

***NEW SALEM 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.
- 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 any 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.
 - 2. For rehabilitation projects, the cost of rehabilitation must equal or exceed 50 percent of the property's value for tax purposes.
 - 3. For leasehold improvement projects, the cost of the improvements must equal at least 50 percent of that space's value for tax purposes.

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.

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).