

FISCAL NOTE
SENATE BILL NO. 2237
LC# 23.0297.01000
01/24/2023
Revised - 01/24/2023

1 - 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.

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(9,900,000)			
Expenditures						
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - 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 2237 creates a new child care income tax credit.

4 - Fiscal Impact Sections Detail

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 SB 2237 will create a new child care income tax credit that can be applied against the income tax liability if the combined federal adjusted gross income of the taxpayer and taxpayer’s spouse is less than a combined \$120,000 and the taxpayer is a full or part-year resident individual or a nonresident member of the armed forces. The credit is equal to 40% of child care expenses allowed under section 21 of the Internal Revenue Code claimed by the taxpayer in the current tax year or 10% of the child tax credit allowed under section 24 of the Internal Revenue Code claimed by the taxpayer in the current tax year, whichever is greater. The credit must then be

prorated based on the ratio of North Dakota taxable income to federal adjusted income. The credit cannot exceed a taxpayer's liability for the taxable year and may not be claimed as a carryback or carryforward.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

Using statistics provided by the IRS for the 2020 tax year (the latest year available), federal individual income tax returns (Form 1040) with a North Dakota address and a federal adjusted gross income less than \$120,000 showed the following:

Total number of returns claiming the credit for child care expenses: 10,922

Total credit claimed amount for child care expenses: \$2,965,155

Total number of returns claiming the child and other dependent tax credit: 57,510

Total credit claimed amount for the child and other dependent tax credit: \$67,879,915

The statistics provided by the IRS does not separate the child tax credit from the other dependent tax credit on a per state and federal adjusted gross income basis. Using the total claim amounts across all states, the portion of the amount listed above that is from the child tax credit is 84.96%. The remaining other dependent tax credit amount would be considered ineligible in this bill.

According to North Dakota tax year 2020 data, the overall average ratio of North Dakota taxable income to federal adjusted income is 83.69%

Under the assumption that the child tax credit amount is greater than the credit for child care expenses across all returns, an estimated fiscal impact can be calculated. If enacted, SB 2237 is expected to reduce the state general fund revenue by an estimated \$9,900,000 for the 2023-2025 biennium.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

Contact Information

Name: Bryan Bittner

Agency: Tax Department

Telephone: 7013283402

Date Prepared: 01/24/2023