

FISCAL NOTE

Requested by Legislative Council

01/17/2001

Bill/Resolution No.: SB 2221

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					
Expenditures					
Appropriations					

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2221 provides a tax credit of 50% of certain charitable contributions made by individuals, corporations, estates, trusts and financial institutions.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2221 will reduce revenues by an amount that cannot be determined. The tax credit is limited to 50% of qualifying charitable contributions, to a maximum of \$10,000 or the amount of the tax liability, whichever is less. Only taxpayers that haven't used the contribution to reduce their federal liabilities can claim this credit. While that appears to benefit non-itemizers (in the case of individual income taxpayers), itemizers as well may find this tax credit is more beneficial than a federal deduction. On 1998 federal individual income tax returns, 44,000 North Dakotans claimed \$135 million in charitable contributions. If just 15% of the contributions were made to qualifying charities by taxpayers "better off" with this tax credit than the federal deduction, the tax credit provisions of this bill could have reduced individual income tax revenues by \$10 million in one year. Qualifying contributions made by non-itemizing individuals, and by corporations, financial institutions, etc. would result in additional state and county revenue losses of an amount that cannot be determined.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Kathryn L. Strombeck
Phone Number: 328-3402

Agency: Tax Department
Date 01/22/2001
Prepared: