



MANDAN RENAISSANCE ZONE

AVAILABLE TAX EXEMPTIONS AND CREDITS

State Income Tax Exemptions

- A. Individual Income Tax Exemption:
1. An individual taxpayer who purchases or rehabilitates a single-family residential property for the individual's primary place of residence as an approved Zone project is exempt from up to \$10,000 of personal income tax liability for five taxable years beginning with the month the rehabilitation is complete.
 2. The rehabilitation cost must equal or exceed 20 percent of the residence's value for tax purposes with a \$10,000 minimum.
- B. Business/Investment Income Tax Exemption:
1. Any taxpayer that purchases, leases, undertakes leasehold improvements or rehabilitates residential or commercial property for any business or investment purpose as an approved Zone project is exempt from tax on income derived from the business or investment locations within the Zone for five taxable years, beginning with the month of purchase, lease, or completion of leasehold improvements or rehabilitation. The maximum amount of income that a taxpayer may exempt from tax under this subsection for any taxable year is \$500,000. The limitation applies to the sum of the exempt income derived from the taxpayer's business and investment interests in all zone projects.
 2. For rehabilitation projects, the cost of rehabilitation must equal or exceed 50 percent of the property's value for tax purposes with a \$15,000 minimum.
 3. For leasehold improvement projects, the cost of the improvements must equal at least 50 percent of that space's value for tax purposes.
 1. If a zone project consists of a physical expansion of an existing building owned and used by the taxpayer for business or investment purposes, the amount of income exempt from tax is limited to an amount equal to the income derived from the business, or from the investment use of the building, during the taxable year multiplied by a ratio equal to the square footage added by the expansion divided by the total square footage of the building after expansion.

Property Tax Exemptions

- A. Single-family Residential Properties:
 - 1. The City will a complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as an approved Zone project.
 - 2. An exemption granted under this provision may not extend beyond five taxable years following the date of acquisition or rehabilitation.

- B. Business/Investment Properties:
 - 1. The City will grant a complete exemption from ad valorem taxation on buildings, structures, fixtures and improvements purchased or rehabilitated as an approved Zone project for any business or investment purpose. The City also will grant a complete exemption from ad valorem taxation on leasehold improvements as an approved Zone project for any business or investment purpose. An exemption granted under this provision may not extend beyond five taxable years following the date of purchase or rehabilitation.
 - 2. For leasehold improvements, lessee must provide evidence that they are the beneficiary of the property tax exemption on their pro rate share of the building.

- C. The City reserves the right to limit the amount or duration of the local property tax exemption for projects receiving other local incentives as well for applications from recipients that have not produced desired results with past projects.

Historic Preservation and Renovation Tax Credits

- A. State Income Tax Credit:
 - 1. A credit against state tax liability is allowed for investments in the historic preservation or renovation of property within the Renaissance Zone.
 - 2. The amount of the credit is 25% of the amount invested, up to a maximum of \$250,000.
 - 3. The credit may be claimed in the year in which the preservation or renovation is complete, and any excess credit may be carried forward for a period of up to five taxable years.

- B. Federal Income Tax Credit:
 - 1. A credit of 20% of an investment is allowed for the rehabilitation of an eligible historic property that will be used for commercial purposes.
 - 2. In order to qualify for this tax credit, both the State Historical Society and the National Park Service must approve the project.

* This handout is a summary of available tax credits and exemptions. For more detailed information, please refer to the North Dakota Renaissance Zone Tax Incentives Guideline from the North Dakota Office of State Tax Commissioner (November 2004).