

FISCAL NOTE

JAN 13 1995

(Return original and 10 copies)

Bill/Resolution No.: HB 1289 Amendment to: _____

Requested by Legislative Council Date of Request: 1-11-95

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative:

See attachment.

- 2. State fiscal effect in dollar amounts:

	<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>		<u>1997-99</u> <u>Biennium</u>	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>
Revenues:	0	0	(4,200)	0	(4,200)	0
Expenditures:						

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1993-95 biennium: _____ 0
- b. For the 1995-97 biennium: _____ 0
- c. For the 1997-99 biennium: _____ 0

- 4. County and City fiscal effect in dollar amounts:

	<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>		<u>1997-99</u> <u>Biennium</u>	
	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>
	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed *Kathleen Dwyer*
 Typed Name Kathleen Dwyer

Date Prepared: 1-13-95

Department Economic Development & Finance

Phone Number 1-13-95

FISCAL NOTE NARRATIVE; H.B. 1289

Narrative:

ED&F is only addressing the fiscal impact of the portion of the bill relating to ED&F. Section 1. Amendment to Section 4-01-19 of 1993 Supplement to the N.D. Century Code and Section 2. Amendment to Section 6-09,19-02.1 of the 1993 Supplement to the N.D. Century Code relate to the Department of Agriculture.

The only impact from those areas relating to the Department of Economic Development and Finance relates to the Section 3. Amendment to Section 10-30.3-11 of the 1993 Supplement to the N.D. Century Code which includes the requirement that entities receiving future fund moneys must pay an income at least equal to one hundred percent of the federal poverty level for a family of four for the life of the loan, equity position, or other financial relationship.

The fiscal impact would be realized in the reduction of income taxes paid to the state of North Dakota on the difference between the rate required by the one hundred percent of the federal poverty level requirement and the actual rate paid. By approval of this change, it must be recognized that an employer potentially could reduce wages. New employees could be hired at less than the poverty level requirement. In time, income tax revenue realized may be less than if the affected employees were paid at the higher rate. However, we feel that overall, this fiscal impact is rather insignificant.

Likewise, on the contrary, wages generally rise within a company which could offset the movement to hire below the poverty wage, therefore the following amount should be considered to be "soft" at best.

With approximately 1500 employees affected by future fund dollars, it is "guestimated" 20% (or 300) are at the poverty level requirement. If each of those employees received \$2000 less per year in compensation as a result of this change, that would total \$600,000 less per year in wages paid, X 14% for federal incomes tax = 90,000 X 7% state tax for a total of \$4,200 less per year in state tax revenue lost, without considering standard federal deductions.

Further, there is no way to determine the actual impact this will have on individual tax returns. In other words, what do these affected employees currently pay in taxes and what taxes would a "new hire" pay if their wages were below the poverty wage.

As you can see, the fiscal impact to the state of this change is minuscule.