

GOVERNOR DOUG BURGUM TESTIMONY ON HB 1158
MARCH 13, 2023
SENATE FINANCE AND TAXATION COMMITTEE
FORT TOTTEN ROOM
SENATOR JORDAN KANNIANEN, CHAIRMAN

DOUG BURGUM – GOVERNOR OF NORTH DAKOTA

Chairman Kannianen, members of the committee, for the record, my name is Doug Burgum.

As you know, North Dakota's finances are in very good shape, perhaps the best shape in our state's 123-year history. Our combined reserves are the highest ever. Our general fund revenues are running 24 percent, or \$785 million, ahead of forecast. Our oil tax revenues are running 63 percent, or nearly \$1.8 billion, ahead of forecast. We have more than \$8 billion in the Legacy Fund and \$5.7 billion in the Common Schools Trust Fund, as well as \$720 million in our rainy-day Budget Stabilization Fund, an anticipated general fund ending balance of \$1.15 billion and an estimated balance at the end of this biennium of \$1.4 billion in the Strategic Investment and Improvements Fund. We are perfectly suited to provide citizens the tax relief they deserve, and we must do this first, before we expand our state expenditures.

When the state is doing well, citizens should share in that prosperity— especially when competition for workers is fierce and every advantage helps as we try to attract and retain workers in North Dakota. Our state tied with South Dakota for the lowest unemployment rate in the nation in 2022, at 2.1 percent.

To accomplish these dual goals of tax relief and workforce attraction, we support the income tax relief proposed in House Bill 1158 – the largest income tax relief package in state history. This bill will eliminate the state individual income tax for approximately three out of five taxpayers. Those who will still pay income tax will see their liability reduced by roughly one-quarter to one-half, allowing North Dakotans to keep more of their hard-earned money – an estimated \$566 million next biennium – to offset expenses and invest in their families and communities.

Every North Dakota income taxpayer will benefit from this plan, which will make North Dakota the lowest flat-tax state in the nation. Again, this would effectively eliminate the state's individual income tax for nearly 60% of income taxpayers. The rest would pay a flat tax of 1.5%, compared to current income tax rates that range from 2.04% to 2.9%. That translates to a reduction from 26% to 48% in their state income taxes.

This puts us on a path toward eventually zeroing out our individual income tax and joining the nine states that don't have individual income tax. I must also point out that these states do not differentiate between in-state and out-of-state taxpayers – they do this because they welcome the business and know that whether the relief is to a citizen living in their state or supports a business in the state, it is good for the state. The no individual income tax states include some of our nation's fastest-growing states and ones with whom we compete for workers in the energy industry and other sectors, including Alaska, Texas and Wyoming, and our neighbor South Dakota.

A gradual phase-out of income taxes will give the Legacy Fund time to grow and kick off higher revenues that can be used to eventually replace oil and gas tax revenues and, in the short-term, help offset any potential revenue shortfalls, ensuring the state can continue to fund priorities through economic ups and downs.

I want to again thank Tax Commissioner Kroshus, Rep. Headland, Sen. Kannianen, Sen. Meyer, Rep. Bosch and Rep. Dockter for their partnership and leadership on this proposal, along with the bill's other co-sponsors, Sens. Axtman, Conley, Kirsten Roers and Wanzek, and Reps. Grueneich, Hagert and Heinert.

We're grateful to the legislators who supported last year's income tax package to provide meaningful relief to our citizens. The proposal before you now will build upon that relief to allow North Dakota working families to keep more of their paycheck in their pockets as inflation and rising interest rates continue to eat away at family finances.

As tax relief options go, we prefer this income tax relief because it provides permanent, immediate relief, it benefits a greater number of North Dakotans, including those who don't own property, and it makes North Dakota more competitive with other states when vying for workers.

We welcome the opportunity to work with local and state elected officials to find strategic ways to reduce property taxes – not just subsidize locally levied property taxes with state dollars – because with property tax relief, the state can never guarantee it will reach the individual citizens.

With several tax bills moving through the legislature including the bill currently being discussed (HB 1158), a tax credit proposal with a flat tax added on which you will hear shortly (HB 118) and several property tax bills including two Homestead tax credit bills and the school mill buy down (SB 2066).

It is important while you make your decisions that you utilize the best data possible and as such, we have provided a one-pager with six family examples from around the state with a mixture of family sizes, income levels, property types (rent and own) and values. As you can see, in these examples, HB 1158 provides the greatest level of tax relief for the various examples provided and we urge you to move this relief forward.

Now is the right time to provide a meaningful, permanent income tax cut to make our state a more attractive place to work and a more affordable place to live. It's a real reduction in taxes, because it means government collects less revenue.

Thank you, Mr. Chairman, and members of the Senate Finance and Taxation Committee.