

FISCAL NOTE
Requested by Legislative Council
01/15/2021

Bill/Resolution No.: HB 1365

- 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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(14,200,000)			
Expenditures						
Appropriations						

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

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 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 1365 creates a new income tax credit for individuals who pay student loan interest to the Bank of 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 creates a new individual income tax credit equal to the amount of interest paid during the tax year to the Bank of North Dakota on student loans. If the credit amount exceeds the tax liability for the year the credit is earned, the unused portion of the credit may be carried forward to the following 5 tax years.

Under federal income tax law, up to \$2,500 of student loan interest is allowed as a deduction "above-the-line" in calculating federal adjusted gross income, which means the deduction is available regardless of whether the individual itemizes deductions. The federal deduction is phased out when federal adjusted gross income exceeds specified amounts. To prevent a double benefit, this bill requires individuals who claim the credit to increase their North Dakota taxable income by the amount of the student loan interest, to the extent it reduced their federal taxable income. This addback requirement will increase the North Dakota tax liability, which will offset part of the credit allowed by this bill.

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 1365 is expected to reduce state general fund revenues by an estimated \$14.2 million in the 2021-23 biennium.

- 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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