

FISCAL NOTE

Requested by Legislative Council
04/25/2007

Amendment to: Engrossed
HB 1018

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.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|--------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$4,470,000) | | (\$6,590,000) | |
| Expenditures | | | | | | |
| Appropriations | | | \$2,093,138 | \$22,920,000 | | |

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

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1018 includes many of the provisions originally included in HB 1027 which was the business initiative bill sponsored by the interim Economic Development Committee. Multiple provisions have fiscal impact and are listed in section 2B.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 13: Grants for innovation appropriation. (Career and Technical Education)
 Section 14: Centers of Excellence appropriation. (Office of Management and Budget)
 Section 15: Centers of Excellence contingent borrowing authority. (Office of Management and Budget)
 Section 16: Prairie Public Broadcasting appropriation. (Office of Management and Budget)
 Section 18: ND Business Development Engine contingent borrowing authority. (Secretary of State)
 Section 23: Higher education report on CCBenefits. (Higher Education)
 Section 24: Tax expenditure report pilot project. (Tax Department)
 Section 34: Mortgage loan financing program changes. (Housing Finance Agency)
 Section 42: Angel fund investment tax credit. (Tax Department)
 Sections 43 & 46: Tax deduction of the amount an employee receives in a payment from an employer that is entitled to the workforce recruitment tax credit. (Tax Department)
 Section 44: Internship employment tax credit. (Tax Department)
 Section 45: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
 Section 47: Income tax credit for research and experimental expenditures. (Tax Department)
 Section 48: Seed capital investment tax credit limits. (Tax Department)
 Section 49: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
 Section 51: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

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.*

Tax Department

Section 42 provides for a tax credit against corporation and individual income tax liabilities relating to investments

made in an angel fund that is incorporated in this state. The fiscal impact of this section cannot be determined.

Sections 43 & 46 provides for a deduction in the amount an employee receives in payment of a signing bonus, moving expenses, or nontypical fringe benefits from an employer that is entitled to the workforce recruitment tax credit for hard-to-fill employment positions. The fiscal impact of these sections cannot be determined.

Section 44 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 45 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 46 allows the tax credits for internship salaries, recruitment expenses, and research and experimental expenditures contained in Sections 44, 45, and 47 to be claimed on the state's simplified form, Form ND-1.

Section 47 expands the income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of \$2.47 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 48 raises the limits on the seed capital investment tax credit program from \$2.5 million to \$3.5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of \$2 million for the 2007-09 biennium.

Section 49 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 51 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under \$5000.

Contact: Kathy Strombeck 328-3402

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.*

Board of Higher Education
Section 23

Section 23: Although this section imposes an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Housing Finance Agency
Section 34

Section 34: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of \$6 million. It is not possible to identify how many loans would be made with verses without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Tax Department

Section 24 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will

incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The additional appropriations contained within the individual bill sections are as follows:

Section 13: \$70,000 General Fund (Career and Technical Education)
Section 14: \$15,000,000 Permanent Oil Tax Trust Fund (Office of Management and Budget – Centers of Excellence)
Section 15: \$5,000,000 in contingent borrowing authority (Office of Management and Budget – Centers of Excellence)
Section 16: \$2,023,138 General Fund (Office of Management and Budget – Prairie Public Broadcasting)
Section 18: \$2,920,000 in contingent borrowing authority (Secretary of State)

Total: \$2,093,138 General Funds
\$22,920,000 Other Funds

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| Phone Number: | 328-7258 | Date Prepared: | 04/26/2007 |