



North Dakota House of Representatives

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Chairman Headland and Members of the House Finance and Taxation Committee:

I am Nels Christianson, and I am honored to represent District 18, which includes central and northern Grand Forks and northeast Grand Forks County.

HB 1388 aims to correct a condition in North Dakota's tax code that is both fundamentally unfair and has negative economic consequences: the income tax marriage penalty.

Under North Dakota's graduated-rate income tax system, a taxpayer's marginal income is subject to progressively higher tax rates. The marriage penalty exists because the tax brackets for married taxpayers are less than double those for single tax filers. This means that married couples pay a higher effective tax rate than they would pay as single filers with the same combined income. North Dakota is one of only 16 states that has a marriage penalty in state income tax.

A marriage penalty presents negative consequences to many small- and medium-sized businesses. These enterprises often use business structures with pass-through taxation, so the owners pay personal rates of tax on their business income. The marriage penalty results in increased effective income tax rates on family-owned enterprises.

Section 1 of this bill lists each of the thresholds for rates. You can see that the updated rates are the same for single and married filing separately under the new table. The rate for married filing jointly is double that of the single rate. Also, the head of household rate is adjusted proportionately.

Section 2 is simple: it eliminates the marriage penalty adjustment under the tax code, because it will now be unnecessary with the new rates.

HB1388 relates to the fundamental issue of fairness in the tax code. Families, and family businesses, should not be required to pay a higher rate of income tax because they are married.