## Tax Department House Bill No. 1006

2001-03 executive budget (Governor Schafer) (bill as introduced)	FTE Positions 142.00	<b>General Fund</b> \$17,562,518	Other Funds \$393,729	<b>Total</b> \$17,956,247
2001-03 legislative appropriations	143.00	17,721,663	709,729	18,431,392
Legislative increase (decrease) to executive budget	1.00	\$159,145	\$316,000	\$475,145
Legislative increase (decrease) to 1999-2001 appropriations	(1.00)	\$781,961	\$416,000	\$1,197,961
2001-03 Governor Hoeven's recommendation	142.00	\$17,562,518	\$393,729	\$17,956,247
Legislative increase (decrease) to Governor Hoeven's recommendation	1.00	\$159,145	\$316,000	\$475,145

#### **GOVERNOR HOEVEN'S RECOMMENDATIONS**

The Hoeven recommendation did not change the Schafer recommendation.

## SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET (SCHAFER) AND MAJOR FUNDING ITEMS

# **Salaries and Wages**

The legislative action affecting the recommended appropriation for the Tax Department is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015. In addition to the above appropriations, agencies may receive additional funding from the \$5 million appropriated in Section 1 of House Bill No. 1015 for special market equity adjustments for classified state employees whose salaries are the furthest from their respective salary range midpoints. The bill includes funding to provide a market adjustment of \$341.42 per month for the Tax Commissioner effective January 1, 2002.

The legislative action:	Major Items FTE Positions	General Fund	Other Funds	Total
Adjusted funding for the market equity salary increase for the Tax Commissioner to provide a \$341.42 per month salary increase effective January 1, 2002. The executive budget included more funding than was necessary to provide for this increase.		(\$17,092)		(\$17,092)
Reduced funding for temporary wages		(78,882)		(78,882)
Removed funding for the general membership and the Nexus program portion of the Multistate Tax Commission fees from operating expenses		(44,881)		(44,881)
Provided funding for all costs associated with membership in the Multistate Tax Commission, including membership in the audit program			\$316,000	316,000

Added funding for costs related to implementation of the provisions of House Bill No. 1399, relating to the decoupling of the state income tax from the federal income tax		300,000		300,000
Restored an auditor II position (See FTE Changes section)	1.00			
Total	1.00	\$159,145	\$316,000	\$475,145

### **FTE Changes**

The executive recommendation removed two FTE positions--an auditor II and account technician II. The Legislative Assembly restored the auditor II position but did not provide funding for the position.

#### **Multistate Tax Commission**

Section 3 was added creating a Multistate Tax Commission fund consisting of up to \$316,000 from Multistate Tax Commission collections. The Tax Commissioner is authorized to spend up to \$316,000 from the fund for membership in the Multistate Tax Commission, and any remaining balance is transferred to the general fund.

### **Related Legislation**

Liquor tax collections - Senate Bill No. 2053 transferred the beer and wholesale liquor tax collection responsibilities from the State Treasurer to the Tax Commissioner.

Income tax decoupling - House Bill No. 1399 decouples the state income tax from the federal income tax to a rate system based on federal taxable income.

## Homestead Tax Credit House Bill No. 1006

2001-03 executive budget (Governor Schafer) (bills as introduced)	FTE Positions 0.00	<b>General Fund</b> \$4,540,813	Other Funds \$0	<b>Total</b> \$4,540,813
2001-03 legislative appropriations	0.00	4,540,813	0	4,540,813
Legislative increase (decrease) to executive budget	0.00	\$0	\$0	\$0
Legislative increase (decrease) to 1999-2001 appropriations				\$0
2001-03 Governor Hoeven's recommendation	0.00	\$4,540,813	\$0	\$4,540,813
Legislative increase (decrease) to Governor Hoeven's recommendation	0.00	\$0	\$0	\$0

#### **GOVERNOR HOEVEN'S RECOMMENDATIONS**

The Hoeven recommendation did not change the Schafer recommendation.

### SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET (SCHAFER) AND MAJOR FUNDING ITEMS

#### **Major Items**

The Legislative Assembly did not change the executive recommendation for funding for the homestead tax credit.

## **Program Statistics**

The schedule below presents the number of eligible homeowners and renters and the payments made in recent years:

	Number Eligible for Program			Payments Made Under Program		
	Homeowners	Renters	Total	Homeowners	Renters	Total
1997	5,680	1,499	7,179	\$2,072,141	\$166,841	\$2,238,982
1998	5,278	1,482	6,760	\$1,974,283	\$165,060	\$2,139,343
1999	4,943	1,454	6,397	\$1,852,124	\$173,370	\$2,025,494
2000	4,457	1,508	5,965	\$1,817,552	\$190,211	\$2,007,763

For eligible homeowners, the program provides for a graduated reduction in the taxable value and resulting taxes of a person's homestead.

For eligible renters, the program provides a direct payment to renters of the amount by which 20 percent of the rent, representing property taxes, exceeds four percent of the applicant's annual income.

# **Related Legislation**

**Program eligibility** - House Bill No. 1059 relates to the deduction of certain medical expenses from income when determining the eligibility for the homestead tax credit. The bill provides that the term "medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the individual may use the standard mileage rate allowed for state officer and employee use of a personal motor vehicle.