

(Prepare in triplicate)

FISCAL NOTE

Revised

Prepared in regard to:

House Bill 1258 (AS AMENDED)

(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: 3-2 1977

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)

If enacted, House Bill 1258 as amended would have the estimated fiscal effects on the 1977-79 Biennium as shown on the attached. *

* The amended fiscal note of February 16, 1977, was determined prior to the time of the present form of this bill.

Date of preparation: 3-2-77

Signed

C. W. Cudworth

Typed Name C. William Cudworth

Department Tax

1977-78 FISCAL EFFECT
HOUSE BILL 1258 (AMENDED)

	State General Fund		Local Government Service Fund	
	Gain	Loss	Gain	Loss
Local Government Services Tax 1 1/2%			44,842,000	
Business Privilege Tax Repeal (Ind., Estates, Trusts, Partnerships, & Corps)		(20,740,000)		
Bank Privilege Tax 2% to 2.5%		(1,758,200)	2,197,750	
Inflation Credit		(16,000,000)		
Personal Property Replacement Repeal	26,000,000			
TOTAL	26,000,000	(38,498,200)	47,039,750	

Prepared by
Tax Department
March 2, 1977

Introduced by

Representative

Marsden

Assigned To Committee On:		PAGE	AYE	NAY
SENATE	HOUSE			
Committee Report		S. J.	M. J.	
SENATE	<input type="checkbox"/> DO PASS <input type="checkbox"/> INDOPOST <input type="checkbox"/> AMEND			
HOUSE	<input type="checkbox"/> DO PASS <input type="checkbox"/> INDOPOST <input type="checkbox"/> AMEND			
Legislative Action on Amendments				
SENATE	<input type="checkbox"/> ADOPTED <input type="checkbox"/> NOT ADOPTED			
HOUSE	<input type="checkbox"/> ADOPTED <input type="checkbox"/> NOT ADOPTED			
2nd Reading and First Passage				
SENATE	<input type="checkbox"/> PASS <input type="checkbox"/> FAIL			
HOUSE	<input type="checkbox"/> PASS <input type="checkbox"/> FAIL			

1 A BILL for an Act to provide for a local governmental services
2 tax, to provide procedures for the imposition, collection, and
3 administration of such tax, and to provide for the allocation
4 of revenues to local governmental units, to provide for an
5 inflation credit against income taxes payable by individuals;
6 to amend and reenact sections 57-35.2-02, 57-35.2-04, subdivision
7 f of subsection 1 of section 57-38-01.2, and subdivision d of
8 subsection 1 of section 57-38-01.3 of the North Dakota Century
9 Code, relating to the imposition and disposition of privilege
10 taxes on banks, trust companies, and building and loan associations
11 and adjustments to taxable income for individuals, fiduciaries,
12 and corporations; to repeal section 57-38-66 and chapter 57-58
13 of the North Dakota Century Code and sections 1 and 3 of House
14 Bill No. 1004 as approved by the forty-fifth legislative assembly
15 providing for a business and corporation privilege tax, personal
16 property tax allocations, and the appropriation for the replace-
17 ment of personal property taxes; to provide an appropriation; and
18 to provide effective dates.

19
20 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF THE
21 STATE OF NORTH DAKOTA:

22
23 SECTION 1. LOCAL GOVERNMENTAL SERVICES TAX.) An additional
24 tax for local governmental services is hereby imposed on the

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1 income of every individual, estate, trust, and corporation
2 that is required to file an income tax return pursuant to the
3 provisions of chapter 57-38. This tax shall be collected by
4 the state tax commissioner and shall be computed at the rate
5 of one and one-half percent of the taxable income of each
6 individual, estate, trust, or corporation as determined pursuant
7 to the provisions of chapter 57-38, except that the tax shall
8 be computed at the rate of one-half of one percent on those
9 corporations the personal property of which is assessed by the
10 state board of equalization or which are subject to a special
11 tax in lieu of personal property taxes. This tax shall be
12 placed on the state income tax return as a separate line item
13 entitled "local governmental services tax" and shall be paid
14 annually by each taxpayer. For the purposes of administering the
15 provisions of this Act, the provisions of chapter 57-38, per-
16 taining to the administration of the income tax law, not in
17 conflict with the provisions of this Act and including but not
18 limited to the provisions relating to the filing of returns,
19 the withholding of income taxes, the payment of income taxes,
20 and interest and penalties thereon, refunds, attachment of
21 liens for failure to pay such taxes, and civil and criminal
22 penalties for failure to comply with the provisions of this Act,
23 shall govern the administration of the taxes levied by this Act.
24 The state tax commissioner shall deposit the moneys collected
25 with the state treasurer, who shall credit them to the local
26 governmental services fund.

27 SECTION 2. INFLATION CREDIT ON INCOME TAXES PAYABLE -
28 LIMITATION.) There shall be allowed to individuals required to
29 file an income tax return a credit of twenty-five percent of
30 the amount of tax liability imposed by section 57-38-29 for
31 taxable years 1977 and 1978. This credit shall be placed on
32 the state income tax return as a separate line item entitled
33 "inflation credit" which shall follow the computation of tax
34 liability pursuant to the provisions of chapter 57-38. The
35 liability of each individual taxpayer shall be reduced by the

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1 amount of this credit, provided that the maximum credit for
2 any taxpayer shall not exceed one hundred dollars for any
3 taxable year.

4 SECTION 3. AMENDMENT.) Section 57-35.2-02 of the North
5 Dakota Century Code is hereby amended and reenacted to read as
6 follows:

7 57-35.2-02. IMPOSITION AND BASIS OF TAX.) An annual
8 tax is hereby imposed upon each bank, trust company, and building
9 and loan association, for the grant to it of the privilege of
10 transacting, or for the actual transacting by it, of business
11 within this state during any part of each tax year, commencing
12 January 1, (((1970))) 1977. The tax shall be based upon and
13 measured by the net income of each bank, trust company, and
14 building and loan association for the preceding calendar year,
15 including the amount of income received from tax-exempt securities.
16 The amount of the tax shall be computed at a rate of two and one-
17 half percent of such net income. The liability for the tax
18 imposed by this chapter shall arise upon the first day of each
19 calendar year following the year for which the net income is
20 used as the base for measuring the tax.

21 SECTION 4. AMENDMENT.) Section 57-35.2-04 of the North
22 Dakota Century Code is hereby amended and reenacted to read as
23 follows:

24 57-35.2-04. DISPOSITION OF TAX.) Upon receipt by the
25 tax commissioner of the tax payable under this chapter, he shall
26 deposit the same in the (((general fund of the state treasury)))
27 local governmental services fund to be allocated as provided in
28 this Act.

29 SECTION 5. AMENDMENT.) Subdivision f of subsection 1 of
30 section 57-38-01.2 of the 1975 Supplement to the North Dakota
31 Century Code is hereby amended and reenacted to read as follows:

32 f. Increased by the amount of any income taxes, or
33 franchise or privilege taxes measured by income,
34 to the extent that such taxes were deducted to
35 determine federal taxable income. (((However,

1 those taxes, paid or accrued as the case may be
2 during the applicable tax year, imposed by
3 section 57-38-66 of this chapter shall be
4 allowable as a deduction when determining taxable
5 income for state income tax purposes.)))

6 SECTION 6. AMENDMENT.) Subdivision d of subsection 1 of
7 section 57-38-01.3 of the 1975 Supplement to the North Dakota
8 Century Code is hereby amended and reenacted to read as follows:

9 d. Increased by the amount of any income taxes, or
10 franchise or privilege taxes measured by income,
11 to the extent that such taxes were deducted to
12 determine federal taxable income. (((However,
13 those taxes, paid or accrued as the case may be
14 during the applicable tax year, imposed by
15 section 57-38-66 of this chapter shall be
16 allowable as a deduction when determining taxable
17 income for state income tax purposes.)))

18 SECTION 7. LOCAL GOVERNMENTAL SERVICES FUND.) There is
19 hereby created in the office of the state treasurer a local
20 governmental services fund which shall be administered by the
21 state treasurer. Moneys credited to the fund shall be dis-
22 tributed annually to all eligible units of general local govern-
23 ment in the manner provided by this Act. The state treasurer
24 may require eligible units to provide such information or copies
25 of reports as may be necessary to administer this Act.

26 SECTION 8. DISTRIBUTION FORMULA.)

27 1. Half of the amount in the fund shall be allocated in
28 the following manner:

29 a. Each county shall share in the fund in the
30 proportion that the population of each based on
31 the last official federal census bears to the
32 population of all.

33 b. Each city shall share in the funds allocated to
34 each county in the proportion that the population
35 of each bears to the population of the county

- 1 in which it is located.
- 2 2. The remainder shall be allocated in the following
3 manner:
- 4 a. Such money shall be allocated to all countywide
5 areas so that each countywide area shall receive
6 an amount which bears the same ratio to the
7 amount to be allocated from the fund pursuant to
8 this subsection as the real property tax
9 revenues of all political subdivisions within
10 the countywide area bears to the sum of the
11 products. The allocation to each countywide
12 area shall consider the property tax revenues of
13 all political subdivisions within the countywide
14 area and shall include the real property tax
15 revenues of the county government.
- 16 b. The county government and all cities within the
17 countywide area shall be allocated that portion
18 of the amount allocated to the countywide area
19 pursuant to subdivision a of this subsection
20 which bears the same ratio to such amount as
21 such eligible unit's real property tax revenues
22 bear to the sum of all real property tax revenues
23 within that countywide area.
- 24 3. If within any city there shall be located a park
25 district created pursuant to chapter 40-49, such
26 city's share of local governmental services funds
27 shall be divided between the city and the park district
28 in proportion to their total respective mill levies.
- 29 4. If within any county there shall be located townships
30 created pursuant to chapter 58-02, such county's share
31 of local governmental services funds shall be divided
32 between the county and such townships. Townships
33 shall receive ten percent of the allocations made
34 to such county in the proportion that the population
35 of such township within the countywide area bears to

1 the population of all townships within the countywide
2 area. If the countywide area is not fully organized
3 into townships, the allocation to townships shall be
4 divided between the county government and the
5 townships within the countywide area in the proportion
6 that the population of the townships bears to the
7 population of the countywide area, and the allocation
8 of the townships' share shall be distributed among
9 the townships within the countywide area in the manner
10 otherwise provided by this section. The remainder
11 shall be allocated to the county government and there-
12 after shall be considered a part of the initial alloca-
13 tion to the county government.

14 SECTION 9. DISPOSITION OF REVENUES - ALLOCATION TO
15 ELIGIBLE UNITS - DISBURSEMENT OF LOCAL FUNDS.) Commencing June
16 1, 1978, or as soon as practical thereafter, the state treasurer
17 shall allocate and transfer the moneys in the local governmental
18 services fund to eligible units in the manner provided by this
19 Act. Eligible units may receive and expend payments made
20 pursuant to this Act and such payments shall be considered an
21 appropriation in the budget of the local unit of government,
22 which, upon the order of the governing body, may be disbursed
23 in the manner other disbursements are made. The moneys so received
24 shall be considered a part of the local tax effort of each
25 eligible unit receiving such funds.

26 SECTION 10. REPEAL.) Section 57-38-66 of the 1975
27 Supplement to the North Dakota Century Code, chapter 57-58 of
28 the North Dakota Century Code, and sections 1 and 3 of House
29 Bill No. 1004 as approved by the forty-fifth legislative assembly
30 are hereby repealed.

31 SECTION 11. APPROPRIATION.) There is hereby appropriated
32 out of any moneys in the local governmental services fund the sum
33 of \$45,000,000.00 for allocation to eligible units of local
34 government as provided in this Act, for the biennium beginning
35 July 1, 1977, and ending June 30, 1979.

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1 SECTION 12. EFFECTIVE DATES.) The provisions of this
2 Act shall be effective for all taxable years beginning on or
3 after January 1, 1977, and the repeal of chapter 57-58 of the
4 North Dakota Century Code and sections 1 and 3 of House Bill
5 No. 1004 as approved by the forty-fifth legislative assembly
6 shall be effective on July 1, 1977.

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