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Mr. Chairman,

SB 2293 is an income tax bill that is looking to keep North Dakota as one of the most military friendly states in the country while also helping recruit and retain military members.

In 2019 the North Dakota legislature made the right decision to give state income tax exemption on military retirement benefits. The goal of that legislation was service members will decide to stay in North Dakota to raise their families and work in the private sector after separating. These Veterans are typically highly trained and provide valuable skills to fill our many open jobs in the state. Many service members I interact with love North Dakota for the quality of life our state provides through lower cost of living and lower crime. They even find ways to look past the winters once they get here.

Stats on North Dakota's Military Economic Impact:

Fiscal Year 2021 – Military Organizations employed 14,092 people and created appx 3,843 indirect jobs. Annual payroll for the following:

- Minot Air Force Base \$607 million
- Grand Forks Air Force Base \$270 million (FY 2019)
- ND National Guard \$315 million

I'm going to walk you through some of the reasons why this bill makes sense to pass this session. First, 40% of the airmen at the Grand Forks Air Force Base start their military career at this base. This gives these airmen the opportunity to set residency in North Dakota and count towards our census counts, and even when they are given PCS orders many of these airmen will keep their residency in North Dakota purely because of our income tax structure.

As a mortgage lender I can tell you most airmen that I help with home financing have identification from South Dakota, Texas, and Alaska just to name a few. We all know why they have residency there...no income tax.

Second, this bill doesn't just deal with Active-Duty income taxes, but it also gives a state income tax deduction for National Guard and Reserves pay. I thank Major Jay Sheldon for his willingness to help draft this tax policy with legislative council. Our National Guard is having issues recruiting new soldiers, and we're hopeful this incentive will be another tool in the toolbox to drive recruiting efforts. Minnesota has been taking many of our potential guard members because of their income tax policy (fully exempt) and tuition reimbursement.

Finally, I believe this bill should be passed regardless of the Governor's flat tax policy that's currently in the House, as I still feel the legislature can still fund our future obligations even with this \$4,000,000 fiscal note. However, if the flat tax policy passes, many of our airmen will fall under the single and joint filer threshold and will not be paying state income tax. The reason is that active duty military members are only taxed on their base pay. These military members are not taxed on Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS). Since their W2 tax form doesn't include the compensation for BAH and BAS, many of these active-duty members wouldn't be paying income tax

regardless. The earners who would be paying income tax, without this bill, will be senior enlisted members and officers. These are people we want to set residency in North Dakota, and hopefully stay once they separate from the military.

Mr. Chairman since HB 1158 hasn't passed, I don't have an updated fiscal note to provide. I will try to work with legislative council or the tax department to see if I can get some figures for the committee to review.

I believe the time is now, regardless of what happens with other tax policy, to make military pay exempt from state income tax. This will help our National Guard with recruiting against our neighbor to the east, it will help with workforce development by Veterans filling job openings once they separate from the military, and it will continue to show that North Dakota is a leader in providing quality of life opportunities for our service members. They've earned it.

I ask for a Do Pass and will stand for any questions.