

*office*

(Prepare in triplicate)

FISCAL NOTE

Prepared in regard to:

House Bill No. 620

(list bill or resolution and number, if available, or subject

Amentment to:

(list bill or resolution and number)

REQUESTED BY: Garrison, LRC

DATE OF RECEIPT 1-19 1967

In the following space note the fiscal effect in dollars of the legislative proposal. If additional space is needed attach a supplementary sheet. Please type.

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See attached sheets

Date of preparation: February 5, 1967

Signed State Tax Department

By *James H. Baker*  
Kenneth W. Baker

FISCAL NOTE TO HOUSE BILL NO. 620

This Bill has several provisions which would affect the amount of income tax revenue, but there is not adequate information available from which an estimate can be made of the amount of increase or decrease in revenue that would result from some of the changes.

The changes for which we cannot make an estimate are:

- a. Lines 21-24 which would change the amount of deductible contributions; this would decrease the income tax revenue from corporations by allowing them a larger deduction for contributions; it would not change the amount of deductible contributions of individuals because the deductions by individuals are governed by section 57-38-22.1, as is recognized by the provision in lines 60-61.
- b. Lines 43-52, although not clear, apparently provide for deduction of the cost, subject to certain limitations, of personal property used in a trade or business in lieu of deduction depreciation on such personal property. While the immediate affect of this would be to decrease income tax revenue in the first years after this would go into effect because of the larger deductions, in later years the income tax revenue should increase because the deduction of all or a part of the cost over a shorter period of time would eliminate any deduction for depreciation for the same property in later years and thereby increase taxable income.
- c. Lines 56, 57, 58 and 61 through 64 would increase income tax revenue from individuals because they would remove the present deduction for:
  1. Interest
  2. Sales tax
  3. Child care expenses
  4. Losses
  5. Miscellaneous expenses
  6. Alimony payments
  7. Depletion and depreciation allowances
  8. Travel expenses not connected with a specific trade or business

The increase in revenue from eliminating these deductions would be offset to some extent by the fact that more persons would no doubt find it to their advantage to take the standard deduction instead of itemizing their deductions as they now do with these items being deductible.

The \$5.00 credit on refund per person for sales tax paid on food would not decrease income tax revenue by more than \$3,202,000 per year, based upon a present estimated population of 640,400. This would be a total maximum decrease of \$6,404,000 of revenue to the state general fund during the 1967-1969 biennium. The repeal of the present deduction for dividends (see lines 171-173) would add an estimated \$618,000 of income tax revenue per year, or a \$1,236,000 in the 1967-1969 biennium.

Lines 145-170 provide for the tax commissioner to issue a numbered receipt for each return filed. Since there are over 228,900 current returns now being filed by individuals, fiduciaries, and corporations, the postage alone on mailing out these receipts would amount to \$11,445. per year or \$22,890. in the biennium. Other costs related to the administration of this provision would probably more than offset the amount of money remitted to the tax department by the employers under this provision.

FISCAL NOTE FOR H.B. 620 (Continued)

In summary, the income tax revenue would be decreased for the biennium as follows:

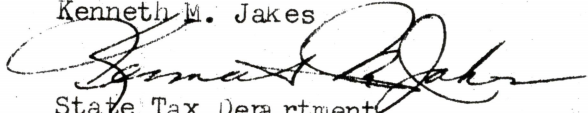
\$5.00 credit per person.....	\$6,404,000
Postage costs for sending numbered receipts.....	22,890
Items a and b, above.....	<u>unknown</u>
Total decrease	\$6,426,890

The state general fund revenue would be increased as follows:

Repeal of deduction for dividends...	1,236,000
Item c, above. ....	<u>unknown</u>

Net estimated known decrease to the state  
general fund..... \$5,190,890

Kenneth M. Jakes



State Tax Department

February 5, 1967