



North Dakota Legislative Council

Prepared for Senator Mathern
LC# 23.9570.01000
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ESTIMATED TAX RELIEF - HOUSE BILL NO. 1158

INCOME TAX RELIEF PROPOSAL

The schedule below provides information on the estimated fiscal impact of the income tax relief proposal in Engrossed House Bill No. 1158 with Senate amendments [23.0351.03000]. The proposal exempts taxable income in the first tax bracket from taxation. The income tax relief would result in a decrease in tax collections reducing general fund revenues for the 2023-25 biennium. The amounts reflect information provided by the Tax Department.

Tax Bracket	Total Estimated Tax Relief - 2023-25 Biennium			Average Annual Tax Relief per Return	
	Residents	Nonresidents	Total	Residents	Nonresidents
First	\$96,650,000	\$7,580,000	\$104,230,000	\$219	\$77
Second	129,120,000	9,880,000	139,000,000	\$629	\$177
Third	22,860,000	2,830,000	25,690,000	\$639	\$164
Fourth	10,040,000	1,660,000	11,700,000	\$637	\$111
Fifth	6,080,000	1,290,000	7,370,000	\$638	\$51
Total	\$264,750,000	\$23,240,000	\$287,990,000		

RESIDENT AND NONRESIDENT INCOME TAX RETURNS AND LIABILITY

The schedule below provides information on the estimated tax liability and tax returns for the 2023-25 biennium based on residents and nonresidents. The total estimated tax liability reflects the executive budget forecast with adjustments for the automation income tax credit and income tax relief proposal.

Tax Bracket	Estimated Number of Tax Returns - Biennium			Estimated Tax Liability - Biennium		
	Residents	Nonresidents	Total	Residents	Nonresidents	Total
First	221,000	58,000	279,000	\$116,330,000	\$9,210,000	\$125,540,000
Second	95,000	29,000	124,000	297,150,000	24,190,000	321,340,000
Third	17,000	10,000	27,000	126,690,000	17,280,000	143,970,000
Fourth	7,000	7,000	14,000	107,110,000	19,580,000	126,690,000
Fifth	4,000	10,000	14,000	322,490,000	111,720,000	434,210,000
Total	344,000	114,000	458,000	\$969,770,000	\$181,980,000	\$1,151,750,000

INCOME TAX BRACKETS

The schedule below provides information on the estimated income brackets for the 2023-25 biennium based on information provided by the Tax Department.

Tax Bracket	Tax Rate (Current Law)	Annual Taxable Income Over				
		Single Filer Return	Married Filing Jointly Return	Married Filing Separately Return	Head of Household Return	Qualifying Widow(er) Return
First	1.10%	\$0	\$0	\$0	\$0	\$0
Second	2.04%	\$44,725	\$74,750	\$37,375	\$59,950	\$74,750
Third	2.27%	\$108,325	\$180,550	\$90,275	\$154,750	\$180,550
Fourth	2.64%	\$225,975	\$275,100	\$137,550	\$250,550	\$275,100
Fifth	2.90%	\$491,350	\$491,350	\$245,675	\$491,350	\$491,350

PROPERTY TAX RELIEF PROPOSAL - SCHOOL DISTRICT MILL LEVY REDUCTION

The property tax relief proposal in Engrossed House Bill No. 1158 with Senate amendments [23.0351.03000] decreases school district mill levy authority by 20 mills for residential, commercial, and agricultural property providing 20 mills of property tax relief. Centrally assessed property is excluded from the mill levy reduction. This

property tax relief proposal is also included in Engrossed Senate Bill No. 2066. The proposal provides \$203.1 million of property tax relief resulting in a corresponding increase in the state's share of the cost of K-12 education based on estimates from the Department of Public Instruction. The \$203.1 million was added by the Senate to the Department of Public Instruction's appropriation in Senate Bill No. 2013.

For a home with a true and full value of \$200,000, the estimated tax relief of a 20 mill property tax reduction is \$180 per year.

PROPERTY TAX RELIEF PROPOSAL - HOMESTEAD TAX CREDIT PROGRAM EXPANSION

The property tax relief proposal in Engrossed House Bill No. 1158 with Senate amendments [23.0351.03000] expands the homestead tax credit program, which is available to North Dakota residents who meet certain income limits and are at least age 65. The proposal increases the income limits by replacing the current six thresholds of varying income levels up to a maximum of \$42,000 with two thresholds, one for incomes up to \$50,000 and another for incomes between \$50,000 and \$75,000. The proposal also increases the taxable value exemption from the current limit of \$5,625 to \$9,000. A taxable valuation limit of \$5,625 relates to an exemption of \$125,000 of true and full value while a taxable value exemption of \$9,000 relates to an exemption of \$200,000 of true and full value:

Based on the fiscal note, the estimated cost of the homestead tax credit expansion is \$64.9 million, excluding the renters' refund. The bill includes an appropriation of \$80 million of ongoing funding from the general fund to the Tax Commissioner to pay for the additional credits resulting from the program expansion. Engrossed Senate Bill No. 2006 includes \$18.9 million of ongoing funding from the general fund for the current homestead tax credit program before the expansion.

Based on the statewide average property tax rate of 213 mills levied in 2021, a qualifying taxpayer with an income of less than \$50,000 and a home with a true and full value of \$200,000 would have estimated tax relief of \$1,900 per year.