

FISCAL NOTE
Requested by Legislative Council
04/11/2019

Amendment to: HB 1384

- 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 1384 with Senate Amendments will expand the existing income tax credit allowed for making a charitable contribution to a nonprofit private school in North Dakota.

- 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 expands the three existing income tax credits allowed for making charitable contributions to nonprofit private schools in North Dakota. The bill provides for a separate credit for each of three school categories—primary, secondary, and higher education. In each school category, the credit is equal to the smaller of (1) 50% of qualifying contributions, (2) 25% of the taxpayer's tax liability, or (3) \$2,500.

This amended version of the bill expands the credits by increasing the limitation based on the taxpayer's tax liability from 20% to 25% and allowing the credits to individuals for direct contributions to private schools. The Act sunsets after two tax years.

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 1384 with Senate Amendments is expected to reduce state general fund revenues in the 2019-21 biennium.

Businesses are allowed this tax credit under current law, with the most limiting factor the \$2,500 cap. That cap is not changed in this bill. The provisions of this bill that are most likely to result in a reduction of revenues are relative to the expansion of the tax credit to include individuals who make direct contributions to private nonprofit schools in the state, and those that allow the business contribution tax credit to offset 25% of the entity's tax liability.

Research provided to the tax department indicated that the current level of contributions made by individuals and businesses would result in a reduction of revenues of approximately \$5 million in the 2019-21 biennium. It is not

known how many additional contributions will be successfully solicited by private nonprofit schools as a result of the expansion of the tax credit allowed in this bill. The amended version of the bill provides limitations and prevents the tax credit in excess of 25% of any contributor's tax liability.

The fiscal impact 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, 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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