

HOUSE BILL NO. 1530

Introduced by

Representatives Headland, Delzer, Dockter, Kempenich, Nathe, Owens, Pollert, Steiner,
Toman

Senators Bekkedahl, Meyer, Wanzek

1 A BILL for an Act to create and enact a new section to chapter 54-11 and a new section to
2 chapter 54-27 of the North Dakota Century Code, relating to an income tax rate reduction fund
3 and the transfer of legacy fund earnings; to repeal chapter 57-38 of the North Dakota Century
4 Code, relating to the income tax; to provide a continuing appropriation; to provide an exemption;
5 to provide an effective date; and to declare an emergency.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1.** A new section to chapter 54-11 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Legacy income tax rate reduction fund - State treasurer - Tax commissioner - Income**
10 **tax rate adjustment - Transfers to the general fund - Continuing appropriation.**

11 1. There is created in the state treasury the legacy income tax rate reduction fund. The
12 fund consists of all moneys deposited in the fund pursuant to section 2 of this Act. All
13 moneys in the fund are appropriated to the state treasurer on a continuing basis for
14 the purpose of providing transfers to the general fund to reduce the individual income
15 tax imposed under section 57-38-30.3 and the corporate income tax imposed under
16 section 57-38-30.

17 2. If money is transferred into the fund pursuant to section 2 of this Act, the tax
18 commissioner shall publish reduced individual and corporate income tax rates and
19 notify taxpayers of the reduced rates by November first of the first fiscal year of the
20 biennium. The tax commissioner may determine the form and manner for publishing
21 the reduced rates and notifying taxpayers, including any notification that taxpayers are
22 not required to file returns or pay taxes. The tax commissioner shall reduce the
23 individual income tax rates and the corporate income tax rates based on the following:

- 1 a. The percentage reduction to the individual and corporate income tax rates is
2 equal to the rate reduction amount divided by the total estimated tax collections,
3 including both the individual tax collections and corporate income tax collections,
4 for the second year of the biennium.
- 5 b. Any reductions to the individual income tax rates and the corporate income tax
6 rates apply to tax years after December 31, 2019.
- 7 c. The reductions to the individual income tax rates and the corporate income tax
8 rates must be proportional to the estimated tax collections for each tax relative to
9 the combined total estimated tax collections for both taxes.
- 10 d. The reductions to the individual income tax rates and the corporate income tax
11 rates must be applied equally to all tax brackets for each tax.
- 12 e. The reduced individual income tax rates and corporate income tax rates must be
13 rounded to the nearest one-hundredth of a percent.
- 14 3. If no money is transferred to the fund pursuant to section 2 of this Act, the tax
15 commissioner may not reduce the individual and corporate income tax rates currently
16 in effect.
- 17 4. a. If the income tax rate reduction results in a disproportionate amount of tax to be
18 deducted and withheld under section 57-38-59, the tax commissioner may adjust
19 the percentage that, when withheld, will as closely as possible pay the income
20 tax liability imposed.
- 21 b. This section does not limit or suspend any provision in chapter 57-38 which is not
22 in conflict with this section, including provisions for assessment and refund under
23 sections 57-38-34.4, 57-38-38, and 57-38-40.
- 24 5. In April of each year, the state treasurer shall transfer the amounts certified by the tax
25 commissioner from the legacy fund income tax reduction fund to the general fund. The
26 amount transferred to the general fund each year may not be less than the rate
27 reduction amount determined for the current biennium plus the rate reduction amount
28 determined for each preceding biennium.
- 29 6. For purposes of this section:
30 a. "Base funding amount" means the total amount transferred from the legacy
31 income tax rate reduction fund to the general fund in the preceding biennium.

1 b. "Estimated tax collections" means the income tax collection amounts included in
2 the revenue forecast of the current biennial state budget as approved by the most
3 recently adjourned special or regular session of the legislative assembly.

4 c. "Rate reduction amount" means one-third of any legacy fund earnings deposited
5 in the legacy income tax rate reduction fund exceeding the base funding amount.

6 **SECTION 2.** A new section to chapter 54-27 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Transfer of legacy fund earnings - Limitations.**

9 Fifty percent of any legacy fund earnings transferred to the general fund at the end of each
10 biennium in accordance with section 26 of article X of the Constitution of North Dakota must be
11 transferred immediately by the state treasurer to the legacy income tax rate reduction fund. The
12 state treasurer may not transfer legacy fund earnings to the income tax rate reduction fund if the
13 amount of legacy fund earnings to be transferred to the legacy income tax rate reduction fund is
14 less than fifty million dollars.

15 **SECTION 3. REPEAL.** Chapter 57-38 of the North Dakota Century Code is repealed.

16 **SECTION 4. EXEMPTION - TRANSFER OF LEGACY FUND EARNINGS.** Notwithstanding
17 section 2 of this Act, any legacy fund earnings exceeding three hundred million dollars, which
18 are transferred to the general fund at the end of the 2017-19 biennium in accordance with
19 section 26 of article X of the Constitution of North Dakota must be transferred immediately by
20 the state treasurer to the income tax rate reduction fund. The state treasurer may not transfer
21 legacy fund earnings to the income tax rate reduction fund if the transfer under this section is
22 less than fifty million dollars.

23 **SECTION 5. EFFECTIVE DATE.** Sections 1, 2, and 4 of this Act become effective on
24 June 1, 2019. Section 3 of this Act becomes effective if the individual and corporate income tax
25 rates are reduced to zero pursuant to the rate reduction provisions in section 1 of this Act.

26 **SECTION 6. EMERGENCY.** This Act is declared to be an emergency measure.