

FISCAL NOTE
HOUSE BILL NO. 1118
LC# 23.0399.02000
02/17/2023

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			\$(383,178,358)			
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).

Engrossed HB 1118 imposes a flat income tax rate of 1.99% for individuals, estates, and trusts. It also provides an individual income tax credit for resident taxpayers.

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 engrossed HB 1118 provides an individual income tax credit equal to a North Dakota resident taxpayer's net tax liability, up to a maximum of \$800 for single, married filing separately, and head of household taxpayers, or up to \$1600 for married taxpayers filing jointly. The credit may not exceed the resident's income tax liability and cannot be claimed as a carryback or carryforward credit.

Section 2 of engrossed HB 1118 will change the income tax brackets from the current 5 level bracket system to a single level system across all filing types. North Dakota taxable income will be subject to a flat 1.99% tax rate for individuals, estates, and trusts.

Please note that the North Dakota Taxable Income amounts do not reflect the Federal Standard Deduction and differ from Federal Adjusted Gross Income (AGI). To reach a rough approximation of a Federal Adjusted Gross Income (AGI) equivalent, add the appropriate Federal Standard Deduction to the North Dakota Taxable Income amounts listed above. For tax year 2023, the Federal Standard Deduction amounts are as follows:

Single and married filing separately \$13,850
Married filing jointly and qualifying widow(er) \$27,700
Head of household \$20,800

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.

If enacted, engrossed HB 1118 is expected to reduce the state general fund revenue by an estimated \$383,178,358 in the 2023-2025 biennium.

The amounts are based in part on the forecasted economic growth. If significant changes are made to the forecasted economic growth, then the estimated fiscal impact could also change.

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: Office of Tax Commissioner

Telephone: 7013283402

Date Prepared: 02/17/2023

Bracket Level	Filing Status	Lower	Upper	Original Tax Rate	Updated Tax Rate	Original Base Tax	Updated Base Tax	Return Count	Original Net Tax Liability	Updated Net Tax Liability	Difference Net Tax
1	Single	0	44725	0.011	0.0199	0	0	158622	22,122,406	3,359,874	(18,
2	Single	44725	108325	0.0204	0.0199	491.98	890.0275	45190	34,827,919	21,734,708	(13,
3	Single	108325	225975	0.0227	0.0199	1789.42	2155.6675	9466	17,095,332	14,370,854	(2,
4	Single	225975	491350	0.0264	0.0199	4460.08	4496.9025	2774	10,353,903	8,541,269	(1,
5	Single	491350	1E+12	0.029	0.0199	11465.98	9777.865	1926	33,256,645	22,867,944	(10,
1	Married Joint	0	74750	0.011	0.0199	0	0	85868	23,676,776	3,105,519	(20,
2	Married Joint	74750	180550	0.0204	0.0199	822.25	1487.525	71034	90,971,052	42,756,608	(48,
3	Married Joint	180550	275100	0.0227	0.0199	2980.57	3592.945	15737	40,363,280	29,970,579	(10,
4	Married Joint	275100	491350	0.0264	0.0199	5126.86	5474.49	10185	40,735,402	31,439,182	(9,
5	Married Joint	491350	1E+12	0.029	0.0199	10835.86	9777.865	11841	131,805,945	89,409,315	(42,
1	Married Separate	0	37375	0.011	0.0199	0	0	4417	671,751	132,325	(
2	Married Separate	37375	90275	0.0204	0.0199	411.13	743.7625	2761	1,924,708	919,084	(1,
3	Married Separate	90275	137550	0.0227	0.0199	1490.29	1796.4725	553	857,499	656,636	(
4	Married Separate	137550	245675	0.0264	0.0199	2563.43	2737.245	268	637,345	510,959	(
5	Married Separate	245675	1E+12	0.029	0.0199	5417.93	4888.9325	369	12,041,338	6,962,933	(5,
1	Head of Household	0	59950	0.011	0.0199	0	0	30652	5,720,063	1,240,660	(4,
2	Head of Household	59950	154750	0.0204	0.0199	659.45	1193.005	5136	5,303,319	4,391,344	(
3	Head of Household	154750	250550	0.0227	0.0199	2593.37	3079.525	528	1,306,772	1,185,631	(
4	Head of Household	250550	491350	0.0264	0.0199	4768.03	4985.945	248	971,281	829,110	(
5	Head of Household	491350	1E+12	0.029	0.0199	11125.15	9777.865	249	2,540,279	1,781,982	(
1	Widower	0	74750	0.011	0.0199	0	0	175	34,058	13,761	
2	Widower	74750	180550	0.0204	0.0199	822.25	1487.525	35	33,595	32,801	
3	Widower	180550	275100	0.0227	0.0199	2980.57	3592.945	10	27,720	26,428	
4	Widower	275100	491350	0.0264	0.0199	5126.86	5474.49	6	30,528	26,425	
5	Widower	491350	1E+12	0.029	0.0199	10835.86	9777.865	8	44,328	33,358	
									477,353,244	286,299,289	(191,

Bracket Level	Filing Status	Lower	Upper	Original Tax Rate	Updated Tax Rate	Original Base Tax	Updated Base Tax	Return Count	Original Net Tax Liability	Updated Net Tax Liability	Difference Net Tax
1	Single	0	44725	0.011	0.0199	0	0	158109	22,052,960	3,357,219	(18,
2	Single	44725	108325	0.0204	0.0199	491.98	890.0275	45543	35,201,954	21,978,160	(13,
3	Single	108325	225975	0.0227	0.0199	1789.42	2155.6675	9589	17,375,713	14,601,135	(2,
4	Single	225975	491350	0.0264	0.0199	4460.08	4496.9025	2795	10,468,050	8,635,178	(1,
5	Single	491350	1E+12	0.029	0.0199	11465.98	9777.865	1942	33,601,533	23,105,062	(10,
1	Married Joint	0	74750	0.011	0.0199	0	0	85390	23,530,101	3,082,840	(20,
2	Married Joint	74750	180550	0.0204	0.0199	822.25	1487.525	71126	91,396,664	43,081,653	(48,
3	Married Joint	180550	275100	0.0227	0.0199	2980.57	3592.945	15921	40,904,906	30,352,138	(10,
4	Married Joint	275100	491350	0.0264	0.0199	5126.86	5474.49	10285	41,201,808	31,807,318	(9,
5	Married Joint	491350	1E+12	0.029	0.0199	10835.86	9777.865	11943	133,573,138	90,651,999	(42,
1	Married Separate	0	37375	0.011	0.0199	0	0	4395	667,950	132,321	(
2	Married Separate	37375	90275	0.0204	0.0199	411.13	743.7625	2779	1,947,438	934,303	(1,
3	Married Separate	90275	137550	0.0227	0.0199	1490.29	1796.4725	552	858,647	657,923	(
4	Married Separate	137550	245675	0.0264	0.0199	2563.43	2737.245	270	644,912	516,549	(
5	Married Separate	245675	1E+12	0.029	0.0199	5417.93	4888.9325	372	12,171,268	7,051,301	(5,
1	Head of Household	0	59950	0.011	0.0199	0	0	30592	5,725,409	1,247,998	(4,
2	Head of Household	59950	154750	0.0204	0.0199	659.45	1193.005	5184	5,375,401	4,451,361	(
3	Head of Household	154750	250550	0.0227	0.0199	2593.37	3079.525	535	1,313,784	1,193,087	(
4	Head of Household	250550	491350	0.0264	0.0199	4768.03	4985.945	253	1,004,244	856,855	(
5	Head of Household	491350	1E+12	0.029	0.0199	11125.15	9777.865	249	2,561,877	1,796,737	(
1	Widower	0	74750	0.011	0.0199	0	0	174	33,464	13,313	
2	Widower	74750	180550	0.0204	0.0199	822.25	1487.525	36	34,772	33,836	
3	Widower	180550	275100	0.0227	0.0199	2980.57	3592.945	10	27,975	26,652	
4	Widower	275100	491350	0.0264	0.0199	5126.86	5474.49	6	30,806	26,636	
5	Widower	491350	1E+12	0.029	0.0199	10835.86	9777.865	8	44,838	33,635	
									481,749,612	289,625,209	(192,