

FISCAL NOTE
Requested by Legislative Council
01/22/2013

Bill/Resolution No.: SB 2295

- 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						
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).*

SB 2295 will allow a farmers' cooperative to elect to pass through to its patrons a new or expanding business income exemption or an agricultural commodity processing facility income tax credit that the cooperative qualifies for but does not benefit from for income tax purposes.

- 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 1 of the bill will allow a farmers' cooperative that qualifies for the new or expanding business income exemption (under N.D.C.C. chapter 40-57.1) but is unable to use the exemption to elect to pass the exemption to its patrons. The patrons, in turn, may claim the exemption on their state income tax returns to offset their share of income received from the cooperative that is attributable to the exempt project. Sections 2, 3, and 4 of the bill will allow a farmers' cooperative to qualify for the agricultural commodity processing facility income tax credit by investing its capital to construct a new agricultural commodity processing facility owned by the cooperative. If the cooperative is unable to use the tax credit, the cooperative may elect to pass the tax credit to its patrons. The patrons, in turn, may claim their share of the tax credit on their state income tax returns to offset their tax liabilities. In addition, current law does not allow the tax credit in the case of an existing agricultural commodity processing facility established before 2001. The bill will remove this restriction, which will make the bill's proposed changes available to facilities established prior to 2001. Available information indicates that there may be qualifying activity that may result in a decrease in state general fund revenue for the 2013-2015 biennium. The amount of that decrease cannot be determined because the number of existing or new cooperatives that may engage in qualifying activity, including the amount of exempt income or investment, is unknown.

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.*

- 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.*

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