

FISCAL NOTE
Requested by Legislative Council
04/29/2013

Amendment to: HB 1250

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(358,790,000)	\$11,590,000		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1250 with Conference Committee Amendments reduces individual and corporation tax rates, repeals the financial institution tax, increases capital gain and dividend income exclusion, and tightens angel fund limits.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 10 lowers the corporation income tax rates by approximately 25% and removes one bracket. Section 11 lowers the individual income tax rates by approximately 25% in each bracket. Section 12 increases the long-term capital gain and qualified dividend income exclusion for individuals from 30% to 40%. Sections 9, 13, 14, 15, and 17 repeal the financial institution tax and subject the entities to the income tax. Section 6 allows a financial institution consisting of an S corporation to elect to be taxed like a regular corporation for the limited purpose of utilizing unused financial institution losses and tax credits. The repeal of the financial institution tax will affect both the general fund and the financial institution tax distribution fund, the latter of which provides funding to the counties and their political subdivisions. Section 16 increases the portion of the sales and use, gross receipts, and motor vehicle excise tax collections deposited into the state aid distribution fund from 40% to 43.5% for the purpose of replacing the decrease in revenues to the counties and their political subdivisions resulting from the repeal of the financial institution tax.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, HB 1250 with Conference Committee Amendments is expected to decrease state general fund revenues by an estimated net \$358.79 million for the 2013-15 biennium. This net amount consists of a decrease in individual income tax of \$251.4 million due to lower tax rates; decrease in corporation income tax of \$101.3 million due to lower tax rates and bracket elimination; decrease in individual income tax of \$6.5 million due to increase in long-term capital gain and qualified dividend income exclusion; increase in income tax of \$19.3 million due to repeal of financial institution tax and subjecting financial institutions to the income tax; decrease in state general fund portion of financial institution tax of \$7.3 million due to repeal of financial institution tax; and a decrease of \$11.59 million

due to the additional amount transferred to the state aid distribution fund. The estimates of the changes to long-term capital gain and dividend income exclusion and the transfer from financial institutions tax to corporation income tax reflect the rate relief also contained in this bill. (Note: The 10/13ths portion of the financial institution tax revenue for the 2012 tax year due on January 15, 2014, is unaffected by this bill, and will be the last deposit into the financial institution tax distribution fund for distribution to the counties and their political subdivisions in March of 2014.)

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

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