

(Please type in triplicate)

FISCAL NOTE

Prepared in regard to:

(List bill or resolution and number, if available, or subject)

Amendment to: House Bill 1095 (See House Bill 1095 First Engrossment attached.)  
(List bill or resolution and number)

Requested by: Legislative Council Date of receipt: March 24, 1981

In the following space note the fiscal effect in dollars of the legislative proposal:


Narrative:

At present, we do not have any means by which to determine the effect this bill would have on the 1981-83 biennium.

During the 1979 Legislative Session, similar legislation was passed relating to beginning farmers. The one year fiscal impact resulting from the beginning farmer legislation is set out on the attached sheet.

Fiscal Effect:

<u>1981-82</u>		<u>1982-83</u>		<u>Total Biennium</u>	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>

Signed 

Typed Name C.W. Cudworth

Date Prepared: March 27, 1981

Department Tax

If additional space is needed, attach a supplementary sheet. 

8/18/80

"Beginning Farmers"  
Statistics  
North Dakota State Tax Department  
August 18, 1980

The 1979 legislature passed HB 1306 and HB 1475 providing North Dakota state income tax incentives to landowners who sell or lease land to be used for agricultural purposes by a "beginning farmer." The laws are effective for qualifying sales and/or rentals occurring on or after January 1, 1979. A "beginning farmer" is, among other things, a person whose net worth is less than \$50,000.

The two bills provided for the following:

- 1) A deduction on the state income tax return for all of the interest income received from the contractual sale of 80 acres or more of land to be used for agricultural purposes by a "beginning farmer." The interest received must be no more than 6% per annum on a Contract for Deed that extends over a period of not less than 15 years.
- 2) A deduction on the state income tax return for a portion of the rental income received from 20 acres or more of land leased for agricultural purposes to a "beginning farmer." The deduction is limited to 50% of the net rental income or \$25,000, whichever is less, received during the tax year. In order to qualify, the lease must be for a term of not less than 3 years.
- 3) A deduction on the state income tax return for a portion of the income received from the sale of 20 or more acres of land to be used for agricultural purposes by a "beginning farmer." The deduction is limited to 50% of the income or \$50,000, whichever is less, received in the year of the sale or contract to sell, after consideration of the capital gains treatment. This deduction can be taken in the year of the sale or contract to sell only.

The following statistics have been derived from a total of 300,000 North Dakota individual income tax returns filed for the year 1979:

	<u>Count</u>	<u>Amount</u>
Number of filers claiming deductions	430	
Deduction for interest income		\$ 149,000
Deduction for rental income		949,000
Deduction for portion of income received from sales		<u>1,162,000</u>
Total deductions claimed		. \$2,260,000

Approximate annual reduction in state income tax: \$53,000 - \$55,000