 The purposes of this compact are to:

- 23 1. Facilitate proper determination of state and local tax liability of multistate taxpayers,
- 24 including the equitable apportionment of tax bases and settlement of apportionment
- 25 disputes.
- 26 2. Promote uniformity or compatibility in significant components of tax systems.
- 27 3. Facilitate taxpayer convenience and compliance in the filing of tax returns and in other
- 28 phases of tax administration.
- 29 4. Avoid duplicative taxation.

30 **ARTICLE II - DEFINITIONS**

31 As used in this compact:

Sixty-fourth
Legislative Assembly

- 1 1. "Capital stock tax" means a tax measured in any way by the capital of a corporation
2 considered in its entirety.
- 3 2. "Gross receipts tax" means a tax, other than a sales tax, which is imposed on or
4 measured by the gross volume of business, in terms of gross receipts or in other
5 terms, and in the determination of which no deduction is allowed which would
6 constitute the tax an income tax.
- 7 3. "Income tax" means a tax imposed on or measured by net income including any tax
8 imposed on or measured by an amount arrived at by deducting expenses from gross
9 income, one or more forms of which expenses are not specifically and directly related
10 to particular transactions.
- 11 4. "Sales tax" means a tax imposed with respect to the transfer for a consideration of
12 ownership, possession, or custody of tangible personal property or the rendering of
13 services measured by the price of the tangible personal property transferred or
14 services rendered and which is required by state or local law to be separately stated
15 from the sales price by the seller, or which is customarily separately stated from the
16 sales price, but does not include a tax imposed exclusively on the sale of a specifically
17 identified commodity or article or class of commodities or articles.
- 18 5. "State" means a state of the United States, the District of Columbia, the
19 commonwealth of Puerto Rico, or any territory or possession of the United States.
- 20 6. "Subdivision" means any governmental unit or special district of a state.
- 21 7. "Tax" means an income tax, capital stock tax, gross receipts tax, sales tax, use tax,
22 and any other tax which has a multistate impact, except that the provisions of
23 ~~articles~~ article III, IV, and V of this compact shall apply only to the taxes specifically
24 designated therein ~~and the provisions of article IX of this compact shall apply only in~~
25 ~~respect to determinations pursuant to article IV.~~
- 26 8. "Taxpayer" means any corporation, partnership, firm, association, governmental unit,
27 or agency or person acting as a business entity in more than one state.
- 28 9. "Use tax" means a nonrecurring tax, other than a sales tax, which (a) is imposed on or
29 with respect to the exercise or enjoyment of any right or power over tangible personal
30 property incident to the ownership, possession, or custody of that property or the

1 leasing of that property from another including any consumption, keeping, retention, or
2 other use of tangible personal property, and (b) is complementary to a sales tax.

3 **ARTICLE III –ELEMENTS OF INCOME TAX LAWS**

4 **~~Taxpayer Option, State and Local Taxes~~**

- 5 ~~1. Any taxpayer subject to an income tax whose income is subject to apportionment and~~
6 ~~allocation for tax purposes pursuant to the laws of a party state or pursuant to the laws~~
7 ~~of subdivisions in two or more party states may elect to apportion and allocate the~~
8 ~~taxpayer's income in the manner provided by the laws of such state or by the laws of~~
9 ~~such states and subdivisions without reference to this compact, or may elect to~~
10 ~~apportion and allocate in accordance with article IV. This election for any tax year may~~
11 ~~be made in all party states or subdivisions thereof or in any one or more of the party~~
12 ~~states or subdivisions thereof without reference to the election made in the others. For~~
13 ~~the purposes of this subsection, taxes imposed by subdivisions shall be considered~~
14 ~~separately from state taxes and the apportionment and allocation also may be applied~~
15 ~~to the entire tax base. In no instance wherein article IV is employed for all subdivisions~~
16 ~~of a state may the sum of all apportionments and allocations to subdivisions within a~~
17 ~~state be greater than the apportionment and allocation that would be assignable to~~
18 ~~that state if the apportionment or allocation were being made with respect to a state~~
19 ~~income tax.~~

20 **~~Taxpayer Option, Short Form~~**

- 21 ~~2. Each party state or any subdivision thereof which imposes an income tax shall provide~~
22 ~~by law that any taxpayer required to file a return, whose only activities within the taxing~~
23 ~~jurisdiction consist of sales and do not include owning or renting real estate or tangible~~
24 ~~personal property, and whose dollar volume of gross sales made during the tax year~~
25 ~~within the state or subdivision, as the case may be, is not in excess of one hundred~~
26 ~~thousand dollars may elect to report and pay any tax due on the basis of a percentage~~
27 ~~of such volume, and shall adopt rates which shall produce a tax which reasonably~~
28 ~~approximates the tax otherwise due. The multistate tax commission, not more than~~
29 ~~once in five years, may adjust the one hundred thousand dollar figure in order to~~
30 ~~reflect such changes as may occur in the real value of the dollar, and such adjusted~~
31 ~~figure, upon adoption by the commission, shall replace the one hundred thousand~~

1 dollar figure specifically provided herein. Each party state and subdivision thereof may
2 make the same election available to taxpayers additional to those specified in this
3 subsection.

4 Coverage

- 5 3. Nothing in this article relates to the reporting or payment of any tax other than an
6 income tax.

7 ARTICLE IV – DIVISION OF INCOME

- 8 1. As used in this article, unless the context otherwise requires:

- 9 (a) "Business income" means income arising from transactions and activity in the
10 regular course of the taxpayer's trade or business and includes income from
11 tangible and intangible property if the acquisition, management, and disposition
12 of the property constitute integral parts of the taxpayer's regular trade or business
13 operations.
- 14 (b) "Commercial domicile" means the principal place from which the trade or
15 business of the taxpayer is directed or managed.
- 16 (c) "Compensation" means wages, salaries, commissions, and any other form of
17 remuneration paid to employees for personal services.
- 18 (d) "Financial organization" means any bank, trust company, savings bank, industrial
19 bank, land bank, safe deposit company, private banker, savings and loan
20 association, credit union, cooperative bank, small loan company, sales finance
21 company, investment company, or any type of insurance company.
- 22 (e) "Nonbusiness income" means all income other than business income.
- 23 (f) "Public utility" means any business entity (1) which owns or operates any plant,
24 equipment, property, franchise, or license for the transmission of
25 communications, transportation of goods or persons, except by pipeline, or the
26 production, transmission, sale, delivery, or furnishing of electricity, water, or
27 steam; and (2) whose rates of charges for goods or services have been
28 established or approved by a federal, state, or local government or governmental
29 agency.
- 30 (g) "Sales" means all gross receipts of the taxpayer not allocated under subsections
31 of this article.

- 1 (h) ~~"State" means any state of the United States, the District of Columbia, the~~
2 ~~Commonwealth of Puerto Rico, any territory or possession of the United States,~~
3 ~~and any foreign country or political subdivision thereof.~~
- 4 (i) ~~"This state" means the state in which the relevant tax return is filed or, in the case~~
5 ~~of application of this article to the apportionment and allocation of income for~~
6 ~~local tax purposes, the subdivision or local taxing district in which the relevant tax~~
7 ~~return is filed.~~
- 8 2. ~~Any taxpayer having income from business activity which is taxable both within and~~
9 ~~without this state, other than activity as a financial organization or public utility or the~~
10 ~~rendering of purely personal services by an individual, shall allocate and apportion that~~
11 ~~taxpayer's net income as provided in this article. If a taxpayer has income from~~
12 ~~business activity as a public utility but derives the greater percentage of the taxpayer's~~
13 ~~income from activities subject to this article, the taxpayer may elect to allocate and~~
14 ~~apportion the taxpayer's entire net income as provided in this article.~~
- 15 3. ~~For purposes of allocation and apportionment of income under this article, a taxpayer~~
16 ~~is taxable in another state if (a) in that state the taxpayer is subject to a net income~~
17 ~~tax, a franchise tax measured by net income, a franchise tax for the privilege of doing~~
18 ~~business, or a corporate stock tax, or (b) that state has jurisdiction to subject the~~
19 ~~taxpayer to a net income tax regardless of whether, in fact, the state does or does not.~~
- 20 4. ~~Rents and royalties from real or tangible personal property, capital gains, interest,~~
21 ~~dividends, or patent or copyright royalties, to the extent that they constitute~~
22 ~~nonbusiness income, shall be allocated as provided in subsections 5 through 8 of this~~
23 ~~article.~~
- 24 5. (a) ~~Net rents and royalties from real property located in this state are allocable to this~~
25 ~~state.~~
- 26 (b) ~~Net rents and royalties from tangible personal property are allocable to this state:~~
27 ~~(1) if and to the extent that the property is utilized in this state, or (2) in their~~
28 ~~entirety if the taxpayer's commercial domicile is in this state and the taxpayer is~~
29 ~~not organized under the laws of or taxable in the state in which the property is~~
30 ~~utilized.~~

- 1 (e) ~~The extent of utilization of tangible personal property in a state is determined by~~
2 ~~multiplying the rents and royalties by a fraction, the numerator of which is the~~
3 ~~number of days of physical location of the property in the state during the rental~~
4 ~~or royalty period in the taxable year and the denominator of which is the number~~
5 ~~of days of physical location of the property everywhere during all rental or royalty~~
6 ~~periods in the taxable year. If the physical location of the property during the~~
7 ~~rental or royalty period is unknown or unascertainable by the taxpayer, tangible~~
8 ~~personal property is utilized in the state in which the property was located at the~~
9 ~~time the rental or royalty payer obtained possession.~~
- 10 6. (a) ~~Capital gains and losses from sales of real property located in this state are~~
11 ~~allocable to this state.~~
- 12 (b) ~~Capital gains and losses from sales of tangible personal property are allocable to~~
13 ~~this state if (1) the property had a situs in this state at the time of the sale, or (2)~~
14 ~~the taxpayer's commercial domicile is in this state and the taxpayer is not taxable~~
15 ~~in the state in which the property had a situs.~~
- 16 (c) ~~Capital gains and losses from sales of intangible personal property are allocable~~
17 ~~to this state if the taxpayer's commercial domicile is in this state.~~
- 18 7. ~~Interest and dividends are allocable to this state if the taxpayer's commercial domicile~~
19 ~~is in this state.~~
- 20 8. (a) ~~Patent and copyright royalties are allocable to this state: (1) if and to the extent~~
21 ~~that the patent or copyright is utilized by the payer in this state, or (2) if and to the~~
22 ~~extent that the patent or copyright is utilized by the payer in a state in which the~~
23 ~~taxpayer is not taxable and the taxpayer's commercial domicile is in this state.~~
- 24 (b) ~~A patent is utilized in a state to the extent that it is employed in production,~~
25 ~~fabrication, manufacturing, or other processing in the state or to the extent that a~~
26 ~~patented product is produced in the state. If the basis of receipts from patent~~
27 ~~royalties does not permit allocation to states or if the accounting procedures do~~
28 ~~not reflect states of utilization, the patent is utilized in the state in which the~~
29 ~~taxpayer's commercial domicile is located.~~
- 30 (c) ~~A copyright is utilized in a state to the extent that printing or other publication~~
31 ~~originates in the state. If the basis of receipts from copyright royalties does not~~

1 permit allocation to states or if the accounting procedures do not reflect states of
2 utilization, the copyright is utilized in the state in which the taxpayer's commercial
3 domicile is located.

4 9. All business income shall be apportioned to this state by multiplying the income by a
5 fraction, the numerator of which is the property factor plus the payroll factor plus the
6 sales factor, and the denominator of which is three.

7 10. The property factor is a fraction, the numerator of which is the average value of the
8 taxpayer's real and tangible personal property owned or rented and used in this state
9 during the tax period and the denominator of which is the average value of all the
10 taxpayer's real and tangible personal property owned or rented and used during the
11 tax period.

12 11. Property owned by the taxpayer is valued at its original cost. Property rented by the
13 taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is
14 the annual rental rate paid by the taxpayer less any annual rental rate received by the
15 taxpayer from subrentals.

16 12. The average value of property shall be determined by averaging the values at the
17 beginning and ending of the tax period but the tax administrator may require the
18 averaging of monthly values during the tax period if reasonably required to reflect
19 properly the average value of the taxpayer's property.

20 13. The payroll factor is a fraction, the numerator of which is the total amount paid in this
21 state during the tax period by the taxpayer for compensation and the denominator of
22 which is the total compensation paid everywhere during the tax period.

23 14. Compensation is paid in this state if:

24 (a) The individual's service is performed entirely within the state;

25 (b) The individual's service is performed both within and without the state, but the
26 service performed without the state is incidental to the individual's service within
27 the state; or

28 (c) Some of the service is performed in the state and (1) the base of operations or, if
29 there is no base of operations, the place from which the service is directed or
30 controlled is in the state, or (2) the base of operations or the place from which the

1 service is directed or controlled is not in any state in which some part of the
2 service is performed, but the individual's residence is in this state.

3 15. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer
4 in this state during the tax period, and the denominator of which is the total sales of
5 the taxpayer everywhere during the tax period.

6 16. Sales of tangible personal property are in this state if:

7 (a) The property is delivered or shipped to a purchaser, other than the United States
8 government, within this state regardless of the f.o.b. point or other conditions of
9 the sale; or

10 (b) The property is shipped from an office, store, warehouse, factory, or other place
11 of storage in this state and (1) the purchaser is the United States government, or
12 (2) the taxpayer is not taxable in the state of the purchaser.

13 17. Sales, other than sales of tangible personal property, are in this state if:

14 (a) The income-producing activity is performed in this state; or

15 (b) The income-producing activity is performed both in and outside this state and a
16 greater proportion of the income-producing activity is performed in this state than
17 in any other state, based on costs of performance.

18 18. If the allocation and apportionment provisions of this article do not fairly represent the
19 extent of the taxpayer's business activity in this state, the taxpayer may petition for or
20 the tax administrator may require, in respect to all or any part of the taxpayer's
21 business activity, if reasonable:

22 (a) Separate accounting;

23 (b) The exclusion of any one or more of the factors;

24 (c) The inclusion of one or more additional factors which will fairly represent the
25 taxpayer's business activity in this state; or

26 (d) The employment of any other method to effectuate an equitable allocation and
27 apportionment of the taxpayer's income.

28 **ARTICLE V - ELEMENTS OF SALES AND USE TAX LAWS**

29 **Tax Credit**

30 1. Each purchaser liable for a use tax on tangible personal property shall be entitled to
31 full credit for the combined amount or amounts of legally imposed sales or use taxes

- 1 (e) The commission shall hold an annual meeting and such other regular meetings
2 as its bylaws may provide and such special meetings as its executive committee
3 may determine. The commission bylaws shall specify the dates of the annual and
4 any other regular meetings, and shall provide for the giving of notice of annual,
5 regular, and special meetings. Notices of special meetings shall include the
6 reasons therefor and an agenda of the items to be considered.
- 7 (f) The commission shall elect annually, from among its members, a chairman, a
8 vice chairman, and a treasurer. The commission shall appoint an executive
9 director who shall serve at its pleasure, and it shall fix the executive director's
10 duties and compensation. The executive director shall be secretary of the
11 commission. The commission shall make provision for the bonding of such of its
12 officers and employees as it may deem appropriate.
- 13 (g) Irrespective of the civil service, personnel, or other merit system laws of any party
14 state, the executive director shall appoint or discharge such personnel as may be
15 necessary for the performance of the functions of the commission and shall fix
16 their duties and compensation. The commission bylaws shall provide for
17 personnel policies and programs.
- 18 (h) The commission may borrow, accept, or contract for the services of personnel
19 from any state, the United States, or any other governmental entity.
- 20 (i) The commission may accept for any of its purposes and functions any and all
21 donations and grants of money, equipment, supplies, materials, and services,
22 conditional or otherwise, from any governmental entity, and may utilize and
23 dispose of the same.
- 24 (j) The commission may establish one or more offices for the transacting of its
25 business.
- 26 (k) The commission shall adopt bylaws for the conduct of its business. The
27 commission shall publish its bylaws in convenient form, and shall file a copy of
28 the bylaws and any amendments thereto with the appropriate agency or officer in
29 each of the party states.
- 30 (l) The commission annually shall make to the governor and legislature of each
31 party state a report covering its activities for the preceding year. Any donation or

1 grant accepted by the commission or services borrowed shall be reported in the
2 annual report of the commission, and shall include the nature, amount, and
3 conditions, if any, of the donation, gift, grant, or services borrowed and the
4 identity of the donor or lender. The commission may make additional reports as it
5 may deem desirable.

6 **Committees**

- 7 2. (a) To assist in the conduct of its business when the full commission is not meeting,
8 the commission shall have an executive committee of seven members, including
9 the chairman, vice chairman, treasurer, and four other members elected annually
10 by the commission. The executive committee subject to the provisions of this
11 compact and consistent with the policies of the commission, shall function as
12 provided in the bylaws of the commission.
- 13 (b) The commission may establish advisory and technical committees, membership
14 on which may include private persons and public officials, in furthering any of its
15 activities. Such committees may consider any matter of concern to the
16 commission, including problems of special interest to any party state and
17 problems dealing with particular types of taxes.
- 18 (c) The commission may establish such additional committees as its bylaws may
19 provide.

20 **Powers**

- 21 3. In addition to powers conferred elsewhere in this compact, the commission shall have
22 power to:
- 23 (a) Study state and local tax systems and particular types of state and local taxes.
- 24 (b) Develop and recommend proposals for an increase in uniformity or compatibility
25 of state and local tax laws with a view toward encouraging the simplification and
26 improvement of state and local tax law and administration.
- 27 (c) Compile and publish information as in its judgment would assist the party states
28 in implementation of the compact and taxpayers in complying with state and local
29 tax laws.
- 30 (d) Do all things necessary and incidental to the administration of its functions
31 pursuant to this compact.

Finance

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- 4. (a) The commission shall submit to the governor or designated officer or officers of each party state a budget of its estimated expenditures for such period as may be required by the laws of that state for presentation to the legislature thereof.
- (b) Each of the commission's budgets of estimated expenditures shall contain specific recommendations of the amounts to be appropriated by each of the party states. The total amount of appropriations requested under any such budget shall be apportioned among the party states as follows: one-tenth in equal shares; and the remainder in proportion to the amount of revenue collected by each party state and its subdivisions from income taxes, capital stock taxes, gross receipts taxes, and sales and use taxes. In determining such amounts, the commission shall employ such available public sources of information as, in its judgment, present the most equitable and accurate comparisons among the party states. Each of the commission's budgets of estimated expenditures and requests for appropriations shall indicate the sources used in obtaining information employed in applying the formula contained in this subsection.
- (c) The commission shall not pledge the credit of any party state. The commission may meet any of its obligations in whole or in part with funds available to it under subdivision i of subsection 1 of this article; provided, that the commission takes specific action setting aside such funds prior to incurring any obligation to be met in whole or in part in such manner. Except where the commission makes use of funds available to it under subdivision i of subsection 1, the commission shall not incur any obligation prior to the allotment of funds by the party states adequate to meet the same.
- (d) The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. All receipts and disbursements of funds handled by the commission shall be audited yearly by a certified or licensed public accountant and the report of the audit shall be included in and become part of the annual report of the commission.

- 1 (e) The accounts of the commission shall be open at any reasonable time for
2 inspection by duly constituted officers of the party states and by any persons
3 authorized by the commission.
- 4 (f) Nothing contained in this article shall be construed to prevent commission
5 compliance with laws relating to audit or inspection of accounts by or on behalf of
6 any government contributing to the support of the commission.

7 **ARTICLE ~~VII~~ - UNIFORM REGULATIONS AND FORMS**

- 8 1. Whenever any two or more party states, or subdivisions of party states, have uniform
9 or similar provisions of law relating to an income tax, the commission may adopt
10 uniform regulations for any phase of the administration of such law, including assertion
11 of jurisdiction to tax, or prescribing uniform tax forms. ~~The commission may also act~~
12 ~~with respect to the provisions of article IV of this compact.~~
- 13 2. Prior to the adoption of any regulation, the commission shall:
- 14 (a) As provided in its bylaws, hold at least one public hearing on due notice to all
15 affected party states and subdivisions thereof and to all taxpayers and other
16 persons who have made timely request of the commission for advance notice of
17 its regulation-making proceedings.
- 18 (b) Afford all affected party states and subdivisions and interested persons an
19 opportunity to submit relevant written data and views, which shall be considered
20 fully by the commission.
- 21 3. The commission shall submit any regulations adopted by it to the appropriate officials
22 of all party states and subdivisions to which they might apply. Each such state and
23 subdivision shall consider any such regulation for adoption in accordance with its own
24 laws and procedures.

25 **ARTICLE ~~VIII~~VI - INTERSTATE AUDITS**

- 26 1. This article shall be in force only in those party states that specifically provide therefor
27 by statute.
- 28 2. Any party state or subdivision thereof desiring to make or participate in an audit of any
29 accounts, books, papers, records, or other documents may request the commission to
30 perform the audit on its behalf. In responding to the request, the commission shall
31 have access to and may examine, at any reasonable time, such accounts, books,

1 papers, records, and other documents and any relevant property or stock of
2 merchandise. The commission may enter into agreements with party states or their
3 subdivisions for assistance in performance of the audit. The commission shall make
4 charges, to be paid by the state or local government or governments for which it
5 performs the service, for any audits performed by it in order to reimburse itself for the
6 actual costs incurred in making the audit.

7 3. The commission may require the attendance of any person within the state where it is
8 conducting an audit or part thereof at a time and place fixed by it within such state for
9 the purpose of giving testimony with respect to any account, book, paper, document,
10 other record, property, or stock of merchandise being examined in connection with the
11 audit. If the person is not within the jurisdiction, the person may be required to attend
12 for such purpose at any time and place fixed by the commission within the state of
13 which the person is a resident; provided, that such state has adopted this article.

14 4. The commission may apply to any court having power to issue compulsory process for
15 orders in aid of its powers and responsibilities pursuant to this article and any and all
16 such courts shall have jurisdiction to issue such orders. Failure of any person to obey
17 any such order shall be punishable as contempt of the issuing court. If the party or
18 subject matter on account of which the commission seeks an order is within the
19 jurisdiction of the court to which application is made, such application may be to a
20 court in the state or subdivision on behalf of which the audit is being made or a court in
21 the state in which the object of the order being sought is situated. The provisions of
22 this subsection apply only to courts in a state that has adopted this article.

23 5. The commission may decline to perform any audit requested if it finds that its available
24 personnel or other resources are insufficient for the purpose or that, in the terms
25 requested, the audit is impracticable of satisfactory performance. If the commission,
26 on the basis of its experience, has reason to believe that an audit of a particular
27 taxpayer, either at a particular time or on a particular schedule, would be of interest to
28 a number of party states or their subdivisions, it may offer to make the audit or audits,
29 the offer to be contingent on sufficient participation therein as determined by the
30 commission.

- 1 6. Information obtained by any audit pursuant to this article shall be confidential and
2 available only for tax purposes to party states, their subdivisions, or the United States.
3 Availability of information shall be in accordance with the laws of the states or
4 subdivisions on whose account the commission performs the audit, and only through
5 the appropriate agencies or officers of such states or subdivisions. Nothing in this
6 article shall be construed to require any taxpayer to keep records for any period not
7 otherwise required by law.
- 8 7. Other arrangements made or authorized pursuant to law for cooperative audit by or on
9 behalf of the party states or any of their subdivisions are not superseded or invalidated
10 by this article.
- 11 8. In no event shall the commission make any charge against a taxpayer for an audit.
- 12 9. As used in this article, "tax", in addition to the meaning ascribed to it in article II,
13 means any tax or license fee imposed in whole or in part for revenue purposes.

ARTICLE IX--ARBITRATION

- 15 ~~1. Whenever the commission finds a need for settling disputes concerning~~
16 ~~apportionments and allocations by arbitration, it may adopt a regulation placing this~~
17 ~~article in effect, notwithstanding the provisions of article VII.~~
- 18 ~~2. The commission shall select and maintain an arbitration panel composed of officers~~
19 ~~and employees of state and local governments and private persons who shall be~~
20 ~~knowledgeable and experienced in matters of tax law and administration.~~
- 21 ~~3. Whenever a taxpayer who has elected to employ article IV, or whenever the laws of~~
22 ~~the party state or subdivision thereof are substantially identical with the relevant~~
23 ~~provisions of article IV, the taxpayer, by written notice to the commission and to each~~
24 ~~party state or subdivision thereof that would be affected, may secure arbitration of an~~
25 ~~apportionment or allocation, if the taxpayer is dissatisfied with the final administrative~~
26 ~~determination of the tax agency of the state or subdivision with respect thereto on the~~
27 ~~ground that it would subject the taxpayer to double or multiple taxation by two or more~~
28 ~~party states or subdivisions thereof. Each party state and subdivision thereof hereby~~
29 ~~consents to the arbitration as provided herein, and agrees to be bound thereby.~~
- 30 ~~4. The arbitration board shall be composed of one person selected by the taxpayer, one~~
31 ~~by the agency or agencies involved, and one member of the commission's arbitration~~

1 panel. If the agencies involved are unable to agree on the person to be selected by
2 them, such person shall be selected by lot from the total membership of the arbitration
3 panel. The two persons selected for the board in the manner provided by the foregoing
4 provisions of this subsection shall jointly select the third member of the board. If they
5 are unable to agree on the selection, the third member shall be selected by lot from
6 among the total membership of the arbitration panel. No member of a board selected
7 by lot shall be qualified to serve if that member is an officer or employee or is
8 otherwise affiliated with any party to the arbitration proceeding. Residence within the
9 jurisdiction of a party to the arbitration proceeding shall not constitute affiliation within
10 the meaning of this subsection.

11 5. The board may sit in any state or subdivision party to the proceeding, in the state of
12 the taxpayer's incorporation, residence, or domicile, in any state where the taxpayer
13 does business, or in any place that it finds most appropriate for gaining access to
14 evidence relevant to the matter before it.

15 6. The board shall give due notice of the times and places of its hearings. The parties
16 shall be entitled to be heard, to present evidence, and to examine and cross-examine
17 witnesses. The board shall act by majority vote.

18 7. The board shall have power to administer oaths, take testimony, subpoena, and
19 require the attendance of witnesses and the production of accounts, books, papers,
20 records, and other documents, and issue commissions to take testimony. Subpoenas
21 may be signed by any member of the board. In case of failure to obey a subpoena,
22 and upon application by the board, any judge of a court of competent jurisdiction of the
23 state in which the board is sitting or in which the person to whom the subpoena is
24 directed may be found may make an order requiring compliance with the subpoena,
25 and the court may punish failure to obey the order as a contempt. The provisions of
26 this subsection apply only in states that have adopted this article.

27 8. Unless the parties otherwise agree the expenses and other costs of the arbitration
28 shall be assessed and allocated among the parties by the board in such manner as it
29 may determine. The commission shall fix a schedule of compensation for members of
30 arbitration boards and of other allowable expenses and costs. No officer or employee
31 of a state or local government who serves as a member of a board shall be entitled to

1 compensation therefor unless that person is required on account of that person's-
2 service to forego the regular compensation attaching to that person's public-
3 employment, but any such board member shall be entitled to expenses.

4 9. The board shall determine the disputed apportionment or allocation and any matters-
5 necessary thereto. The determinations of the board shall be final for purposes of
6 making the apportionment or allocation, but for no other purpose.

7 10. The board shall file with the commission and with each tax agency represented in the
8 proceeding: the determination of the board; the board's written statement of its
9 reasons therefor; the record of the board's proceedings; and any other documents-
10 required by the arbitration rules of the commission to be filed.

11 11. The commission shall publish the determinations of boards together with the
12 statements of the reasons therefor.

13 12. The commission shall adopt and publish rules of procedure and practice and shall file-
14 a copy of such rules and of any amendment thereto with the appropriate agency or
15 officer in each of the party states.

16 13. Nothing contained herein shall prevent at any time a written compromise of any matter-
17 or matters in dispute, if otherwise lawful, by the parties to the arbitration proceeding.

18 **ARTICLE XVII - ENTRY INTO FORCE AND WITHDRAWAL**

19 1. This compact shall enter into force when enacted into law by any seven states.
20 Thereafter, this compact shall become effective as to any other state upon its
21 enactment thereof. The commission shall arrange for notification of all party states
22 whenever there is a new enactment of the compact.

23 2. Any party state may withdraw from this compact by enacting a statute repealing the
24 same. No withdrawal shall affect any liability already incurred by or chargeable to a
25 party state prior to the time of such withdrawal.

26 3. No proceeding commenced before an arbitration board prior to the withdrawal of a-
27 state and to which the withdrawing state or any subdivision thereof is a party shall be
28 discontinued or terminated by the withdrawal, nor shall the board thereby lose
29 jurisdiction over any of the parties to the proceeding necessary to make a binding-
30 determination therein.

31 **ARTICLE XVIII - EFFECT ON OTHER LAWS AND JURISDICTION**

1 Nothing in this compact shall be construed to:

- 2 1. Affect the power of any state or subdivision thereof to fix rates of taxation, ~~except that~~
3 ~~a party state shall be obligated to implement subsection 2 of article III of this compact.~~
- 4 2. Apply to any tax or fixed fee imposed for the registration of a motor vehicle or any tax
5 on motor fuel, other than a sales tax; provided, that the definition of "tax" in
6 subsection 9 of article ~~VIII~~VI may apply for the purposes of that article and the
7 commission's powers of study and recommendation pursuant to subsection 3 of
8 article ~~VI~~IV may apply.
- 9 3. Withdraw or limit the jurisdiction of any state or local court or administrative officer or
10 body with respect to any person, corporation, ~~limited liability company~~, or other entity
11 or subject matter, except to the extent that such jurisdiction is expressly conferred by
12 or pursuant to this compact upon another agency or body.
- 13 4. Supersede or limit the jurisdiction of any court of the United States.

14 **ARTICLE ~~XIII~~XIX - CONSTRUCTION AND SEVERABILITY**

15 This compact shall be liberally construed so as to effectuate the purposes thereof. The
16 provisions of this compact shall be severable and if any phrase, clause, sentence, or provision
17 of this compact is declared to be contrary to the constitution of any state or of the United States
18 or the applicability thereof to any government, agency, person, or circumstance is held invalid,
19 the validity of the remainder of this compact and the applicability thereof to any government,
20 agency, person, or circumstance shall not be affected thereby. If this compact shall be held
21 contrary to the constitution of any state participating therein, the compact shall remain in full
22 force and effect as to the remaining party states and in full force and effect as to the state
23 affected as to all severable matters.

24 **SECTION 4. AMENDMENT.** Section 57-59-05 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **57-59-05. Legal counsel.**

27 The chief counsel of the state tax department or the chief counsel's designee shall attend
28 the meetings of the multistate tax commission as the legal counsel representing the state of
29 North Dakota as provided for by subdivision a of subsection 1 of article ~~VI~~IV of section
30 57-59-01.

1 **SECTION 5. AMENDMENT.** Section 57-59-06 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-59-06. Selection of representatives to meet with commission member.**

4 The state tax commissioner shall appoint two persons who are representatives of
5 subdivisions affected or likely to be affected by the multistate tax compact from among persons
6 nominated by the association of counties and league of cities. The state tax commissioner, and
7 any alternate designated by the state tax commissioner, shall consult with these appointees, in
8 accordance with subdivision b of subsection 1 of article ~~VI~~ of section 57-59-01. The state tax
9 commissioner shall also consult regularly with the chairman and ranking minority party member
10 of the finance and taxation committees of the senate and house of representatives as provided
11 for in subdivision b of subsection 2 of article ~~VI~~ of section 57-59-01.

12 **SECTION 6. AMENDMENT.** Section 57-59-08 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-59-08. Interaudits.**

15 Article ~~VI~~ of the multistate tax compact relating to interaudits shall be in force in and with
16 respect to the state of North Dakota.

17 **SECTION 7. REPEAL.** Section 57-59-02 of the North Dakota Century Code is repealed.

18 **SECTION 8. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
19 December 31, 2014.