

SB 2006 TESTIMONY MARCH 15, 2023

House Appropriations – Government Operations
Representative David Monson, Chairman

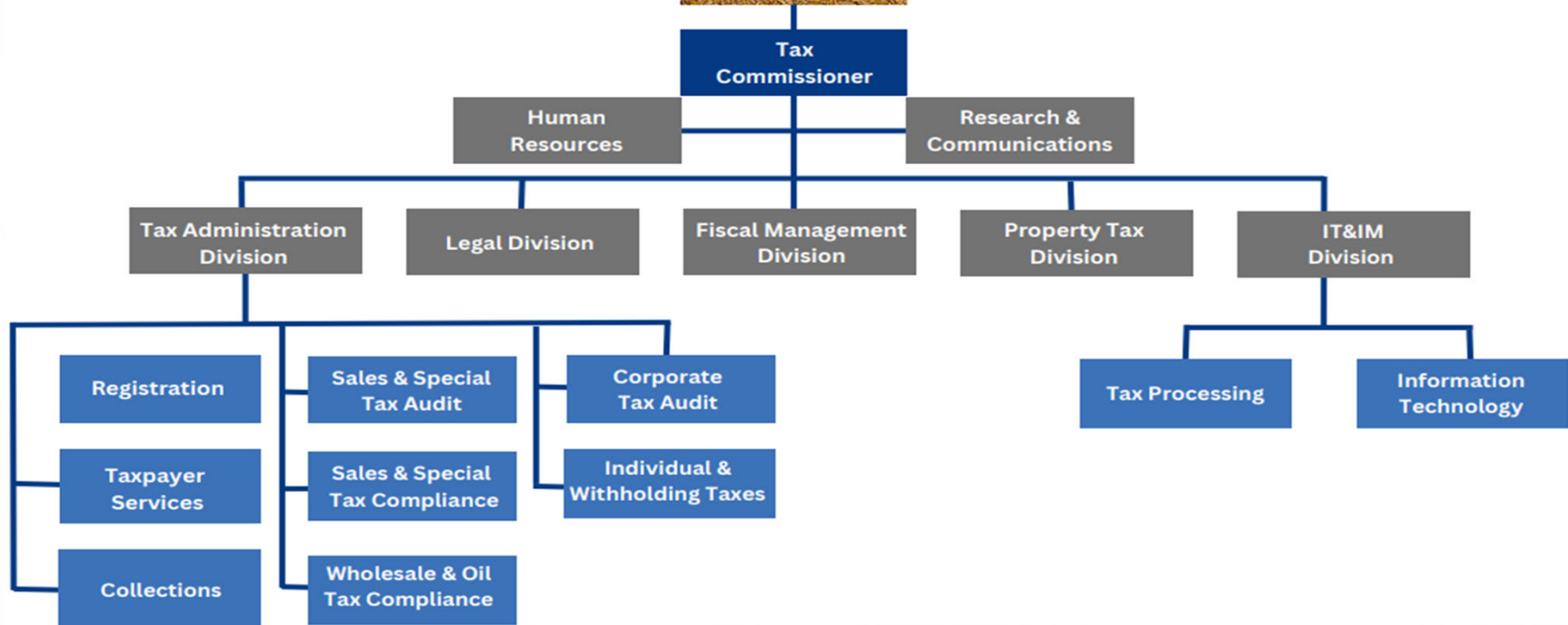


Agency Overview & Purpose

- The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively
- Statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03
- Primary revenue collection agency for the state
 - 2021-2023 biennium the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues
 - Collects and administers over 30 tax types, including local taxes administered on behalf of and allocated to political subdivisions
 - Certain taxes, such as electric transmission lines, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties providing an important source of revenue for local government
- Serves as an informative resource to taxpayers, effectively and efficiently processes returns, analyzes statistical data, conducts discovery work, and conducts audits to ensure statutory compliance

Organizational Chart – 118 Funded FTEs

NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER



Audit Findings

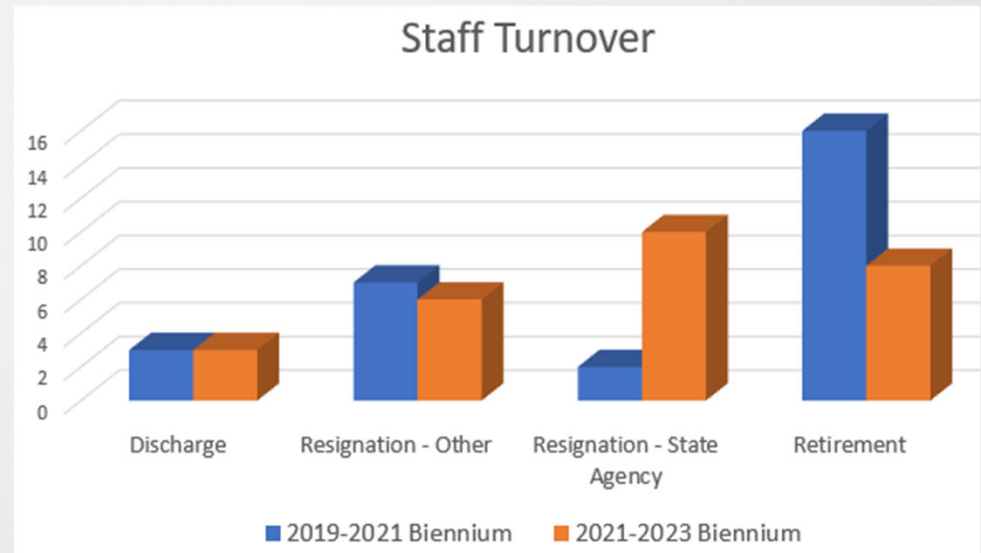
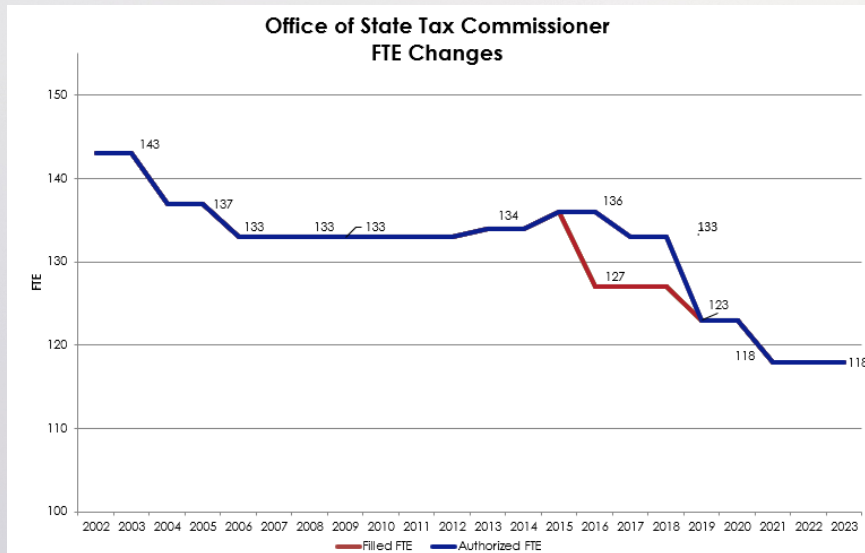
- No Findings
 - One recommendation that “The Tax Commissioner has an opportunity to enhance monitoring procedures to confirm eligibility determined by counties for two types of property tax credits.” The two tax credits noted were the Homestead Property Tax Credit and Disabled Veterans Tax Credit.

Agency Accomplishments

- Enhancing Citizen Experience – GenTax and ND Taxpayer Access Point (ND TAP)
 - Digital Transformation
 - Unclaimed Checks
 - Website Enhancement
 - Artificial Intelligence (AI)
- Single Point of Entry
- Reduction in Office Space
- Encourage & Verify Compliance
- IT Security
- Remote & Marketplace Seller Taxation

Agency Challenges

- Digital Transformation Funding
- Cybersecurity Threats
- Workforce Recruitment & Retention

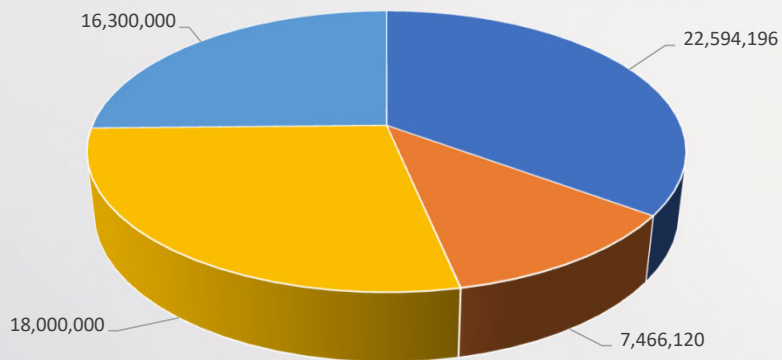


2021-2023 Estimated Spending

Description/ Object Series	2021 - 2023 Appropriation	Estimated Expenses 2021 - 2023	Variance
Salaries & Wages	22,594,196	20,969,196	1,625,000
Operating Expenses	7,466,120	7,250,120	216,000
Capital Assets	6,000	5,500	500
Total Operating	30,066,316	28,224,816	1,841,500
Less Federal Funds	125,000	32,000	93,000
Total General Fund Operating	29,941,316	28,192,816	1,748,500
Homestead Tax Credit	18,000,000	17,775,000	225,000
Disabled Veterans Credit	16,300,000	16,150,000	150,000
Total	64,366,316	62,149,816	2,216,500
Total General Fund	64,241,316	62,117,816	2,123,500
Total Special Funds	-	-	-
Total Federal Funds	125,000	32,000	93,000
Total All Funds	64,366,316	62,149,816	2,216,500

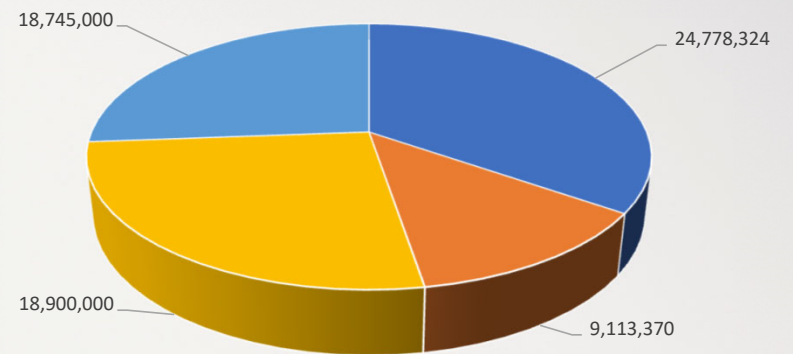
2023-2025 Executive Budget

2021-2023 Appropriation



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Homestead Tax Credit
- Disabled Veterans Credit

2023-2025 Executive Budget



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Homestead Tax Credit
- Disabled Veterans Credit

Senate Recommended Budget

Description/Object Series	2021-2023 Appropriations	Senate Adjustments	Appropriation
Salaries & Wages	22,594,196	1,656,202 (1)	24,250,398
Operating Expenses	7,466,120	1,647,250 (2)	9,113,370
Capital Assets	6,000	-	6,000
Total Operating	30,066,316	3,303,452	33,369,768
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	16,300,000	2,445,000	18,745,000
Total Funds	94,432,632	9,951,904	104,384,536
Less Estimated Income (Federal)	125,000	-	125,000
Total General Fund	94,307,632	9,951,904	104,259,536
FTE Employees	118	(1)	117

(1) Salaries & Wages

Cost to Continue Salaries	159,434
Funding for Salary & Benefit Increases	1,663,353
Remove FTE	(167,444)
Salary Funding Elected Officials	859
(1) Total Salaries & Wages Adjustments	1,656,202

(2) Operating Expenses

NDIT Increased Rates	36,596
GenTax Level III Maintenance (Total Funding \$4.4 million)	400,000
GenTax System Enhancements	500,000
NDIT Centralized Management - IRS required Log Service	96,000
Rent Capitol Space	614,654
(2) Total Operating Expenses Adjustments	1,647,250

Growth in Number of Returns

Type	2012	2017	2022	2012 - 2022 Increase (Decrease)	Percent Change
Sales tax – original returns filed	177,782	204,687	269,201	91,419	51%
Individual income tax withholding - original returns filed	134,708	145,635	157,771	23,063	17%
Individual income tax - original returns filed	419,034	474,970	468,023	48,989	12%
Partnership and S Corp - original returns filed	31,300	42,414	46,266	14,966	48%
Corporate income tax - original returns filed by out of state corporations	6,529	7,566	8,698	2,169	33%
Canadian resident sales tax refund requests	28,001	10,823	2,968	-25,033	-89%
Fraudulent Claims/ID Theft – Identification of over 1,800 fraudulent claims, totaling over \$4.5 million since 2015.					

Legislation Impacting Budget

Various tax-related bill proposals – new tax types increase need for:

- Additional Funding for programming hours
- Staffing
- Administrative Functions
- Compliance

Federal Funding

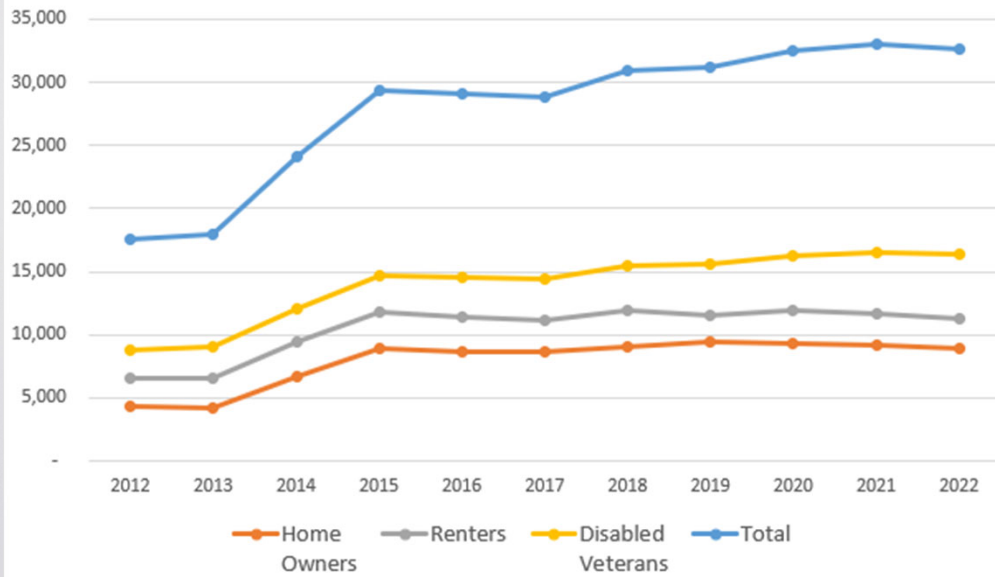
- Federal Highway Administration (FHWA) Grant
 - No expected Changes

Senate Approved Funding Requests

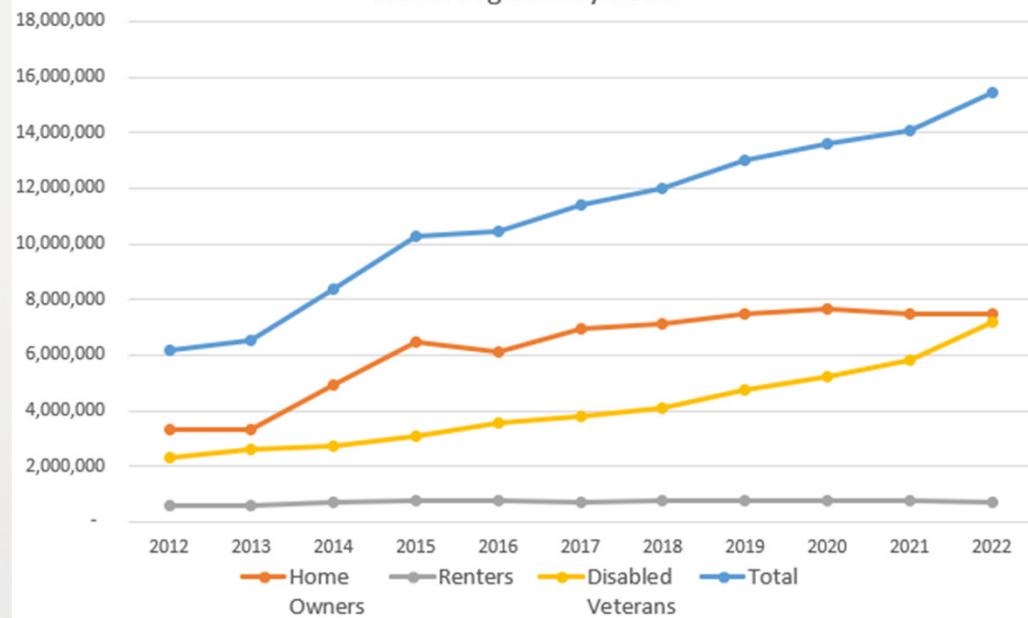
- Priority 1 - OMB Equity Package
- Priority 2 Digital Transformation – GenTax Support
 - \$400,000 Maintenance
 - \$500,000 One-time Funding
 - \$96,000 Centralized Log Management System
- OMB Rent Proposal
 - \$614,654 for Capitol space
- Grants Program Budget
 - Homestead Tax Credit
 - Disabled Veterans Credit

Grant Programs History

Number of Approved Requests for Grant Programs



Grant Program Payments



Requested Changes from Senate

- Equity Package
- Restore 1 FTE and Funding for Position Removed by Senate
 - \$167,444