

(prepare in triplicate)

AMENDED
FISCAL NOTE

prepared in regard to:

Senate Bill NO. 2379
(List bill or resolution and number, if available, or subject)

Amendment to: _____
(List bill or resolution and number)

Requested by: Legislative Council Date of receipt: January 26, 19 73

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)

Senate Bill NO. 2379 would affect the revenues of the state as follows:

- a. Reduce general fund revenues from the individual income tax by an estimated \$3,500,000 per year or \$7,000,000 for the 1973-1975 biennium;
- b. Increase general fund revenues from the corporation income tax by an estimated \$100,000 per year or \$200,000 for the 1973-1975 biennium;
- c. Reduce general fund revenues from the business and corporation privilege tax by an estimated \$80,000 per year or \$160,000 for the 1973-1975 biennium;
- d. Reduce special sinking fund revenues from the Viet Nam Veteran's Bonus Surtax by an estimated \$125,000 per year or \$250,000 for the 1973-1975 biennium.

Date of preparation: February 9, 1973

Signed Robert L. King

Typed Name- ROBERT L. KING

Department TAX

Attach to fiscal note for 50 - 111

State of North Dakota
Office of State Tax Commissioner

State Capitol
Bismarck, North Dakota 58501

January 25, 1973



BYRON L. DORGAN
COMMISSIONER
224-2770

Representative Alvin Hausauer
State Capitol
House Chambers
Bismarck, ND 58501

Dear Representative Hausauer:

You asked for information on the effect of updating the federalizing provisions of the North Dakota income tax.

(1)

A STATISTICAL PICTURE OF NORTH DAKOTA INCOME TAX FILERS

First of all, it would be helpful to establish a statistical picture of the North Dakota individual income tax filer. There were approximately 233,200 individual and fiduciary income tax returns filed in calendar year 1972. Of these filers, 216,000 are residents of North Dakota and 17,200 are non-residents.

During calendar year 1972, our net revenue from the individual income tax was approximately \$20,680,000. This figure will differ from the \$18,800,000 on the computerized model because the first figure includes 1972 withholding as well as collections from audits, amended returns, etc. According to our computerized model, residents paid 96 percent of the income tax while non-residents paid 4 percent.

The returns are distributed according to their adjusted gross income in figure No. 1 of the attached sheets. Approximately 193,000 returns show an adjusted gross income of less than \$10,000. This represents 83 percent of all filers. Most of these filers pay a top rate of 3 percent. This distribution for all filers is as follows:

<u>Tax Rate</u>	<u>Number of Filers</u>	<u>Percentage of Total Filers</u>	<u>Revenue</u>	<u>Revenue as a % of Total Revenue</u>
0 -1.0 %	135,000	58.0 %	\$ 1,536,759	8.2 %
2.0 %	32,800	14.1 %	1,340,321	7.1 %
3.0 %	24,500	10.5 %	1,739,811	9.3 %
5.0 %	15,900	6.8 %	1,910,140	10.2 %
7.5 %	12,200	5.3 %	2,629,082	14.0 %
10.0 %	10,800	4.6 %	5,835,293	31.1 %
11.0 %	2,000	0.9 %	3,762,164	20.1 %
	<u>233,200</u>	<u>100.0 %</u>	<u>\$ 18,753,571</u>	<u>100.0 %</u>

(2)

WHAT UPDATING WOULD DO

Updating of the federalizing provisions of North Dakota's income tax law would affect virtually all income tax filers. Most filers would be affected by the increase in the exemption allowance from \$600 to \$750 and the increase in the standard deduction. In addition, approximately 50,000 filers would be relieved of the requirement to file a state income tax return. Also, approximately 5,000 filers would be relieved of the requirement to pay the Business and Corporation Privilege tax. Another 50,000 filers would be relieved from filing the Vietnam Veteran's Bonus Surtax.

A more complete summary of the changes is shown on the following page.

Changes Which Would Result from Adopting the Federal
1969 Tax Reform Act and Revenue Act of 1971

<u>Changes</u>	<u>Present</u>	<u>Adopting Federal</u>
1. Filing Requirement:		
Single	\$ 600	\$ 2050
Single (age 65 or over)	1200	2800
Married - filing jointly	600	2800
Married - (J) 1 spouse 65 or over	1200	3550
Married - (J) both 65 or over	1200	4300
Married - filing separately	600	750
2. Foster Child	Not Dependent	Dependent
3. Personal Exemption	600	750
4. Percentage Standard Deduction	10% (Max. \$1000)	15% (Max. \$2000)
5. Moving expenses	Restricted	Liberalized
6. Charitable Contributions	30%	50%
7. Depreciation - New Realty (Section 1250 Property)	200% (Max. rate)	150% (Max. rate)
-used Realty	150%	S.L. & 125% (Max. rate)
8. Depletion - Oil and Gas	27½%	22%
Note: Various rates below 14% remain unchanged for federal		
9. Recapture of Livestock Depreciation	Not Required	Required
10. Holding Period for L. T. C. G. on Livestock	12 Mths.	2 Years
11. Time to replace (Involuntary Conversion)	1 year	2 Years
12. Crop Insurance Proceeds Deferred	No	Yes
13. Child Care Expenses	\$900 (Max.)	\$4800 (Max)
14. Political Contributions	No	\$ 50 (Max)

(3)

HOW MUCH WOULD IT COST?

Finally it is important to know how much this would cost the state in revenue. The major revenue effect of this bill would be in the individual income tax area where it would reduce general fund revenues by an estimated \$3.5 million per year. Less substantial changes would occur in revenues from

----- January 25, 1973

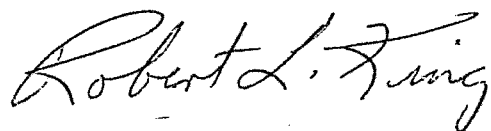
the corporation income tax, the business and corporation privilege tax and the Viet Nam Veteran's Bonus Surtax. These estimated revenue changes are as follows:

<u>Tax</u>	<u>Net Change in Revenue Per Year</u>	<u>Fund</u>
Individual Income Tax	\$ -3,500,000	= General Fund
Corporate Income Tax	\$ + 100,000	= General Fund
Business & Corporation Privilege Tax	\$ - 80,000	= General Fund
Vietnam Veteran's Bonus Surtax	\$ - 125,000	= Special Fund

There are numerous reasons for the adoption of your bill. I am attaching the Report of the Income Tax Advisory Committee which summarized the income tax problem of simplification. I hope that this information will be helpful to you.

If we can provide any additional information, we will be more than happy to do so.

NORTH DAKOTA TAX DEPARTMENT
BYRON L. DORGAN - COMMISSIONER



Robert L. King,
Research Analyst

RLK:lk

Enclosure

REVENUE EFFECT BY INCOME CLASS OF UPDATING OF THE FEDERALIZING PROVISIONS OF THE INCOME TAX

<u>ADJUSTED GROSS INCOME CLASS</u>	<u>NUMBER OF FILERS</u>	<u>TOTAL REVENUE UNDER PRESENT LAW</u>	<u>TOTAL REVENUE UNDER UPDATED LAW</u>	<u>PERCENT OF CHANGE</u>
\$ 0—\$ 1,000	14,974	\$ 1,224.98	\$ 265.30	-78%
1,000— 2,000	23,445	76,018.05	8,821.08	-88%
2,000— 3,000	22,490	171,848.15	78,154.21	-55%
3,000— 4,000	21,946	291,563.72	166,280.38	-43%
4,000— 5,000	20,086	385,379.05	255,549.50	-34%
5,000— 6,000	17,913	470,756.97	321,067.76	-32%
6,000— 7,000	16,822	596,968.28	418,159.88	-30%
7,000— 8,000	15,189	711,741.12	513,599.89	-28%
8,000— 9,000	12,751	797,774.50	589,985.73	-26%
9,000— 10,000	10,828	870,246.20	640,447.47	-26%
10,000— 11,000	8,864	953,247.83	690,282.53	-28%
11,000— 12,000	6,669	915,171.01	656,373.79	-28%
12,000— 13,000	5,030	902,050.03	647,019.10	-28%
13,000— 14,000	3,852	862,388.40	640,255.19	-26%
14,000— 15,000	2,780	753,450.10	579,221.24	-23%
15,000— 16,000	2,276	756,388.15	596,437.39	-21%
16,000— 17,000	1,735	675,787.92	552,900.84	-18%
17,000— 18,000	1,298	584,709.46	491,534.10	-16%
18,000— 19,000	1,006	515,288.08	443,721.06	-14%
19,000— 20,000	791	444,223.09	388,392.46	-13%
20,000— 30,000	3,225	2,620,364.93	2,405,250.83	- 8%
30,000— 50,000	1,404	2,107,783.77	2,020,690.40	- 4%
50,000— Over	548	1,555,245.95	1,575,117.32	+ 1%
TOTAL	215,922	\$18,019,619.74	\$14,679,527.47	-19%

<u>OCCUPATION</u>	<u>NUMBER OF FILERS</u>	<u>TOTAL REVENUE UNDER PRESENT LAW</u>	<u>TOTAL REVENUE UNDER UPDATED LAW</u>	<u>PERCENT OF CHANGE</u>
Farmer	43,870	\$3,670,143.16	\$2,789,999.89	-24%
Professional	25,397	4,785,296.36	4,231,173.79	-12%
Prop. — Business	11,102	2,217,353.71	1,998,076.87	-10%
Clerical and Sales	24,212	1,625,727.68	1,311,486.46	-19%
Military	4,535	24,494.33	14,844.24	-39%
Craftsman	13,128	1,165,329.21	890,202.84	-24%
Laborer	34,569	1,334,448.46	912,359.29	-32%
Government	10,680	1,407,054.61	1,125,092.33	-20%
Investor or Retired	23,478	920,438.15	738,325.93	-20%
Student	15,031	146,910.70	64,392.22	-56%
Occupation Not Stated	9,920	701,631.05	597,237.40	-15%

Figure Number 1

DISTRIBUTION OF 1971 NORTH DAKOTA INCOME TAX RETURNS FILED IN 1972

Residents

ADJUSTED GROSS INCOME	NUMBER OF RETURNS	AVERAGE TAX PER RETURN	REVENUE	Revenue as A Percentage of Total Revenue
\$ 0 - \$ 1,000	14,974	\$.08	\$ 1,224.98	—
1,000 - 2,000	23,445	3.24	76,018.05	0.4%
2,000 - 3,000	22,490	7.64	171,848.15	1.0%
3,000 - 4,000	21,946	13.29	291,563.72	1.6%
4,000 - 5,000	20,086	19.19	385,379.05	2.1%
5,000 - 6,000	17,913	26.28	470,756.97	2.6%
6,000 - 7,000	16,822	35.49	596,968.28	3.3%
7,000 - 8,000	15,189	46.86	711,741.12	3.9%
8,000 - 9,000	12,751	62.57	797,774.50	4.4%
9,000 - 10,000	10,828	80.37	870,246.20	4.8%
10,000 - 11,000	8,864	107.54	953,247.83	5.3%
11,000 - 12,000	6,669	137.23	915,171.01	5.1%
12,000 - 13,000	5,030	179.33	902,050.03	5.0%
13,000 - 14,000	3,852	223.88	862,388.40	4.8%
14,000 - 15,000	2,780	271.03	753,450.10	4.2%
15,000 - 16,000	2,276	332.33	756,388.15	4.2%
16,000 - 17,000	1,735	389.50	675,787.92	3.8%
17,000 - 18,000	1,298	450.47	584,709.46	3.2%
18,000 - 19,000	1,006	512.21	515,288.08	2.9%
19,000 - 20,000	791	561.60	444,223.09	2.5%
20,000 - 30,000	3,225	812.52	2,620,364.93	14.5%
30,000 - 50,000	1,404	1,501.27	2,107,783.77	11.7%
50,000 - Over	548	2,838.04	1,555,245.95	8.6%
Total	215,922	\$ 83.45	\$18,019,619.74	100.0%

Non-Residents

\$ 0 - \$ 1,000	6,039	\$ 2.16	\$ 13,059.46	1.8%
1,000 - 2,000	3,443	8.82	30,360.28	4.1%
2,000 - 3,000	2,115	15.45	32,679.07	4.5%
3,000 - 4,000	1,448	21.78	31,537.61	4.3%
4,000 - 5,000	1,036	31.21	32,336.49	4.4%
5,000 - 6,000	731	43.25	31,612.95	4.3%
6,000 - 7,000	547	61.86	33,836.12	4.6%
7,000 - 8,000	452	83.97	37,955.68	5.2%
8,000 - 9,000	349	119.55	41,722.71	5.7%
9,000 - 10,000	267	154.97	41,377.68	5.6%
10,000 - 11,000	177	204.82	36,253.19	4.9%
11,000 - 12,000	145	231.48	33,564.45	4.6%
12,000 - 13,000	116	312.69	36,272.58	4.9%
13,000 - 14,000	92	385.43	35,459.10	4.8%
14,000 - 15,000	55	431.98	23,759.15	3.2%
15,000 - 16,000	52	452.49	23,529.66	3.2%
16,000 - 17,000	31	532.09	16,494.71	2.2%
17,000 - 18,000	34	579.44	19,701.08	2.7%
18,000 - 19,000	19	621.69	11,812.17	1.6%
19,000 - 20,000	14	590.82	8,271.54	1.1%
20,000 - 30,000	72	878.30	63,237.42	8.6%
30,000 - 50,000	23	2,177.90	50,091.60	6.8%
50,000 - Over	13	3,771.27	49,026.48	6.7%
Total	17,270	\$ 42.50	\$ 733,951.18	100.0%