

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: HB 1241

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **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 1241 creates a new income tax deduction for North Dakota residents who set up a first-time home buyer savings account for the purpose of paying the eligible costs of buying a home in the state.

- 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 1 of the bill provides a new income tax deduction for residents equal to the amount of monies deposited into a first-time home buyer savings account during the tax year, up to a maximum deduction of \$2,000, or \$4,000 if filing jointly. If monies deposited into an account exceed the allowable deduction for the year, the taxpayer may claim a deduction in the following tax year for the excess amount up to the maximum annual deduction. A first-time home buyers savings account and associated income tax deduction are valid for a 10-year period beginning with the year in which the account is established. The maximum amount a taxpayer may deduct over the 10-year period is limited to \$20,000, or \$40,000 if filing jointly.

Section 2 of the bill provides that a taxpayer must add to North Dakota taxable income any amount withdrawn from the account for other than the payment of eligible costs, to the extent the amount withdrawn was previously deducted. Also, any monies remaining in an account on January 1st of the account's 11th year must be added to North Dakota taxable income.

Section 3 of the bill sets out the provisions governing the establishment and administration of a first-time home buyer savings account.

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, HB 1241 may reduce state general fund revenues in the 2019-21 biennium. The amount of the reduction, if any, cannot be determined because it is unknown to what extent the first-time home buyer savings account provisions will be utilized.

Housing Finance Agency reports 1,680 first-time home buyers in 2018. These individuals have not owned a home in at least three years, which differs from the requirements in HB 1241. Additionally, only a portion of all first-time home buyers are able to utilize HFA programs. The universe of qualifying first-time home buyers that could potentially benefit from the provisions of HB 1241 is likely larger than 1,680.

The individual income tax rates currently range from 1.10% to 2.90%, which means a \$2,000 deduction would reduce the tax liability between \$22 to \$58 per year, or from \$44 to \$116 in the case of a \$4,000 deduction.

- 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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