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*Y. Herrera*

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10-14-03

2003 SENATE APPROPRIATIONS

SB 2006

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# 2003 SENATE STANDING COMMITTEE MINUTES

## BILL/RESOLUTION NO. SB 2006

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 20, 2003

Tape Number	Side A	Side B	Meter #
#1		X	2178-Emd 2,178
#2	X		0-1938
Committee Clerk Signature <i>Jan Hendrickson</i>			

Minutes:

(#2178) Hearing on SB 2006 was opened by Senator Holmberg, Chairman

Rick Clayburgh, Tax Commissioner presented to the committee the 2003-2005 budget for his department. Due to computer problems the power point presentation was not given, however Mr.. Clayburgh went through the written version .(Exhibit #1). The Mission Statement for the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota. The Vision Statement of the Office of State Tax Commissioner is to instill the highest degree of public confidence in our integrity and reliability by providing prompt, accurate and courteous service while providing compliance with the laws of North Dakota. The Agency overview includes:

- Primary Revenue collecting agency for the State of North Dakota
- Collects more than 89% of General Fund Revenues excluding transfers (BND 7 Mill)
- Total of all General Fund Revenues = 1.647 Billion (including BND & Mill)

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Senate Appropriations Committee

Bill/Resolution Number SB 2006

Hearing Date January 20, 2003

- General Fund Revenues collected by Tax Department = 1.409 Billion

Office of State Tax Commissioner

- 7 Divisions:

-Commissioners Division--the administrative center of the department

-Legal Division--provides legal advice and counsel to the department and to the State Board of Equalization

-Fiscal Management Division--performs accounting functions and collects delinquent taxes

-Operations Division--responsible for leading the department's technology efforts and oversees the processing of tax return.

-Income & Oil Taxes Division--includes corporate, financial institutions, individual, oil and gas taxes and withholding.

-Sales & Special Taxes Division--includes alcohol, estate, fuel, sales, tobacco, sales and use

-Property Tax Division--includes coal, property, telecommunications, and utility taxes, homestead credit and renter refund program.

Executive Budget Request:

The Office of the State Tax commissioner followed guidelines issued by the Governor and OMB to submit a budget request at 95% of our current appropriation.

The Office of State Tax Commissioner prepared a budget that ensures the Tax Department is able to fairly and effectively administer the tax laws of North Dakota.

A base budget was identified to which all known cost increases were added, for example

- Funded the department's salary administration plan
- Funded the Risk Management premium

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- Funded the increases in postage, travel (gas, lodging, and airfare), printing and ITD issues.
- Funded ongoing Information Technology costs and several program enhancements.
- \* Identified areas that could be reduced or eliminated, such as:

--reduced printing due to technological enhancements such as electronic filing and Web site development

--reduced postage due to direct deposit and on-line forms development

--Staff efficiency due to technical improvements.

The following adjustments were made to achieve the 95% level:

--turned back 7 FTEs (currently vacant positions)--Total \$569,761

--Reduced temporary salaries by \$53,825

--Removed \$200,000 Connect ND interface programming enhancement from 2003-05 IT plan

--Removed \$500,000 from the 2003-05 IT Plan for various electronic initiatives:

Credit card, ACH Debit & Credit, Expansion of Sales Tax WebFile options, E-file for other tax types--motor fuels, alcohol, etc.and electronic forms.

--Eliminated \$24,000 toll-free telephone service

--Reduced \$49,914 from office supplies

--Reduced \$56,620 in projected printing costs

--Reduced \$15,976 in projected travel costs

--Reduced \$149,335 in projected postage costs

--Reduced \$50,000 of projected expert witness fees

These adjustments basically removed inflationary and projected rate increases. Total reductions totaled over \$1.6 million.

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Senate Appropriations Committee

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The Tax Department requested the following optional adjustments:

- \$115,016 for Income Tax director
- \$79,860 for Auditor II
- \$15,000 travel related to auditor (Position #137)
- \$100,000 -- IT projects
- \$24,000 --Toll free telephone service
- \$70,000 - potential postage rate increase costs
- \$30,000 --expert witness fees

Total optional adjustments requested: \$433,876.

Restored optional adjustments in Executive budget request:

- \$79,860 for Auditor II
- \$15,000 travel related to auditor (Position #137)
- \$24,000 --toll free telephone service
- \$45,000 -- potential postage rate increase costs
- \$30,000 -- expert witness fees

Total restored: \$273,860

Major Accomplishments:

- Electronic Document Management System (EDMS)
- Credit card payments for individual income tax
- Moved our processing center into the State Office Building
- Continued to find efficiencies within the Tax Department: Reduced postage and mail expenses, eliminated certified mail and endorsements on mail; reduced processing costs.

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- Sales tax WebFile change

Budget concerns for the future included:

- Continue funding development of automated applications
- Electronic financial transitions
- Mainframe applications

The Tax Department's New Objectives:

- Expand credit card option
- Continue to move tax forms into EDMS
- Expand E-file options
- Electronic registration options

Senator Holmberg stated that the subcommittee would be looking at this budget and make recommendations to the full committee in the near future. The subcommittee members for this bill are: Senator Schobinger, chair; Senator Christmann and Senator Mathern.

Questions/Comments:

Senator Robinson (#5526); Does the Tax Department have enough corporate auditors?

Mr. Clayburgh responded that there were 8 corporate auditors, they were enough but that is an area that they will be looking at and that is why on page 10 of the budget presentation there is an optional adjustment for a position #137 - Auditor II position. They are going to be looking at a reorganization before the end of this biennium of his department.

Senator Andrist (#6172) What percentage does the Tax Department pay to the credit card companies (End of side #B Tape #1)

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Mr.. Clayburgh: (Tape #2/ Side A--start new ): stated that taxpayers have been requesting it more than anything, because they want to get airline miles, etc. It took some time to find a 3rd party vendor that they could use, plus they had to work through the Bank of North Dakota, who is the lead agency of the use of credit cards. They did sign an agreement through the Bank of North Dakota with a group called Connectthegov.com. They charge a convenience fee which is basically that merchants fee of 2.49% that is paid by the taxpayer to Connectthegov.com. The Tax department and the Bank of North Dakota do not receive anything out of that 2.49%, or subsidize any of it. This is for customer service rather than efficiency for the agency.

Senator Andrist: (#139): So the fee is not paid by you? Mr.. Clayburgh: No it is not, the state tax department does not have the authorization (The Legislature has not given them the authorization to do ) to pay processing fees for using credit cards.

Senator Tallackson (#170) Question about how much what is in the building that Mr.. Clayburgh referred to earlier....Water Commission? Mr.. Clayburgh responded that the State Office Building has 3 floors, 2 upper that the Water commission uses and that the basement is shared by the Water Commission and the State Tax Department. State Tax Department did some remodeling of the basement and there are now very nice hearing rooms, bathrooms, break rooms, and permanent processing room, etc., in the basement now. Senator Tallackson wanted to know how many employees work there from the Tax Department. Mr.. Clayburgh, stated there were 8 full time people over there, temporarily, but they are in the process of probably making that a permanent move. They only used that space for a few months out of the year for processing, FEMA used it when they were here, but the Tax Department has been using it now.

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Senator Grindberg (#317) Question relating to other states that have no personal income tax, have they experienced population growth? Any studies, etc? Could the Legislative Counsel prepare a memo for this committee to summarize those states that don't have a personal income tax and some of the demographics and the stats? Mr.. Clayburgh responded that he had not had any specific conversations with other states. They have struggled in South Dakota and there is talk of starting the personal income tax there. The Tax Department can assist the Counsel in getting the necessary information regarding the demographics and the stats on other states that do not have personal income tax and what it has meant in terms of growth. In North Dakota the tax base for personal income tax has always been there, and in South Dakota they have never had the personal income tax but they have other bases for other taxes that have been developed over the years and take care of the needs of South Dakota, just as the needs of North Dakota have been taken care of with the personal income tax. He was not aware of any state that has ever repealed a existing tax out of their system and then restarted their system. Senator Krauter (#531): Clarification on the credit card and merchant fee...If your tax bill was \$100 and you paid by credit card, then the bill would be \$102, is this correct: Mr.. Clayburgh: If a person pays their North Dakota tax liability with their credit card, using Connectthegov.com then the taxpayer pays (at the current 2.49% rate) \$102.49, \$100 which goes to the state for their tax liability and the \$2.49 to Connectthegov.com. Senator Krauter continued, stating that he had paid his motor vehicle registration, hunting/fishing license over the net and there was no additional merchant fee. Mr.. Clayburgh replied that the Tax Department had not been given the authority by the Legislature to pay the rate. He was not certain if the DOT or Game & Fish had been given the authority to cover the merchant fee. He felt it would be a great opportunity for the Legislature to

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look into regarding giving the authority to the Bank of North Dakota to become that processing agency, however he didn't know if they had that capability. Senator Schobinger: (#763) Wanted to know if there was a break out on costs of postage and printing by department? Mr.,

Clayburgh: Yes and they could provide that information to the committee.

Marcy Dickerson, (Exhibit #3) (#898), State Supervisor of Assessments and Director of the Property Tax Division of the Office of State Tax Commissioner. The Property Tax Division has the responsibility to administer the Property Tax Credit for Senior Citizens or Disabled Persons. There are 3 parts to the program, popularly known as the Homestead Credit program.

- The Homeowner's Property Tax Credit provides a graduated reduction in taxable value of a qualifying applicant's homestead, to a maximum of \$2,000 of taxable value, based on the applicant's income level. Property taxes on the homestead are reduced by the same percentage as the taxable value. The state reimburses the political subdivisions for property tax amounts lost because of the credits.
- The Renter's Property Tax Refund provides a direct payment to qualifying renters when 20% of the rent, the portion deemed to represent property taxes, exceeds 4% of the renter's income. The difference is the refund, to a maximum of \$240; a minimum refund of \$5.00 is paid to qualifying renter whose refund calculates to less than \$5.00.
- The third part provides that a homeowner who qualifies for a taxable value reduction may elect to receive credit for the annual installment of special assessments. If the applicant takes advantage of that provision, a lien is placed upon the property for the amount of credit plus interest at 9%.

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The Legislature has fully funded the Property Tax Credit for Senior Citizens or Disabled Persons on since 1973. The general fund appropriation for the 2001-03 biennium seems to meet the current needs of the program.

The proposed Homestead tax credit appropriation in the Governor's budget of \$4 million is a reduction from the current amount of \$4,540,813. This seems to be sufficient as the payments for both the homeowner's and renter's programs have been declining. If for some reason the amount allotted was not enough, there are two alternatives:

1. Leave the program not fully funded and let the reimbursements go to political subdivisions on a first-come, first-paid basis or:
2. Seek a deficiency appropriation in the 2005 session.

HB 1054 makes substantial changes to the Homestead Credit statute that increase the amount needed to fund the program. The House Finance and Taxation Committee has not taken action on that bill, as far as the Tax Department knows.

Also attached to exhibit #3 is material that gives a history of the Homestead Credit program, number of homeowner and renter recipients since 1975, the total amount of payments made to homeowners and renters since 1975, and schedules used for determining homeowner's credits. Senator Holmberg (#1167); Since the House has bill HB 1054, the Senate doesn't have to take action on this particular budget until that bill comes over here. The subcommittee doesn't have to spend a lot of energy on that. It was interesting to read the Interim report on what they found out on the tax credit. Senator Krauter: (#1243) Are you still planning on sending back a million dollars to the general fund? Ms. Dickerson replied that she wasn't aware that the agency was planning on turning back a million dollars, at least out of the Homestead credit at least. Senator

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Senate Appropriations Committee

Bill/Resolution Number SB 2006

Hearing Date January 20, 2003

Krauter continued that out of the report shows that the Homestead Credit Department 127, \$1 million dollars would be turned back. Ms. Dickerson responded that she had not seen that report, but that she thought that for this biennium they would be turning back maybe 1/2 million dollars out of the existing appropriation, but she thought they would use up to close to \$4 million for the biennium. Alan from the Legislative Counsel (#1299) responded that the \$1 million is OMB's estimated turn backs at the end of this biennium. Senator Tallackson (#1324) Wanted to know what guidelines were used for income to qualify: Ms Dickerson responded the maximum income is \$14,000 and so many of those do not have to file income tax, some receive no income except social security or SSI and they must file an application indicating the amount of the income, medical expenses which are deductible from income by statute, sign the application according to the law. Senator Schobinger (#1407) Question regarding Senator Krauter's question regarding the turn back, there is a revision of the turn back, where those numbers built into the Governor's budget, is there going to be a need a revision from the \$3.8 million down to \$3.2 million as a beginning fund? Mr.. Clayburgh responded that the tax department gave OMB their estimated turn aback for the office Tax commissioner, as far as the homestead tax credit turn back, Mr.. Clayburgh would have to do some checking as to where that came from. The Tax Department is not sure where that estimate came from. Senator Holmberg stated that the Legislative Counsel, OMB and the Tax Department would have to look at the estimate.

Mr.. Clayburgh concluded with his report (Exhibit #2) that the Senate Majority Leader and the House Majority Leader sent all agencies asking the 4 questions about :

1. What is the main purpose of your agency?
2. How do you measure the achievement of your purpose?

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Senate Appropriations Committee  
Bill/Resolution Number SB 2006  
Hearing Date January 20, 2003

**Bill/Resolution Number SB 2006**

3. What can the legislature do, financially and otherwise to help you achieve your purpose?
4. How can you report (measure) your results so the public can easily understand your purpose and evaluate your effectiveness?

4. How can you report (measure) your results so the public can easily understand your purpose and evaluate your effectiveness?

Terry Traynor, North Dakota Association of Counties, Assistant Director. (Exhibit #4). Mr. Traynor testified in support of the Homestead Tax Credit Program contained in SB 2006. He stated that the Homestead Tax Credit allowed the elderly and disabled to remain in their own homes, which meant that these people did not have to move into higher cost, group care facilities.

Traynor testified in support of the Homestead Tax Credit Program contained in SB 2006. He stated that the Homestead Tax Credit allowed the elderly and disabled to remain in their own homes, which meant that these people did not have to move into higher cost, group care facilities.

Mr. Traynor also added that the credit card fees were too high and if the committee could work something out that would allow fees, etc to be reduced, it would be great. There are a lot of people that want to pay their fees with credit cards.

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# 2003 SENATE STANDING COMMITTEE MINUTES

## BILL/RESOLUTION NO. SB 2006 Votes

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
#1	x		821-1407
Committee Clerk Signature <i>Jan Hendrickson</i>			

### Minutes:

Senator Holmberg, chair, asked Senator Schobinger if the amendments to the Tax Department were ready. Senator Schobinger presented the amendments to SB 2006. Other than the wages & salaries adjustments, we have found \$300,000 through freezing the Commissioner salary, travel, IT services, other wages, toll free phone numbers, postage, and professional services. There are some programs that the agency would like to have carry over authority on some of there IT funds. The subcommittee felt that was fair. Motion by Schobinger, seconded by Andrist to accept the amendment as presented. Senator Krauter asked if the under funding of the salary is due to military callup? Is that something that we will see in all agencies? Senator Schobinger replied that he couldn't say if it was in all agencies, this position will be a year and half. By law they have to keep this position open in case the person decides to come back after their military duty is over. Senator Krauter wanted to know about the postage reduction also. Senator Schobinger replied that they were building an increase into their budget for postal rates they understood was

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Senate Appropriations Committee

Bill/Resolution Number SB 2006

Hearing Date February 11, 2003

going to happen, but have since learned that no such increase is expected this year. Senator Krauter continued, wondering about the carry over of \$715,000 to this biennium. Are you going to take away \$110,000 from this carryover to use for the IT project? Senator Schobinger replied that this was not figured into the turn back, they would like to work through the Information Technology Department to do the project. The only other alternative was to work with an outside vendor and they would rather work with IT to do this. Right now IT is too busy to do this project and rather than have an outside vendor do the project, the Tax Department would rather carry over and use IT. Senator Holmberg explained that this money is not any carry over or turn back as this was already in their budget it is just being used next year instead of this year. The only question was should they spend the money now and use an outside vendor or wait and use ID who is familiar with the project. Voice vote was taken on the amendment, motion carried. Motion by Senator Schobinger, seconded by Senator Andrist for a do pass as amended on SB 2006. Roll call vote was taken, which is attached. Motion carried 13 yes, 0 no and 1 absent and not voting. Senator Schobinger will be the carrier.

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**FISCAL NOTE**  
Requested by Legislative Council  
02/13/2003

Amendment to: SB 2006

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Engrossed SB 2006 returns the salary of the Tax Commissioner back to current law, and removes the salary increases for tax department employees from the salaries and wages line item.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/25/2003

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**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/24/2002**

Bill/Resolution No.: SB 2006

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Section 3 of SB 2006 increases the salary of the Tax Commissioner from \$73,821 to \$74,562 for 2004, and \$76,053 for 2005 and thereafter. This amount is contained in the appropriation in Section 1 of the bill.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/06/2003

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*10-14-03*  
Date

38029.0102  
Title 0200  
Fiscal No. 1

Prepared by the Legislative Council staff for  
Senator Schobinger  
February 7, 2003

*JS*  
2-11-03  
1012

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, replace "amend and reenact section 57-01-04 of the North Dakota Century Code, relating" with "provide for an exemption from the provisions of section 54-44.1-11 of the North Dakota Century Code"

Page 1, line 4, remove "to the salary of the state tax commissioner"

Page 1, line 12, replace "13,073,578" with "12,820,250"

Page 1, line 13, replace "4,595,113" with "4,465,113"

Page 1, line 14, replace "75,000" with "25,000"

Page 1, line 16, replace "21,743,691" with "21,310,363"

Page 1, line 18, replace "21,628,647" with "21,195,319"

Page 2, replace lines 1 through 7 with:

**"SECTION 3. EXEMPTION.** The appropriation contained in section 1 of chapter 6 of the 2001 Session Laws is not subject to the provisions of section 54-44.1-11 for an amount of up to \$110,000, and this amount may be spent for information technology projects for the biennium beginning July 1, 2003, and ending June 30, 2005."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$13,073,578	(\$253,328)	\$12,820,250
Operating expenses	4,595,113	(130,000)	4,465,113
Capital assets	75,000	(50,000)	25,000
Homestead tax credit	4,000,000		4,000,000
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044		115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00

Dept. 127 - State Tax Commissioner - Detail of Senate Changes

	DECREASES FUNDING FOR SALARIES 1	DECREASES FUNDING FOR OPERATING LINE ITEM 2	TRANSFERS FUNDING FROM CAPITAL ASSETS TO OPERATING 3	REMOVES RECOMMENDED SALARY INCREASE 4	TOTAL SENATE CHANGES
Salaries and wages	(\$118,143)			(\$135,185)	(\$253,328)
Operating expenses		(\$180,000)	\$50,000		(130,000)
Capital assets			(50,000)		(50,000)
Homestead tax credit					
Total all funds	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)

2.42

Less estimated income					
General fund	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
FTE	0.00	0.00	0.00	0.00	0.00

1 Underfunds the salary line item due to employee called to active military duty.

2 This amendment decreases funding for the following operating expenses:

Travel	(\$15,000)
Information technology services	(80,000)
Toll-free telephone services	(24,000)
Postage	(25,000)
Professional services	(15,000)
Underfunding of line item	(21,000)
Total	(\$180,000)

3 This amendment transfers \$50,000 from the capital assets line item to operating for purchases of equipment less than \$5,000.

4 This amendment removes the Governor's recommendation for state employees' salary increases and retains the recommended state payment for health insurance premiums.

#### Senate Bill No. 2006 - Other Changes - Senate Action

A section is added providing the Tax Commissioner with up to \$110,000 of general fund carryover authority for a sales tax WebFile rewrite information technology project. A 2001-03 biennium appropriation was provided for this project; however, the Information Technology Department was unable to schedule the project during the current biennium.

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Cheresea A. Lee  
Operator's Signature

10-14-03  
Date

Date: 2/11/03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2006

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do pass as amended

Motion Made By Schobinger Seconded By Andrist

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson					
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Schobinger

If the vote is on an amendment, briefly indicate intent:

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Operator's Signature

Yubereva W. Bee

10-11-03  
Date

REPORT OF STANDING COMMITTEE (410)  
February 12, 2003 11:12 a.m.

Module No: SR-27-2385  
Carrier: Schobinger  
Insert LC: 38029.0102 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2006: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2006 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "amend and reenact section 57-01-04 of the North Dakota Century Code, relating" with "provide for an exemption from the provisions of section 54-44.1-11 of the North Dakota Century Code"

Page 1, line 4, remove "to the salary of the state tax commissioner"

Page 1, line 12, replace "13,073,578" with "12,820,250"

Page 1, line 13, replace "4,595,113" with "4,465,113"

Page 1, line 14, replace "75,000" with "25,000"

Page 1, line 16, replace "21,743,691" with "21,310,363"

Page 1, line 18, replace "21,628,647" with "21,195,319"

Page 2, replace lines 1 through 7 with:

"SECTION 3. EXEMPTION. The appropriation contained in section 1 of chapter 6 of the 2001 Session Laws is not subject to the provisions of section 54-44.1-11 for an amount of up to \$110,000, and this amount may be spent for information technology projects for the biennium beginning July 1, 2003, and ending June 30, 2005."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$13,073,578	(\$253,328)	\$12,820,250
Operating expenses	4,595,113	(130,000)	4,465,113
Capital assets	75,000	(50,000)	25,000
Homestead tax credit	4,000,000		4,000,000
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044		115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00

Dept. 127 - State Tax Commissioner - Detail of Senate Changes

	DECREASES FUNDING FOR SALARIES 1	DECREASES FUNDING FOR OPERATING LINE ITEM 2	TRANSFERS FUNDING FROM CAPITAL ASSETS TO OPERATING 3	REMOVES RECOMMENDED SALARY INCREASE 4	TOTAL SENATE CHANGES
Salaries and wages	(\$118,143)			(\$135,185)	(\$253,328)

(2) DESK, (3) COMM

Page No. 1

SR-27-2385

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Operator's Signature

Date

**REPORT OF STANDING COMMITTEE (410)**  
**February 12, 2003 11:12 a.m.**

**Module No: SR-27-2385**  
**Carrier: Schobinger**  
**Insert LC: 38029.0102 Title: .0200**

Operating expenses		(\$180,000)	\$50,000		(130,000)
Capital assets			(50,000)		(50,000)
Homestead tax credit					
Total all funds	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
Less estimated income					
General fund	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
FTE	0.00	0.00	0.00	0.00	0.00

1 Underfunds the salary line item due to employee called to active military duty.

2 This amendment decreases funding for the following operating expenses:

Travel	(\$15,000)
Information technology services	(80,000)
Toll-free telephone services	(24,000)
Postage	(25,000)
Professional services	(15,000)
Underfunding of line item	(21,000)
Total	(\$180,000)

3 This amendment transfers \$50,000 from the capital assets line item to operating for purchases of equipment less than \$5,000.

4 This amendment removes the Governor's recommendation for state employees' salary increases and retains the recommended state payment for health insurance premiums.

**Senate Bill No. 2006 - Other Changes - Senate Action**

A section is added providing the Tax Commissioner with up to \$110,000 of general fund carryover authority for a sales tax WebFile rewrite information technology project. A 2001-03 biennium appropriation was provided for this project; however, the Information Technology Department was unable to schedule the project during the current biennium.

2003 HOUSE APPROPRIATIONS

SB 2006

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Cherese A. Lee  
Operator's Signature

10-14-03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2006

House Appropriations Committee  
Government Operations Division

☐ Conference Committee

Hearing Date March 3, 2003

Tape Number	Side A	Side B	Meter #
2	XX		
Committee Clerk Signature <i>K. Schmitt</i>			

Minutes:

**Tax Commissioner, Rick Clayburgh** shared written testimony and a power point presentation in support of SB 2006. His department is basically a total general fund agency. In response to a question regarding professional dues. There are 3 components of the multi-state tax commission. Which has a 12,000 annual fee. (written response to follow). This group has two offices in Chicago and New York involved in the issues that have uniformity in law and the treatment of taxpayers. If dues to this organization were based on a formula ND would be paying a higher cost. Audit dues are based on usage and return.

**Rep. Warner** Is there any initiative in streamlining the sales tax project.

**Rick Clayburgh** yes, SB 2095 and SB 2096 will reduce the burden, they however do not take effect until 2005, so there will be no fiscal impact in the 03-05 biennium.

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*Cheresea W. Bee*  
Operator's Signature

*10-14-03*  
Date



Page 2

Government Operations Division

Bill/Resolution Number SB 2006

Hearing Date March 3, 2003

**Rep. Thoreson** Has there been a high risk assessment into the computer system from the auditors office?

**Rick Clayburgh** based on the fact that our systems are laid on a 20 year old system, we seem to be doing fine. ITD dollars would be needed to update the base system. There has been no attempts to tap or crash the system. The fire wall protection from ITD seems adequate.

In a response to a question from Rep. Koppelman, his department anticipated a \$715,000 turn back that has since been readjusted to \$980,000. The savings have come from technology and the reduction of 5-6 FTE's. In response to a question from Rep Skarphol, Kathy Forsch serves on the committee of Enterprise Architecture. I serve on the advisory committee. It is very fruitful and allows those involved to share information within agencies and develop by learning from each other. Electronic filing goal for the year is 100,000 we are currently at 52,000 or 30%. We should get to 99,000 to 102,000.

**Rep. Timm** asked if this department has a technology "wish list".

**Kathy Forscht**, responded \$200,000 was added to the IT budget to interface with Peoplesoft.

**Comm. Clayburgh** our largest adjustment area is IT, we will use ConnectND but we can't enhance it.

**Marcy Dickerson** shared written testimony regarding the Home Tax Credit for senior citizens or disabled persons.

**Terry Traynor, Association of Counties** shared written testimony in support of the Homestead Credit Program.

Hearing no further testimony, the hearing was closed.

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Katherine A. Bee  
Operator's Signature

10-14-03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2006

House Appropriations Committee  
Government Operations Division

☐ Conference Committee

Hearing Date March 12, 2003

Tape Number	Side A	Side B	Meter #
1	xx		
Committee Clerk Signature <i>Elly Schmidt</i>			

Minutes: Committee Work

**Tax Commissioner, Rick Clayburgh** shared the Senate changes to his department budget with the committee. (see green sheet) The projected turnback from his agency is \$990,000. In response to a questions from **Rep. Skarphol**, the main frame upgrade is estimated at 5M, the ConnectND interfacing is estimated at \$200,000, the electronic front end filing (high estimate) \$500,000 and the ACH debit/credit program His department will use desktop options in the next biennium to address the IT needs within his department. He commented his department can live with the budget before the committee, ITD believes his department has underfunded the upgrades listed in the budget. He also commented there is a need for all state employees to receive an increase, not just the Tax Dept. "Our employees deserve a raise!" The tax department has done no hiring during the Legislative Session. If additional dollares were made available to his department it would be used in the area of IT. (End)

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*Cheresea J. Lee*  
Operator's Signature

*10-14-03*  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2006

House Appropriations Committee  
Government Operations Division

☐ Conference Committee

Hearing Date March 13, 2003

Tape Number	Side A	Side B	Meter #
1	XX		
Committee Clerk Signature <i>Kelly Schmidt</i>			

Minutes:Committee Work

**Rep. Timm** shared with the committee there are no changes needed to this Budget.

**Rep. Glassheim** was interested in raising the Homestead Credit by \$500, the fiscal impact would be \$750,000 to the general fund, so he has decided not too.

**Rep. Timm** commented, he feels that would be a policy decision and this committee shouldn't be making those. He would recommend it be done under a separate bill.

**Rep. Carlson** reviewed the senate changes of the budget found on the green sheet.

**Rep. Timm** reminded the committee this department is projecting a turn back of \$990,000, they are still needing an ITD project for their integrated tax system, but are willing to wait.

**Tax Commissioner, Rick Clayburgh**, expects to be requesting the necessary funds for the IT project in the next biennium or 2. This project will enable the department to rewrite their base IT system. Other bills impacting his budget, HB 1431, tobacco stamping bill, the cost are borne

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*Cheresea W. Bee*  
Operator's Signature

*10-14-03*  
Date

Page 2

Government Operations Division

Bill/Resolution Number SB 2006

Hearing Date March 13, 2003

from the wholesale industry, however there is no mechanism to move those funds to the tax department. That will be addressed with the bill.

**Roll Call Vote was taken**

**Rep. Timm made a DO PASS motion on SB 2006, second by Rep. Carlson,**

**8 YEAH, 0 NAY 1 ABSENT (Koppelman)**

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Cheresea W. Lee  
Operator's Signature

10-14-03  
Date

38029.0202  
Title, 0300  
Fiscal No. 2

Prepared by the Legislative Council staff for  
House Appropriations  
March 31, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, line 12, replace "12,820,250" with "12,806,112"

Page 1, line 13, replace "4,465,113" with "3,933,588"

Page 1, line 16, replace "21,310,363" with "20,764,700"

Page 1, line 18, replace "21,195,319" with "20,649,656"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112
Operating expenses	4,585,113	4,465,113	(531,525)	3,933,588
Capital assets	75,000	25,000		25,000
Homestead tax credit	4,000,000	4,000,000		4,000,000
Total all funds	\$21,743,691	\$21,310,363	(\$545,663)	\$20,764,700
Less estimated income	115,044	115,044		115,044
General fund	\$21,628,647	\$21,195,319	(\$545,663)	\$20,649,656
FTE	137.00	137.00	0.00	137.00

Dept. 127 - State Tax Commissioner - Detail of House Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 1	REDUCES THE RECOMMENDED FUNDING FOR HEALTH INSURANCE 2	TOTAL HOUSE CHANGES
Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$531,525)		(531,525)
Capital assets			
Homestead tax credit			
Total all funds	(\$531,525)	(\$14,138)	(\$545,663)
Less estimated income			
General fund	(\$531,525)	(\$14,138)	(\$545,663)
FTE	0.00	0.00	0.00

1 This amendment reduces funding for information technology by \$531,525 from the general fund, which represents a reduction in information technology funding of approximately 20 percent.

2 Funding for state employee health insurance premiums is reduced from \$493 per month to \$488.70 per month.

Date:03-13-03

Roll Call Vote #: 1

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES**

**BILL/RESOLUTION NO. SB 2006**

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Timm Seconded By Rep. Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim	x				
Rep. Krocher	x				
Rep. Warner	x				

Total (Yes) 8 No 0

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
See attached amendment

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Yheresa A. Bee  
Operator's Signature

10-14-03  
Date

REPORT OF STANDING COMMITTEE (410)  
April 3, 2003 12:43 p.m.

Module No: HR-60-6632  
Carrier: Timm  
Insert LC: 38029.0202 Title: .0300

**REPORT OF STANDING COMMITTEE**

SB 2006, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 1 NAY, 3 ABSENT AND NOT VOTING). Engrossed SB 2006 was placed on the Sixth order on the calendar.

Page 1, line 12, replace "12,820,250" with "12,806,112"

Page 1, line 13, replace "4,465,113" with "3,933,588"

Page 1, line 16, replace "21,310,363" with "20,764,700"

Page 1, line 18, replace "21,195,319" with "20,649,656"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2006 - State Tax Commissioner - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112
Operating expenses	4,595,113	4,465,113	(531,525)	3,933,588
Capital assets	75,000	25,000		25,000
Homestead tax credit	4,000,000	4,000,000		4,000,000
Total all funds	\$21,743,691	\$21,310,363	(\$545,663)	\$20,764,700
Less estimated income	115,044	115,044		115,044
General fund	\$21,628,647	\$21,195,319	(\$545,663)	\$20,649,656
FTE	137.00	137.00	0.00	137.00

**Dept. 127 - State Tax Commissioner - Detail of House Changes**

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 1	REDUCES THE RECOMMENDED FUNDING FOR HEALTH INSURANCE 2	TOTAL HOUSE CHANGES
Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$531,525)		(531,525)
Capital assets			
Homestead tax credit			
Total all funds	(\$531,525)	(\$14,138)	(\$545,663)
Less estimated income			
General fund	(\$531,525)	(\$14,138)	(\$545,663)
FTE	0.00	0.00	0.00

1 This amendment reduces funding for information technology by \$531,525 from the general fund, which represents a reduction in information technology funding of approximately 20 percent.

2 Funding for state employee health insurance premiums is reduced from \$493 per month to \$488.70 per month.

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Operator's Signature

Date

2003 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2006

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Yvonne A. Lee  
Operator's Signature

10-12-03  
Date



2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2006 Conference committee

Senate Appropriations Committee

☒ Conference Committee

Hearing Date 4-21-03

Tape Number	Side A	Side B	Meter #
3	x		0 - 112
Committee Clerk Signature <i>Jan Hendrickson</i>			

Minutes:

SENATOR SCHOBINGER opened the meeting of the conference committee. All members were present.

REPRESENTATIVE SKARPHOL asked if Alan would do an analysis of what was done in the Senate and how it would work out if all that was put in and then 5% reduction was made, specific to IT issues. (meter 52).

Meeting was recessed.

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*Cheresea J. Lee*  
Operator's Signature

*10-14-03*  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2006 Conference committee & vote

Senate Appropriations Committee

☒ Conference Committee

Hearing Date 4-22-03

Tape Number	Side A	Side B	Meter #
1	X		1058-2124
Committee Clerk Signature <i>Sandra Davis</i>			

Minutes:

SENATOR SCHOBINGER opened the conference committee on SB 2006. All members were present.

SENATOR SCHOBINGER introduced amendments 38029.0205 that relate to the discussion of the conference committee yesterday. In the Senate version, close to a 5% reduction was made in IT before a decision was made on the 4% or 20% reductions. This change would be the 5% reduction or \$2000 more than the Senate had originally taken, not including salaries.

REPRESENTATIVE SKARPHOL asked about the toll free telephone services of \$24,000, didn't the commissioner intend to get rid of that anyway? (meter 1273). Maybe that shouldn't be a consideration in reduction of IT cost.

COMMISSIONER CLAYBURGH said that is correct. We don't need to add that item back in for the reduction.

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*Yvonne A. Lee*  
Operator's Signature

*10-14-03*  
Date

Page 2  
Senate Appropriations Committee  
Bill/Resolution Number SB 2006  
Hearing Date 04/22/03

ROXANNE clarified that the amendment doesn't restore any funding cuts by the Senate, it recalculates how the 5% IT reduction was calculated. (meter 1358)

REPRESENTATIVE SVEDJAN reviewed the total reductions discussed yesterday (meter 1396).

REPRESENTATIVE SKARPHOL said there was a handout yesterday that broke this out - \$15,000 travel, \$25,000 postage, \$15,000 professional services, which totals \$55,000. The other \$21,000 was what the commissioner referred to. If we were to work off amendment .0205 and add back the \$80,000 there would be a reduction of \$26,486 in IT. Is that where the committee is at?

REPRESENTATIVE SVEDJAN said what he understands the commissioner to say is the \$21,000 which is undesignated could be part of the IT reduction. In .0204 the total reduction to IT was \$152,881, .0205 reduces it to \$106,486 which is based on the 5% less the salaries. If we added the \$80,000 back to the operating line, it would further reduce the \$106,000 to \$26,000 and all else could remain as it was when it came out of the Senate.

**REPRESENTATIVE SKARPHOL (meter 1713) moved the House recede from its amendments and further amend to reflect a \$26,486 reduction in IT costs for the Tax Commissioner's office and the health insurance changes. Motion was seconded by REPRESENTATIVE SVEDJAN. Motion passed 6-0-0. SENATOR SCHOBINGER and REPRESENTATIVE SVEDJAN will carry the bill to the floor.**

**SENATOR CHRISTMANN moved the committee adopt the study of the impact of the elimination of the estate tax, amendment .0203, motion seconded by REPRESENTATIVE SKARPHOL Motion passed 6-0-0.**

The conference committee was adjourned.

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Yvonnea J. Lee  
Operator's Signature

10-14-03  
Date

38029.0204  
Title.  
Fiscal No. 1

Prepared by the Legislative Council staff for  
Conference Committee  
April 18, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

That the House recede from its amendments as printed on page 1118 of the Senate Journal and page 1237 of the House Journal and that Engrossed Senate Bill 2006 be amended as follows:

Page 1, line 12, replace "12,820,250" with "12,806,112"

Page 1, line 13, replace "4,465,113" with "4,312,232"

Page 1, line 16, replace "21,310,363" with "21,143,344"

Page 1, line 18, replace "21,195,319" with "21,028,300"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112	\$12,806,112	
Operating expenses	4,595,113	4,465,113	(152,881)	4,312,232	3,933,588	\$378,644
Capital assets	75,000	25,000		25,000	25,000	
Homestead tax credit	4,000,000	4,000,000		4,000,000	4,000,000	
Total all funds	\$21,743,691	\$21,310,363	(\$167,019)	\$21,143,344	\$20,784,700	\$378,644
Less estimate income	115,044	115,044		115,044	115,044	
General fund	\$21,628,647	\$21,195,319	(\$167,019)	\$21,028,300	\$20,649,656	\$378,644
FTE	137.00	137.00	0.00	137.00	137.00	0.00

Dept. 127 - State Tax Commissioner - Detail of Conference Committee Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS <sup>1</sup>	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE <sup>2</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$152,881)		(152,881)
Capital assets			
Homestead tax credit			
Total all funds	(\$152,881)	(\$14,138)	(\$167,019)
Less estimated income			
General fund	(\$152,881)	(\$14,138)	(\$167,019)
FTE	0.00	0.00	0.00

<sup>1</sup> This amendment reduces funding for information technology by \$152,881 from the general fund, which represents a reduction in information technology funding of approximately 5 percent.

<sup>2</sup> Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

Date: 4-21-03  
Roll vote # 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2006

Senate Appropriations Committee

☒ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken House recedes House amend

Motion Made By Skarphol Seconded By Svedjan

Senators	Yes	No	Representatives	Yes	No
Senator Schobinger	✓		Representative Skarphol	✓	
Senator Christmann	✓		Representative Svedjan	✓	
Senator Mathern <u>Robinson</u>	✓		Representative Glassheim	✓	

Total (Yes) 6 No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment Schobinger / Skarphol

If the vote is on an amendment, briefly indicate intent:

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Cheresea A. Bee  
Operator's Signature

10-14-03  
Date

Date: 4-22-03

Roll call vote # 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2006

Senate/ **APPROPRIATIONS** Committee

☒ Check here for Conference Committee

Legislative Council Amendment Number 0205

Action Taken Adopt .0203

Motion Made By Chris Imann Seconded By S/Carphol

[illegible]

Total (Yes) 6 No 0

Absent

### Floor Assignment

**If the vote is on an amendment, briefly indicate intent:**

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Operator's Signature Yvesena W. Lee

10-14-03  
Date

38029.0206  
Title.0400  
Fiscal No. 3

Prepared by the Legislative Council staff for  
Conference Committee  
April 22, 2003

C3  
4-22-03  
1012

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

That the House recede from its amendments as printed on page 1118 of the Senate Journal and page 1237 of the House Journal and that Engrossed Senate Bill No. 2006 be amended as follows:

Page 1, line 3, remove "and"

Page 1, line 4, after "Code" insert "; and to provide for a legislative council study"

Page 1, line 12, replace "12,820,250" with "12,806,112"

Page 1, line 13, replace "4,465,113" with "4,438,627"

Page 1, line 16, replace "21,310,363" with "21,269,739"

Page 1, line 18, replace "21,195,319" with "21,154,695"

Page 2, after line 4, insert:

**"SECTION 4. LEGISLATIVE COUNCIL STUDY - ELIMINATION OF ESTATE TAX.** The legislative council shall consider studying, during the 2003-04 Interim, with assistance from the tax commissioner, the effect on cities and counties of repeal of the estate tax. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112	\$12,806,112	
Operating expenses	4,595,113	4,465,113	(26,486)	4,438,627	3,933,588	\$505,039
Capital assets	75,000	25,000		25,000	25,000	
Homestead tax credit	4,000,000	4,000,000		4,000,000	4,000,000	
Total all funds	\$21,743,691	\$21,310,363	(\$40,624)	\$21,269,739	\$20,764,700	\$505,039
Less estimated income	115,044	115,044		115,044	115,044	
General fund	\$21,628,647	\$21,195,319	(\$40,624)	\$21,154,695	\$20,649,656	\$505,039
FTE	137.00	137.00	0.00	137.00	137.00	0.00

Dept. 127 - State Tax Commissioner - Detail of Conference Committee Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 1	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 2	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$26,486)		(26,486)
Capital assets			
Homestead tax credit			

Yubereana A. Lee  
Operator's Signature

10-14-03  
Date

2 of 2

Total all funds	(\$28,488)	(\$14,138)	(\$40,624)
Less estimated income			
General fund	(\$28,488)	(\$14,138)	(\$40,624)
FTE	0.00	0.00	0.00

1 This amendment reduces funding for information technology by \$28,488 from the general fund, which represents a reduction in information technology funding of approximately 5 percent, excluding information technology salaries and wages and previous reductions made in the area of information technology.

2 Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

This amendment also adds a section providing for a Legislative Council study of the effect on cities and counties of repeal of the estate tax.

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Cheresea A. Lee  
Operator's Signature

10-14-03  
Date



**REPORT OF CONFERENCE COMMITTEE**

**SB 2006, as engrossed:** Your conference committee (Sens. Schobinger, Christmann, Robinson and Reps. Skarphol, Svedjan, Glasshelm) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 1118, adopt amendments as follows, and place SB 2006 on the Seventh order:

That the House recede from its amendments as printed on page 1118 of the Senate Journal and page 1237 of the House Journal and that Engrossed Senate Bill No. 2006 be amended as follows:

Page 1, line 3, remove "and"

Page 1, line 4, after "Code" insert "; and to provide for a legislative council study"

Page 1, line 12, replace "12,820,250" with "12,806,112"

Page 1, line 13, replace "4,465,113" with "4,438,627"

Page 1, line 16, replace "21,310,363" with "21,269,739"

Page 1, line 18, replace "21,195,319" with "21,154,695"

Page 2, after line 4, insert:

**"SECTION 4. LEGISLATIVE COUNCIL STUDY - ELIMINATION OF ESTATE TAX.** The legislative council shall consider studying, during the 2003-04 interim, with assistance from the tax commissioner, the effect on cities and counties of repeal of the estate tax. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2006 - State Tax Commissioner - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112	\$12,806,112	
Operating expenses	4,595,113	4,465,113	(28,486)	4,438,627	3,933,566	\$505,039
Capital assets	75,000	25,000		25,000	25,000	
Homestead tax credit	4,000,000	4,000,000		4,000,000	4,000,000	
Total all funds	\$21,743,691	\$21,310,363	(\$40,624)	\$21,269,739	\$20,764,700	\$505,039
Less estimated income	115,044	115,044		115,044	115,044	
General fund	\$21,628,647	\$21,195,319	(\$40,624)	\$21,154,695	\$20,649,656	\$505,039
FTE	137.00	137.00	0.00	137.00	137.00	0.00

**Dept. 127 - State Tax Commissioner - Detail of Conference Committee Changes**

REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 1	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 2	TOTAL CONFERENCE COMMITTEE CHANGES
--	--	---

**REPORT OF CONFERENCE COMMITTEE (420)**  
**April 23, 2003 8:26 a.m.**

**Module No: SR-74-8164**

**Insert LC: 38029.0206**

Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$28,486)		(28,486)
Capital assets			
Homestead tax credit			
Total all funds	(\$28,486)	(\$14,138)	(\$40,624)
Less estimated income			
General fund	(\$28,486)	(\$14,138)	(\$40,624)
FTE	0.00	0.00	0.00

<sup>1</sup> This amendment reduces funding for information technology by \$28,486 from the general fund, which represents a reduction in information technology funding of approximately 5 percent, excluding information technology salaries and wages and previous reductions made in the area of information technology.

<sup>2</sup> Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

This amendment also adds a section providing for a Legislative Council study of the effect on cities and counties of repeal of the estate tax.

Engrossed SB 2006 was placed on the Seventh order of business on the calendar.

2003 TESTIMONY  
SB 2006

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Yuhorosa A. Lee  
Operator's Signature

10-14-03  
Date

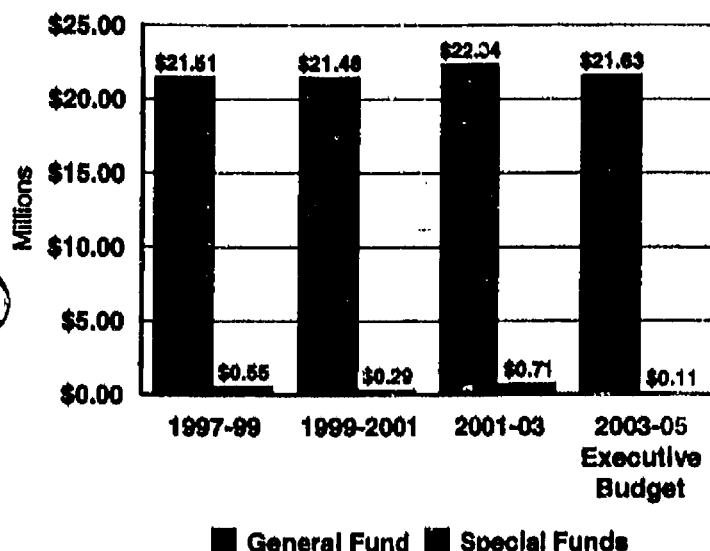
Department 127 - State Tax Commissioner  
Senate Bill No. 2006

	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	137.00	\$21,628,647	\$115,044	\$21,743,691
2001-03 Legislative Appropriations	143.00	22,343,661 <sup>1</sup>	709,729	23,053,390 <sup>2</sup>
Increase (Decrease)	(6.00)	(\$715,014)	(\$594,685)	(\$1,309,699)

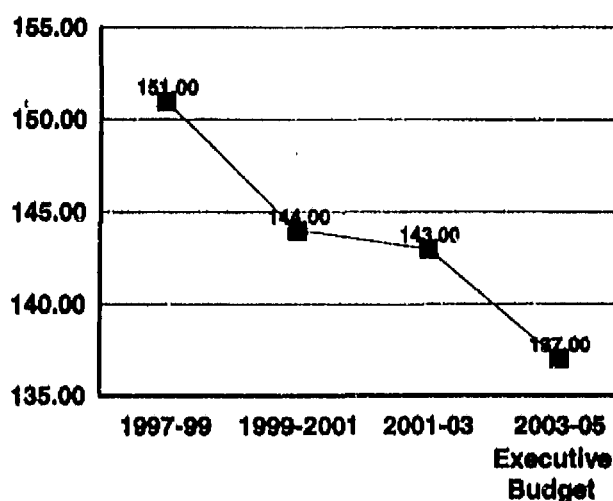
<sup>1</sup> The 2001-03 general fund appropriation is the amount appropriated by the 2001 Legislative Assembly and does not include a reduction of \$234,609 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

<sup>2</sup> The 2001-03 appropriation amounts include \$81,185 from the general fund for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees. The 2001-03 appropriation amounts do not include \$15,044 of additional special funds authority resulting from Emergency Commission action during the 2001-03 biennium.

Agency Funding



FTE Positions



Executive Budget Highlights

	General Fund	Other Funds	Total
<b>Commissioner's Division</b>			
1. Decreases funding for operating expenses, primarily for professional services, to achieve the 95 percent budget request	(\$60,939)		(\$60,939)
2. Increases funding for salaries and wages to provide for future reclassifications and promotions	\$55,434		\$55,434
<b>Legal Division</b>			
3. Decreases funding for operating expenses, primarily for professional services and professional supplies, to achieve the 95 percent budget request	(\$64,726)		(\$64,726)
<b>Fiscal Management Division</b>			
4. No significant changes for the Fiscal Management Division			
<b>Sales and Special Tax Division</b>			
5. Deletes 1 FTE compliance officer II	(\$82,536)		(\$82,536)

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*Yvonne A. Lee*  
Operator's Signature

10-14-03  
Date

6. Removes the motor fuels tax and city tax administration fees as special line items within the Sales and Special Tax Division to the operating line item within the division

7. Decreases federal funds due to completion of the federal/state motor fuel tax audit compliance project

(\$293,729)

(\$293,729)

#### Income Tax Division

8. Changes the funding source for the Multistate Tax Commission from special funds to the general fund (operating line item) and removes the special line item for the Multistate Tax Commission

\$316,000

(\$316,000)

9. Deletes 1 FTE income tax director

(\$118,347)

(\$118,347)

10. Deletes 1 FTE audit technician

(\$60,203)

(\$60,203)

#### Property and Utility Tax Division

11. Consolidates the homestead tax credit budget into the Tax Commissioner's budget. Previously, the homestead tax credit budget was provided a separate appropriation.

12. Decreases funding for the homestead tax credit to account for the 5 percent required budget reduction

(\$227,041)

(\$227,041)

13. The executive recommendation decreases funding for the homestead tax credit to \$4 million based on three-year average expenditures and current statutory guidelines

(\$313,772)

(\$313,772)

#### Operations Division

14. Deletes 1 FTE information system administrator

(\$146,184)

(\$146,184)

15. Deletes 1 FTE document specialist

(\$51,859)

(\$51,859)

16. Deletes 1 FTE data input operator

(\$48,245)

(\$48,245)

17. Reduces operating line item, primarily to information technology areas, to achieve the 95 percent budget request

(\$495,050)

(\$495,050)

### Major Related Legislation

Section 3 of Senate Bill No. 2006 increases the statutory changes as necessary to increase the State Tax Commissioner's salary as follows:

Annual salary authorized by the 2001 Legislative Assembly:

July 1, 2001	\$68,277
January 1, 2002	\$72,374
July 1, 2002	\$73,821

Proposed annual salary recommendation in the 2003-05 executive budget:

July 1, 2003	\$73,821
January 1, 2004	\$74,562
January 1, 2005	\$76,053

The executive budget recommendation proposes to decouple the state corporate income tax from the federal corporate rate income tax (as of January 15, 2003, a bill to make this change has not been introduced).

**House Bill No. 1025** - This bill revises the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 census.

**House Bill No. 1105** - This bill changes the handling of refunds of telecommunications tax collections. The first \$8.4 million of gross (rather than gross minus refunds paid) telecommunications tax receipts would be deposited in the telecommunications carriers tax fund and gross (rather than gross minus refunds paid) collections in excess of \$8.4 million would be deposited in the general fund. A continuing general fund appropriation would be provided for issuing refunds to telecommunications carriers for overpayment of taxes.

**House Bill No. 1171** - This bill increases the legal age to purchase tobacco products from 18 to 21.

**House Bill No. 1174** - This bill makes it illegal to possess tobacco products.

**House Bill No. 1196** - This bill removes the optional contributions on income tax returns for the nongame wildlife fund and trees for North Dakota program trust fund.

**Senate Bill No. 2054** - This bill changes the corporate income tax rates from graduated rates to a flat tax rate and removes the federal income tax deduction for state corporate income tax purposes.

**Senate Bill No. 2076** - This bill provides for an increase in cigarette and tobacco taxes of approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack.

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Operator's Signature

Date

**Senate Bill No. 2095** - This bill provides for the adoption of the streamlined sales and use tax agreement as adopted by member states of the streamlined sales tax project. This bill would become effective on December 31, 2005.

**Senate Bill No. 2096** - This bill provides for the implementation of the streamlined sales and use tax agreement.

**Senate Bill No. 2153** - This bill provides for a quarterly assessment based on revenues and number of licensed beds to be imposed on each intermediate care facility for the mentally retarded licensed in this state. The Tax Commissioner is to collect and enforce the assessments.

**Senate Bill No. 2172** - This bill provides for a state income tax deduction for individuals receiving military active duty or National Guard pay and military retirement pay.

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Yherosa J. Lee  
Operator's Signature

10-14-03  
Date

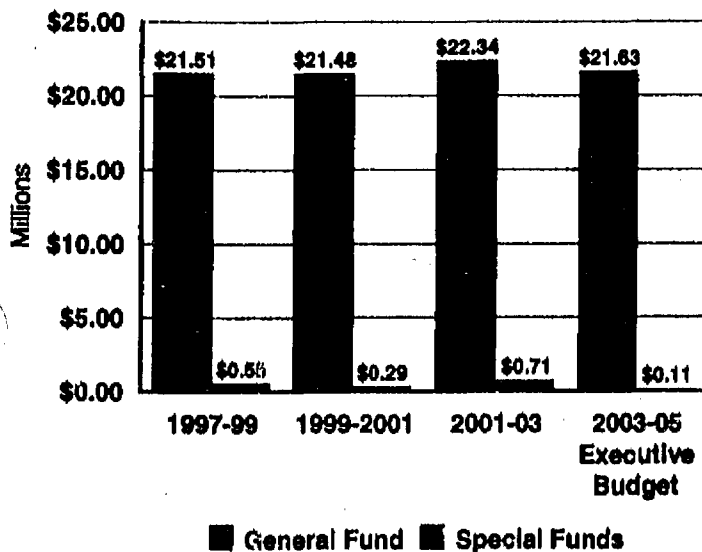
Department 127 - State Tax Commissioner  
Senate Bill No. 2006

	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	137.00	\$21,628,647	\$115,044	\$21,743,691
2001-03 Legislative Appropriations	143.00	22,343,661 <sup>1</sup>	709,729	23,053,390 <sup>2</sup>
Increase (Decrease)	(6.00)	(\$715,014)	(\$594,685)	(\$1,309,699)

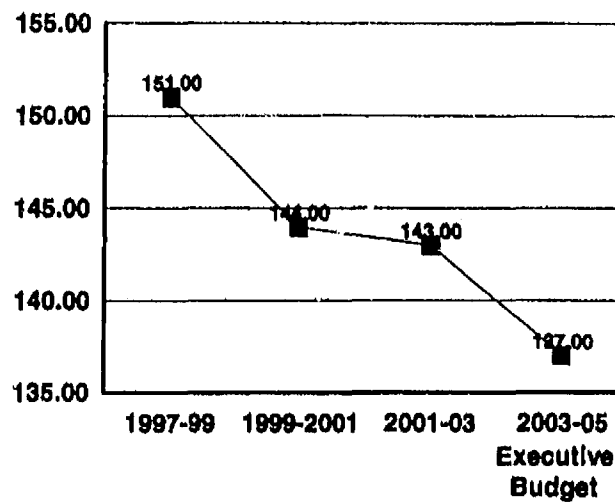
<sup>1</sup> The 2001-03 general fund appropriation is the amount appropriated by the 2001 Legislative Assembly and does not include a reduction of \$234,609 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

<sup>2</sup> The 2001-03 appropriation amounts include \$81,185 from the general fund for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees. The 2001-03 appropriation amounts do not include \$15,044 of additional special funds authority resulting from Emergency Commission action during the 2001-03 biennium.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

Executive Budget Highlights  
(With First House Changes Noted)

	General Fund	Other Funds	Total
<b>Commissioner's Division</b>			
1. Decreases funding for operating expenses, primarily for professional services, to achieve the 95 percent budget request	(\$60,939)		(\$60,939)
2. Increases funding for salaries and wages to provide for future reclassifications and promotions	\$55,434		\$55,434
<b>Legal Division</b>			
3. Decreases funding for operating expenses, primarily for professional services and professional supplies, to achieve the 95 percent budget request	(\$64,726)		(\$64,726)
<b>Fiscal Management Division</b>			
4. No significant changes for the Fiscal Management Division			

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*Cheresea W. Bee*  
Operator's Signature

10-14-03  
Date

**Sales and Special Tax Division**

- |  |             |             |
|--|-------------|-------------|
| 5. Deletes 1 FTE compliance officer II   | (\$82,536)  | (\$82,536)  |
| 6. Removes the motor fuels tax and city tax administration fees as special line items within the Sales and Special Tax Division to the operating line item within the division |             |             |
| 7. Decreases federal funds due to completion of the federal/state motor fuel tax audit compliance project  | (\$293,729) | (\$293,729) |

**Income Tax Division**

- |  |             |             |
|--|-------------|-------------|
| 8. Changes the funding source for the Multistate Tax Commission from special funds to the general fund (operating line item) and removes the special line item for the Multistate Tax Commission | \$316,000   | (\$316,000) |
| 9. Deletes 1 FTE income tax director   | (\$118,347) | (\$118,347) |
| 10. Deletes 1 FTE audit technician   | (\$60,203)  | (\$60,203)  |

**Property and Utility Tax Division**

- |  |             |             |
|--|-------------|-------------|
| 11. Consolidates the homestead tax credit budget into the Tax Commissioner's budget. Previously, the homestead tax credit budget was provided a separate appropriation.  |             |             |
| 12. Decreases funding for the homestead tax credit to account for the 5 percent required budget reduction  | (\$227,041) | (\$227,041) |
| 13. The executive recommendation decreases funding for the homestead tax credit to \$4 million based on three-year average expenditures and current statutory guidelines | (\$313,772) | (\$313,772) |

**Operations Division**

- |  |             |             |
|--|-------------|-------------|
| 14. Deletes 1 FTE Information system administrator   | (\$146,184) | (\$146,184) |
| 15. Deletes 1 FTE document specialist  | (\$51,859)  | (\$51,859)  |
| 16. Deletes 1 FTE data input operator  | (\$48,245)  | (\$48,245)  |
| 17. Reduces operating line item, primarily to information technology areas, to achieve the 95 percent budget request | (\$495,050) | (\$495,050) |

**Major Related Legislation**

Section 3 of Senate Bill No. 2006 increases the statutory changes as necessary to increase the State Tax Commissioner's salary as follows:

Annual salary authorized by the 2001 Legislative Assembly:

July 1, 2001	\$68,277
January 1, 2002	\$72,374
July 1, 2002	\$73,821

Proposed annual salary recommendation in the 2003-05 executive budget:

July 1, 2003	\$73,821
January 1, 2004	\$74,562
January 1, 2005	\$76,053

The Senate removed the 2003-05 biennium salary increases for the Tax Commissioner.

**House Bill No. 1025** - This bill revises the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 census.

**House Bill No. 1105** - This bill changes the handling of refunds of telecommunications tax collections. The first \$8.4 million of gross (rather than gross minus refunds paid) telecommunications tax receipts would be deposited in the telecommunications carriers tax fund and gross (rather than gross minus refunds paid) collections in excess of \$8.4 million would be deposited in the general fund. A continuing general fund appropriation would be provided for issuing refunds to telecommunications carriers for overpayment of taxes.

**Senate Bill No. 2095** - This bill provides for the adoption of the streamlined sales and use tax agreement as adopted by member states of the streamlined sales tax project. This bill would become effective on December 31, 2005.

**Senate Bill No. 2096** - This bill provides for the implementation of the streamlined sales and use tax agreement.

**Senate Bill No. 2153** - This bill provides for a provider assessment based on the number of licensed beds to be imposed on each intermediate care facility for the mentally retarded licensed in this state. The Tax Commissioner is to collect and enforce the assessments.

**Senate Bill No. 2314** - This bill increases the sales tax rate and phases out the corporate income tax over a five-year period.

**Senate Bill No. 2315** - This bill reduces the interest rate paid by the state on tax refunds from 12 to 6 percent per annum.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date



02/21/03

**STATEMENT OF PURPOSE OF AMENDMENT:****Senate Bill No. 2006 - Funding Summary**

	Executive Budget	Senate Changes	Senate Version
State Tax Commissioner			
Salaries and wages	\$13,073,578	(\$253,328)	\$12,820,250
Operating expenses	4,595,113	(130,000)	4,465,113
Capital assets	75,000	(50,000)	25,000
Homestead tax credit	4,000,000		4,000,000
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044	0	115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00
Bill Total			
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044	0	115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00

**Senate Bill No. 2006 - State Tax Commissioner - Senate Action**

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$13,073,578	(\$253,328)	\$12,820,250
Operating expenses	4,595,113	(130,000)	4,465,113
Capital assets	75,000	(50,000)	25,000
Homestead tax credit	4,000,000		4,000,000
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044	0	115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00

**Department No. 127 - State Tax Commissioner - Detail of Senate Changes**

	Decreases Funding for Salaries <sup>1</sup>	Decreases Funding for Operating Line Item <sup>2</sup>	Transfers Funding From Capital Assets to Operating <sup>3</sup>	Removes Recommended Salary Increase <sup>4</sup>	Total Senate Changes
Salaries and wages	(\$118,143)			(\$135,185)	(\$253,328)
Operating expenses		(180,000)	50,000		(130,000)
Capital assets			(50,000)		(50,000)
Homestead tax credit					
Total all funds	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
Less estimated income	0	0	0	0	0
General fund	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
FTE	0.00	0.00	0.00	0.00	0.00

Underfunds the salary line item due to employee called to active military duty.

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Date

02/21/03

<sup>2</sup> This amendment decreases funding for the following operating expenses:

Travel	(\$15,000)
Information technology services	(80,000)
Toll-free telephone services	(24,000)
Postage	(25,000)
Professional services	(15,000)
Underfunding of line item	(21,000)
Total	(\$180,000)

<sup>3</sup> This amendment transfers \$50,000 from the capital assets line item to operating for purchases of equipment less than \$5,000.

<sup>4</sup> This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

---

**Senate Bill No. 2006 - Other Changes - Senate Action**

A section is added providing the Tax Commissioner with up to \$110,000 of general fund carryover authority for a sales tax WebFile rewrite information technology project. A 2001-03 biennium appropriation was provided for this project; however, the Information Technology Department was unable to schedule the project during the current biennium.

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Yubereaa A. Lee  
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10-14-03  
Date

04/10/03

**STATEMENT OF PURPOSE OF AMENDMENT:****Senate Bill No. 2006 - Funding Summary**

	Executive Budget	Senate Version	House Changes	House Version
State Tax Commissioner				
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112
Operating expenses	4,595,113	4,465,113	(\$13,000)	3,933,588
Capital assets	75,000	25,000	(50,000)	25,000
Homestead tax credit	4,000,000	4,000,000		4,000,000
Total all funds	\$21,743,691	\$21,310,363	(\$433,328)	\$20,764,700
Less estimated income	115,044	115,044	0	115,044
General fund	\$21,628,647	\$21,195,319	(\$433,328)	\$20,649,656
FTE	137.00	137.00	0.00	137.00
Bill Total				
Total all funds	\$21,743,691	\$21,310,363	(\$433,328)	\$20,764,700
Less estimated income	115,044	115,044	0	115,044
General fund	\$21,628,647	\$21,195,319	(\$433,328)	\$20,649,656
FTE	137.00	137.00	0.00	137.00

**Senate Bill No. 2006 - State Tax Commissioner - Senate Action**

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$13,073,578	(\$253,328)	\$12,820,250
Operating expenses	4,595,113	(130,000)	4,465,113
Capital assets	75,000	(50,000)	25,000
Homestead tax credit	4,000,000		4,000,000
Total all funds	\$21,743,691	(\$433,328)	\$21,310,363
Less estimated income	115,044	0	115,044
General fund	\$21,628,647	(\$433,328)	\$21,195,319
FTE	137.00	0.00	137.00

**Department No. 127 - State Tax Commissioner - Detail of Senate Changes**

	Decreases Funding for Salaries <sup>1</sup>	Decreases Funding for Operating Line Item <sup>2</sup>	Transfers Funding From Capital Assets to Operating <sup>3</sup>	Removes Recommended Salary Increase <sup>4</sup>	Total Senate Changes
Salaries and wages	(\$118,143)			(\$135,185)	(\$253,328)
Operating expenses		(180,000)	50,000		(130,000)
Capital assets			(50,000)		(50,000)
Homestead tax credit					
Total all funds	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
Less estimated income	0	0	0	0	0
General fund	(\$118,143)	(\$180,000)	\$0	(\$135,185)	(\$433,328)
FTE	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Underfunds the salary line item due to employee called to active military duty.<sup>2</sup> This amendment decreases funding for the following operating expenses:

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*Yvonne A. Lee*  
Operator's Signature

10-14-03  
Date

SB  
for 2006

04/10/03

Travel	(\$15,000)
Information technology services	(80,000)
Toll-free telephone services	(24,000)
Postage	(25,000)
Professional services	(15,000)
Underfunding of line item	(21,000)
<b>Total</b>	<b>(\$180,000)</b>

<sup>3</sup> This amendment transfers \$50,000 from the capital assets line item to operating for purchases of equipment less than \$5,000.

<sup>4</sup> This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

A section is added providing the Tax Commissioner with up to \$110,000 of general fund carryover authority for a sales tax WebFile rewrite information technology project. A 2001-03 biennium appropriation was provided for this project; however, the Information Technology Department was unable to schedule the project during the current biennium.

**Senate Bill No. 2006 - State Tax Commissioner - House Action**

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$13,073,578	\$12,820,250	(\$14,138)	\$12,806,112
Operating expenses	4,595,113	4,465,113	(\$31,525)	3,933,588
Capital assets	75,000	25,000		25,000
Homestead tax credit	4,000,000	4,000,000		4,000,000
<b>Total all funds</b>	<b>\$21,743,691</b>	<b>\$21,310,363</b>	<b>(\$545,663)</b>	<b>\$20,764,700</b>
Less estimated income	115,044	115,044	0	115,044
<b>General fund</b>	<b>\$21,628,647</b>	<b>\$21,195,319</b>	<b>(\$545,663)</b>	<b>\$20,649,656</b>
<b>FTE</b>	<b>137.00</b>	<b>137.00</b>	<b>0.00</b>	<b>137.00</b>

**Department No. 127 - State Tax Commissioner - Detail of House Changes**

	Reduces Funding for Information Technology Costs <sup>1</sup>	Reduces the Recommended Funding for Health Insurance <sup>2</sup>	Total House Changes
Salaries and wages		(\$14,138)	(\$14,138)
Operating expenses	(\$31,525)		(\$31,525)
Capital assets			
Homestead tax credit			
<b>Total all funds</b>	<b>(\$531,525)</b>	<b>(\$14,138)</b>	<b>(\$545,663)</b>
Less estimated income	0	0	0
<b>General fund</b>	<b>(\$531,525)</b>	<b>(\$14,138)</b>	<b>(\$545,663)</b>
<b>FTE</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

<sup>1</sup> This amendment reduces funding for information technology by \$531,525 from the general fund, which represents a reduction in information technology funding of approximately 20 percent.

<sup>2</sup> Funding for state employee health insurance premiums is reduced from \$493 per month to \$488.70 per month.

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*Cheresea A. Bee*  
Operator's Signature

10-14-03  
Date



OFFICE OF STATE TAX COMMISSIONER  
STATE OF NORTH DAKOTA

Rick Clayburgh  
TAX COMMISSIONER

January 17, 2003

The Honorable Bob Stenehjem  
Senate Majority Leader  
North Dakota Senate

The Honorable Rick Berg  
House Majority Leader  
North Dakota House of Representative

Dear Senator Stenehjem:  
Dear Representative Berg:

In your letter of January 8, 2003 you asked us to provide you with a response to four questions which will help legislators in effectively allocating taxpayers dollars to address our state's priorities.

Enclosed is a two page document in which we provide our response to your inquiry. Also included is a table which we hope will be helpful to you and all legislators. The table lists the Total Revenue collected by the Tax Department over the last ten years. We also list the Tax Department's total expenditures over that same time period. One final figure is the amount the Tax Department has spent over the last ten years for each \$1,000 collected.

Sincerely,

Rick Clayburgh  
Tax Commissioner

Enclosure

CC: Senator Ray Holmberg  
Chairman, Senate Appropriations Committee  
Representative Ken Svedjan  
Chairman, House Appropriations Committee

600 E. Boulevard Ave., Bismarck, ND 58505-0599 • (701) 328-2770 • T.T.Y. Relay N.D.: 800-366-6888 • FAX: (701) 328-3700 • [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)

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1. What is the main purpose of your agency?

*The mission of the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota.*

- We collect taxes based on laws passed by legislatures over a number of years. The tax types we collect are:

<u>General Fund:</u>	Financial Institutions	Estate Tax
Sales & Use	Wholesale liquor	Transmission Tax
Motor Vehicle Excise Tax	Coal conversion	Telecommunications Tax
Individual Income		
Corporate Income	<u>Non general fund include:</u>	<u>Local taxes:</u>
Cigarette and Tobacco	Motor Fuels	City sales
Oil extraction	Special Fuels	City occupancy
Gross production	Coal Severance	Restaurant and Lodging

*The mission and vision of the Office of State Tax Commissioner is based on good customer service.*

- We conduct business in a courteous, dependable and professional manner. We treat our customers as we would want to be treated. The public, elected officials, other government officials and coworkers are our customers.

2. How do you measure the achievement of your purpose?

*We take seriously the responsibility the citizens of the state have given to us through the legislature. We continue to make wise and prudent use of all resources, including people and money.*

We measure our achievement in three customer groups:

**Taxpayers**

- Taxpayers expect the Tax Department to provide:
  - Understandable forms and instructions with which to file their taxes.
  - Quick turnaround time.
  - Prompt and courteous service.
- The Tax Department is implementing best business practices into a government agency. This includes electronic services which are both convenient for taxpayers and efficient for state government.
- The Tax Department redesigned the individual income tax and sales tax returns, using an A-Z format.
- Turnaround time for taxpayers to receive a refund check:
  - North Dakota taxpayers with e-filed return and paper refund check: 8-10 days vs. IRS: 14-21 days.
  - North Dakota taxpayers who e-file and use Direct Deposit receive their refund in as little as 5 days.
- As a state agency we continue to improve service through the effective use of technology.
  - Technology has enabled the tax department to improve processing time. The 2002 processing of individual income tax returns was 17 days ahead of prior years.

**Expectations of elected officials and other government officials**

- Responsiveness to requests for information, including fiscal notes.
- Accountability by continuing to implement efficiencies that reduce expenditures and improve response time.

**Coworkers**

- We provide the tools and equipment necessary to allow employees to do their job.
  - Work stations
  - P.C.s
  - Standardized software
- We provide various communications with employees
  - Intranet
  - E-mail
- We use cross-functional teams to control costs
  - Central Records
  - Mailroom
- Employees create efficiencies resulting in dollar savings to slow rate of budget growth.
  - Reduced postage costs
- We provide all employees with new opportunities to learn and encourage professional growth and development.

**3. What can the legislature do, financially and otherwise, to help you achieve your purpose?**

- Provide funding so we can redesign and redevelop computer systems used by the Tax Department.
  - The Tax Department computerized tax systems were designed and developed years ago when technology features and capabilities were not as evolved as they are now. These Mainframe systems were designed around a physical tax form that existed when the programs were developed. As these systems age it is more difficult and expensive to change them to reflect the need to capture data that can be useful gathering tax information. With the current mainframe system we think we will make our forms and returns more "taxpayer friendly" but are not able to do this.
- Simplify the tax laws. The current tax laws were written and have evolved over the years in such a way that prohibits simplification.
  - Multiple sales tax rates create an administrative burden for taxpayers operating in multiple locations or taxing jurisdictions.
  - Multiple city sales tax rates create an administrative burden for taxpayers operating in multiple locations or taxing jurisdictions.
- Consider alternatives for capturing data from sources other than tax forms.
  - Current requirements for statistical reports and analysis require that we capture data which is not essential to tax calculations.
  - The public wants simplified returns. We ask taxpayers for information on tax returns that is not necessary for tax collections but is used for statistical reporting. Capturing this data complicates tax form completion and makes it more complex for taxpayers.

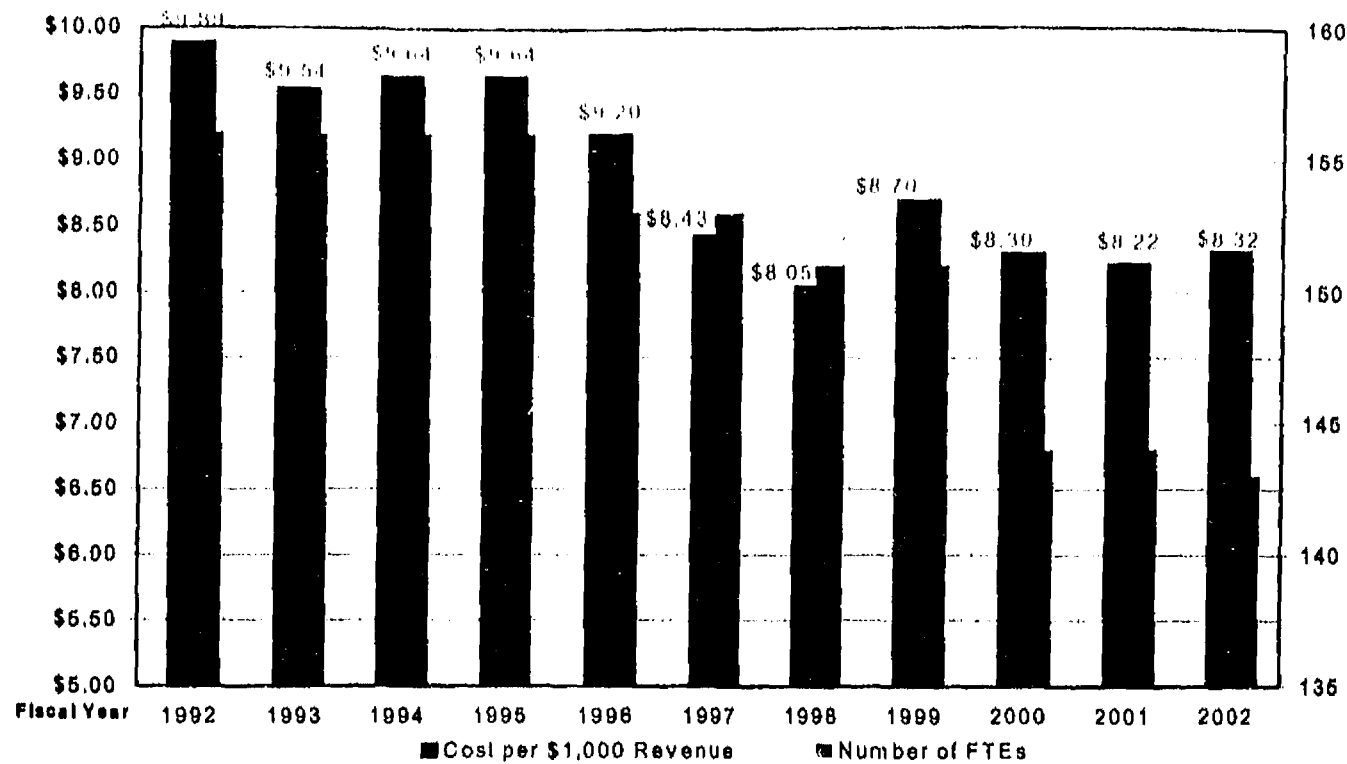
**4. How can you report (measure) your results so the public can easily understand your purpose and evaluate your effectiveness?**

- The Tax Department provides the public with helpful hints to correctly complete sales tax and individual income tax returns. This information is published in the income tax booklet, sales tax newsletter, provided in press releases, and discussed during television and radio interviews
- Quarterly sales and use tax reports are issued which are often used by the public as an indicator of North Dakota's economic health.
- Several publications, such as the Biennial Report and the Red Book, are produced which contain an immense amount of statistics regarding the Tax Department.
- The Office of State Tax Commissioner publishes several newsletters from the different divisions. These are also available on our Web site.
- The Tax Department participates in a number of public forums, meetings, and training seminars to educate taxpayers about their tax obligations.

Chereese A. Bee  
Operator's Signature

10-14-03  
Date

**Tax Department Total Cost per \$1,000 Revenue Collected**



**The Tax Department's "Cost per \$1,000 Collected" adjusted for inflation:**

In 1992, the Tax Department spent \$9.89 for each \$1,000 collected. Adjusting for inflation, the 1992 cost per \$1,000 would be \$12.60 today<sup>1</sup>. Most recently, the actual cost of collecting \$1,000 has fallen to \$8.32. This represents a nominal drop of \$1.57 and a drop of \$4.28 in real terms. The Tax Department has improved its productivity by 34% in the past ten years.

<sup>1</sup> The Consumer Price Index Indicates Inflation totaled 27.48% from 1992 to 2002.

Fiscal Year:	1992	1993	1994	1995	1996	1997
Total Revenue collected by Tax Department	\$667,050,171	\$716,433,627	\$704,261,532	\$750,761,199	\$772,661,157	\$840,100,056
Tax Department Total Expenditures	\$6,595,717	\$6,837,311	\$6,789,676	\$7,236,185	\$7,112,028	\$7,085,930
<b>Tax Department Cost/\$1,000 Revenue Collected</b>	<b>\$9.89</b>	<b>\$9.54</b>	<b>\$9.64</b>	<b>\$9.64</b>	<b>\$9.20</b>	<b>\$8.43</b>
<b># of FTEs</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>153</b>	<b>153</b>

Fiscal Year:	1998	1999	2000	2001	2002
Total Revenue collected by Tax Department	\$875,990,181	\$907,235,171	\$941,481,981	\$1,002,546,939	\$962,438,805
Tax Department Total Expenditures	\$7,048,198	\$7,889,773	\$7,813,995	\$8,240,360	\$8,004,531
<b>Tax Department Cost/\$1,000 Revenue Collected</b>	<b>\$8.05</b>	<b>\$8.70</b>	<b>\$8.30</b>	<b>\$8.22</b>	<b>\$8.32</b>
<b># of FTEs</b>	<b>151</b>	<b>151</b>	<b>144</b>	<b>144</b>	<b>143</b>

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*Yvonnea J. Lee*  
Operator's Signature

10-14-03  
Date



Exhibit  
2(1)

SB2006

# Office of State Tax Commissioner

2003-05 Budget  
Presentation

January 20, 2003

ondTax

1

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*Yherosa J. Lee*

Date

10-14-03

## Mission Statement

- The Mission of the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota

January 20, 2003

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Cherissa A. Bee  
Operator's Signature

10-14-03  
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## Vision Statement

- The Vision of the Office of State Tax Commissioner is to instill the highest degree of public confidence in our integrity and reliability by providing prompt, accurate and courteous service while providing compliance with the tax laws of North Dakota.

January 20, 2003

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3

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10-14-03  
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## Agency Overview

- **Primary revenue collecting agency for the State of North Dakota**
- Collects more than 89% of General Fund Revenues excluding transfers (BND & Mill)
- Total of all General Fund Revenues = 1.647 Billion (Including BND & Mill)
- General Fund Revenues collected by Tax Department = 1.408 Billion

January 20, 2003

**ndTax**

The Office of State Tax Commissioner is the primary revenue collecting agency for the State of North Dakota

The Office of State Tax Commissioner collects more than 89% of General Fund Revenues excluding transfers (BND & State Mill)

The total of all General Fund Revenues (including BND & Mill) = 1.647 Billion

The General Fund Revenues collected by the Tax Department = 1.408 Billion

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## Office of State Tax Commissioner

- 7 Divisions
  - Commissioners Division
  - Legal Division
  - Fiscal Management Division
  - Operations Division
  - Income & Oil Taxes Division
  - Sales & Special Taxes Division
  - Property Tax Division

January 20, 2003

**ndTax**

The Office of State Tax Commissioner is charged with the responsibility to fairly and effectively administer the tax laws of North Dakota.

The Office of State Tax Commissioner consists of seven separate divisions:

The Commissioner's Division is the administrative center of the department.

The Legal Division provides legal advice and counsel to the department and to the State Board of Equalization.

The Fiscal Management Division performs accounting functions and collects delinquent taxes.

The Operations Division is responsible for leading the department's technology efforts and oversees the processing of tax returns.

The Income and Oil Taxes Division -- includes corporate, financial institutions, individual, oil and gas taxes, and withholding.

The Sales and Special Taxes Division -- includes alcohol, estate, fuel, sales, tobacco, sales and use, and miscellaneous taxes.

The Property Tax Division -- includes coal, property, telecommunications, and utility taxes, homestead credit and renter refund program.

## Executive Budget Request

- Base Budget Preparation
  - Prepared budget that ensures the department is able to fulfill its mission.
  - The agency followed guidelines issued by the Governor and OMB
  - Identified a base budget needed to operate
  - Identified areas to reduce or eliminate

January 20, 2003

ndTax

The Office of State Tax Commissioner followed guidelines issued by the Governor and OMB to submit a budget request at 95% of our current appropriation.

The Office of State Tax Commissioner prepared a budget that ensures the Tax Department is able to fairly and effectively administer the tax laws of North Dakota.

A base budget was identified to which all known cost increases were added, for example:

- Funded the department's salary administration plan
- Funded the Risk Management premium.
- Funded the increases in postage, travel (gas, lodging, and airfare), printing and ITD issues.
- Funded on-going Information Technology costs and several program enhancements.
- Identified areas that could be reduced or eliminated, such as:
  - Reduced printing due to technological enhancements such as electronic filing and Web site development.
  - Reduced postage due to direct deposit and on-line forms development.
  - Staff efficiency due to technical improvements.

## Executive Budget Request *cont'd*

- Turned back 7 FTEs = \$569,761
- Reduced temporary salaries = \$53,825
- Removed Connect ND Interface enhancement = \$200,000
- Removed electronic Initiatives = \$500,000
- Eliminated toll-free telephone service = \$24,000
- Reduced office supplies = \$4,914

January 20, 2003

**ndTax**

The following adjustments were made to achieve the 95% level:

Turned back 7 FTEs (currently vacant positions) for a total of \$569,761

- #5 - Document Specialist
- #147 - Data Input Operator
- #104 - Info System Administrator
- #101 - Income Tax Director
- #151 - Audit Technician
- #68 - Compliance Officer
- #137 - Auditor - Added back in governor's recommendation

Reduced temporary salaries by \$53,825

Removed \$200,000 Connect ND interface programming enhancement from 2003-05 IT Plan

Removed \$500,000 from the 2003-05 IT Plan for various electronic initiatives:

- credit card
- ACH Debit & Credit
- Expansion of Sales Tax WebFile options
- E-file for other tax types - motor fuels, alcohol, etc.
- Electronic forms

Eliminated \$24,000 toll-free telephone service

Reduced \$4,914 from office supplies

Yvonnea J. Lee  
Operator's Signature

10-14-03  
Date

## Executive Budget Request *cont'd*

- Reduced printing = \$56,620
- Reduced travel \$15,976
- Reduced postage = \$149,335
- Reduced dues = \$3,110
- Reduced expert witness = \$50,000

**Total Reductions: \$1,627,541**

January 20, 2003

**EndTax**

Reduced \$56,620 in projected printing costs

Reduced \$15,976 in projected travel costs

Reduced \$149,335 in projected postage costs

Reduced \$3,110 in projected dues costs

Reduced \$50,000 of projected expert witness fees

These adjustments basically removed inflationary and projected rate increases.

**Total reductions = \$1,627,541**

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Operator's Signature

10-14-03  
Date



## Agency Optional Adjustments Requested

- \$115,016 - position 101 - Income Tax Director
- \$79,860 - position #137 - Auditor II
- \$15,000 - travel related to Position #137
- \$100,000 - technology projects
- \$24,000 - toll-free telephone service
- \$70,000 - potential postage rate increase costs
- \$30,000 - expert witness fees

**Total adjustments: \$433,876**

January 20, 2003

**ondTax**

The Tax Department requested the following optional adjustments:

### Optional adjustment

\$115,016 for Position 101 - Income Tax Director

\$79,860 for Position #137 - Auditor II

\$15,000 travel related to Position #137

\$100,000 - IT projects

\$24,000 - toll free telephone service

\$70,000 - potential postage rate increase costs

\$30,000 - expert witness fees

**Total: \$433,876**

## Restored Optional Adjustments in Executive Budget Request

- \$79,860 for Position #137 – Auditor II
- \$15,000 for travel related to Position #137
- \$80,000 for IT projects
- \$24,000 for toll free telephone service
- \$45,000 for postage rate increase costs
- \$30,000 for expert witness fees

**Total restored: \$273,860**

January 20, 2003

**ndTax**

### Optional Adjustment Items Restored in Executive Budget Recommendation

\$79,860 for Position #137 – Auditor II  
\$15,000 travel related to Position #137  
\$80,000 restored for IT projects  
\$24,000 – toll free telephone service  
\$45,000 – potential postage rate increase costs  
\$30,000 – expert witness fees

**Total Restored: \$273,860**

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Operator's Signature

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## Special Line Items

- OMB removed the special line status for:
  - Multistate Tax Commission
  - City sales tax
  - Motor fuels federal grant
- Ongoing programs – part of operations
- Moved to the operating line

January 20, 2003

EndTax

OMB has removed special line status for the

Multistate Tax Commission

City sales tax

Motor fuels federal grant expenditures.

These are ongoing programs that are a part of the agency's routine operations.

They were moved to the operating line of the Tax department budget.

## Homestead Tax Credit

- No longer separate reporting item

January 20, 2003

ndTax

OMB has removed the separate department reporting for Homestead Tax Credit.  
It will now be a special line item within the Tax Department budget.

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Yheresa A. Bee  
Operator's Signature

10-14-03  
Date

## Major Accomplishments

- Electronic Document Management System
- Credit card payments
- Moved processing center into State Office Building
- Reduced postage costs
- Sales tax WebFile change

January 20, 2003



Electronic Document Management System (EDMS), automated data capture

*•Automated data capture: using computers to read data from specially designed forms rather than keying data from paper.*

Credit card payments for individual income tax

Moved our processing center into the State Office Building

Continue to find efficiencies within the Tax Department:

Reduced postage and mail expenses

Eliminated certified mail and endorsements on mail

Reduced processing costs

Sales tax WebFile change

*Yhazawa G. Lee*

*10-14-03*

## Current Budget Concerns

- Capital Assets
  - Move funds from the capital assets line to the operating line
- Carryover IT Funds

January 20, 2003

ndTax

An error was made when the budget was prepared. Funds for equipment items that cost less than \$5,000 (such as printers and computers) were inadvertently included in the capital asset line.

The Office of State Tax Commissioner requests \$50,000 be transferred from Capital Assets to the Operating expense line to cover the costs of equipment items less than \$5,000. This would provide funding for the Tax Department to purchase items that are under the \$5,000 such as printers and computers.

The adjustment to our appropriation is as follows:

Line 13	Operating	+ \$50,000	4,645,113
Line 14	Capital Assets	- \$50,000	25,000

Allow the Tax Department to carryover IT funds. ITD's workload does not allow time for completion of a sales tax WebFile rewrite project in the 2001-03 biennium. The Tax Department prefers not to use the services of an outside vendor. If the Tax Department could carryover IT funds ITD could complete the project during the 2003-05 biennium.

## Future Concerns

- Continue funding development of automated applications
- Electronic financial transactions
- Mainframe applications

January 20, 2003

 **EndTax**

- As the public becomes increasingly more accustomed to electronic services, they request and expect additional electronic options from the Tax Department. Currently the Office of State Tax Commissioner's Web site provides taxpayers with some electronic filing options and various tax forms. The Tax Department has made progress in providing these e-services, it is important to continue funding the development of new, customer-focused automated applications.
- Electronic financial transactions are becoming commonplace and the public expects the capability to conduct e-transactions with the Tax Department. To properly accommodate these requests, sufficient funding is needed to enable the Tax Department to increase and expand on Web-based electronic filing methods.
- The Tax Department has been concentrating on enhancing the automation from the public's perspective with Web and electronic filing initiatives. "Work horse" applications maintained by ITD on the Mainframe are old and very expensive to rewrite to accommodate law changes, electronic initiatives, and other required modifications. Future Legislative concern is providing funding for replacement of these old and obsolete Mainframe applications.

## New Objectives

- Expand credit card option
- Continue to move tax forms into EDMS
- Expand E-file options
- Electronic registration options

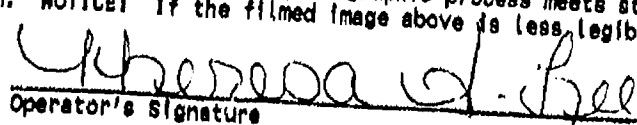
January 20, 2003

ndTax

The Tax Department has several new objectives for the 2003-05 Biennium, which include:

- Expand the credit card payment options for other tax types, such as accounts receivable, sales tax, and so on.
- Continue to move more tax forms and other documents into the EDMS (imaging), and automated data capture.
- Expand E-file options for other tax types.
- Electronic registration options.

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Operator's Signature

10-14-03  
Date



March 3, 2003

# Office of State Tax Commissioner

## 2003-05 Budget Presentation

March 3, 2003



*With the  
exception of these  
pages some  
testimony given to  
House as  
to State*

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Yvonne A. Lee  
Operator's Signature

10-14-03  
Date

## Senate Action

- Reduced salary & wages \$118,143
- Reduced travel \$15,000
- Reduced IT \$80,000
- Reduced toll-free telephone \$24,000
- Reduced postage \$25,000
- Reduced expert witness \$15,000

March 3, 2003

ondTax

The following changes were made in the Senate to SB2006:

•Reduced salary and wage line item by \$118,143.

The savings will be generated by leaving positions vacant several months prior to filling, through attrition, and with temporary wage savings. This proposal is in lieu of removing any positions from the Tax Department.

•Reduced travel funds by \$15,000.

These funds were restored along with position #137 (Auditor II) in the Governor's budget recommendation.

•Reduced IT funds by \$80,000.

This amount had been restored in the Governor's budget recommendation. The funds were intended for enhancements to electronic filing and on-line payment functions.

•Reduced the toll-free telephone service by \$24,000.

These funds had been restored in the Governor's budget recommendation.

•Reduced the postage funds by \$25,000.

The \$25,000 is a portion of the funds restored in the Governor's budget recommendation. The Post Office has delayed an increase in postage for approximately one year.

•Reduced the Expert Witness fees by \$15,000.

The \$15,000 is a portion of the funds that had been restored in the Governors budget recommendation.

*Cherese A. Lee*  
Operator's Signature

*10-12-03*  
Date

March 3, 2003

## Senate Action *cont'd*

- Reduced operating expense \$21,000
- Removed salary increases \$135,185
- Total reductions = \$433,328
  
- Transferred \$50,000 from capital assets to operating
- Provided carryover authority

March 3, 2003

**ondTax**

•Reduced the Operating Expense line by \$21,000.

•Removed salary increases - \$135,185.

•Total reductions = \$433,328

•The Senate included an amendment to transfer \$50,000 from capital assets line item to the operating line item. The funds are intended for purchasing equipment less than \$5,000.

•The Senate also included language providing for up to \$110,000 carryover authority of operating funds for information technology project for the 2003-2005 biennium.

SB 2006

OFFICE OF STATE TAX COMMISSIONER  
PROPOSED REDUCTIONS ON SENATE SIDE  
SB 2006 Appropriation bill  
Subcommittee meeting, February 6, 2003

Description	Amount	Comments
Salaries & Wages	(1,857) (118,143)	Freeze Commissioner's salary level. Under fund line item.
<b>TOTAL SALARIES</b>	<b><u>(120,000)</u></b>	
Operating	(15,000)	Travel (Travel related to Position #137, restored as an Optional Adjustment)
	(80,000)	IT Services (Restored as an Optional Adjustment)
	(24,000)	Toll free (Restored as an Optional Adjustment)
	(25,000)	Postage (Rate increase, restored as an Optional Adjustment)
	(15,000)	Professional Services (Expert witness fee, restored as an Optional Adjustment)
	<u>(21,000)</u>	Under fund line item.
<b>TOTAL OPERATING</b>	<b><u>(180,000)</u></b>	
<b>TOTAL ALL</b>	<b><u>(300,000)</u></b>	

Additional Adjustments:

- 1) Transfer \$50,000 from Capital Assets (line 14, SB 2006) to Operating (line 13, SB 2006)  
This will allow the Tax Department to purchase equipment less than \$5,000.
- 2) Allow carry over authority of \$110,000 for IT Projects that could not be completed this biennium.

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Yvonnea W. Lee  
Operator's Signature

10-14-03  
Date

Exhibit  
3

SENATE APPROPRIATIONS COMMITTEE

January 20, 2003

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2006

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division of the Office of State Tax Commissioner. The Property Tax Division has the responsibility to administer the Property Tax Credit for Senior Citizens or Disabled Persons.

There are three parts to the program, popularly known as the Homestead Credit program. The Homeowner's Property Tax Credit provides a graduated reduction in taxable value of a qualifying applicant's homestead, to a maximum of \$2,000 of taxable value, based on the applicant's income level. Property taxes on the homestead are reduced by the same percentage as the taxable value. The State reimburses the political subdivisions for property tax amounts lost because of the credits.

The Renter's Property Tax Refund provides a direct payment to qualifying renters when 20 percent of the rent, the portion deemed to represent property taxes, exceeds 4 percent of the renter's income. The difference is the refund, to a maximum of \$240; a minimum refund of \$5 is paid to a qualifying renter whose refund calculates to less than \$5.

The third part of the Homestead Credit program provides that a homeowner who qualifies for a taxable value reduction may elect to receive credit for the annual installment of special assessments. If the applicant takes advantage of that provision, a lien is placed upon the property for the amount of the credit plus interest at 9 percent.

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Yvonnea A. Bee  
Operator's Signature

10-14-03  
Date

SB 2006  
Testimony of Marcy Dickerson  
January 20, 2003  
Page 2

The Legislature has fully funded the Property Tax Credit for Senior Citizens or Disabled Persons since 1973. The general fund appropriation for the 2001-2003 biennium appears to be sufficient to meet the current needs of the programs.

The proposed Homestead tax credit appropriation in the Governor's budget of \$4,000,000 is a reduction from the current appropriation of \$4,540,813, but appears to be sufficient to meet the needs of the programs in their current forms in the 2003-2005 biennium. Total annual payments for both the homeowners' and renters' programs have been declining.

If the appropriation is not sufficient to fully fund the programs, there are two alternatives: either leave the program not fully funded and let the reimbursements go to political subdivisions on a first-come, first-paid basis; or seek a deficiency appropriation in the 2005 session.

House Bill 1054 makes substantial changes to the Homestead Credit statute that increase the amount needed to fund the programs. As of this writing, the House Finance and Taxation Committee has taken no action on that bill.

The attached material gives a history of the Homestead Credit program, the number of homeowner and renter recipients since 1975, the total amount of payments made to homeowners and renters since 1975, and schedules used for determining homeowners' credits.

This concludes my prepared testimony. I will be happy to try to answer any questions you may have.

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Cherese A. Bee  
Operator's Signature

10-14-03  
Date

# HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1969	Homeowners 65 years of age or older.	\$3,000 or less from all sources including the income of any dependent person.	50% reduction in assessed value of the homestead property up to a maximum of \$1,000.	
1973	Homeowners and renters 65 years of age or older.	\$3,500	Homeowners no change.  When 20% of the annual rent exceeds 5% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$100.	Provided a state appropriation of \$375,000 for a full state reimbursement for the loss of revenue to counties and other taxing districts, exclusive of any state levy, for the property tax credit program.  Renters refund provision does not apply to rents or fees paid by person to licensed nursing home which is exempt from property tax.
1975	Homeowners or renters 65 years of age or older and any person who is permanently and totally disabled if certified by a physician.	\$5,000	Relief ranges from 100% reduction in assessed value if income is \$2,500 or less, to a 25% reduction if income is \$5,000 or less. Reduction in assessed value is limited and ranges from \$3,000 to \$500.  No change in the maximum amount of refunds to renters.	Appropriated \$3,286,014 for 1975-77 for the renters and reimbursement to taxing districts.
1977	No change.	\$8,000	Relief ranges from 100% reduction in assessed value if income is \$3,500 or less, to a 20% reduction if income is \$8,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800.  When 20% of the annual rent exceeds 4% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$175.	For determining a person's income, applicants may deduct from their income the amount of medical expenses actually incurred by them or dependent and not reimbursed by insurance or other form of compensation. The term "medical expenses" has the same meaning as it has for state income tax purposes.

24758

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Operator's Signature

*[Handwritten Signature]*

10-14-03  
Date

# HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1979	No change.	\$9,000	Relief ranges from 100% reduction in assessed value if income is \$4,500 or less, to a 20% reduction if income is \$9,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800.  No change in the maximum amount of refund to renters.	Added provision that if the refund to a renter is less than five dollars, a minimum of five dollars would be refunded to the applicant.
1981	No change.	\$10,000	Relief ranges from 100% reduction in assessed value if income is \$5,500 or less, to a 20% reduction if income is \$10,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800.  Renters refund limit increased to a maximum \$190 per applicant.	Added a provision which allowed a homestead credit for special assessments funded by the state for persons who qualified for the property tax credit. Any credits allowed would create a lien on the property to be repaid when the property next transferred at sale or death of the property owner. The lien would accumulate interest charge of 9% per year.  Appropriated \$100,000 for the special assessment credit.
1983	No change.	No change.	Calculations are made on the basis of taxable value in place of assessed value.  Benefits were not changed.	In addition to age or disability and income requirements, a homeowner may not, on the assessment date, have assets in excess of \$50,000 excluding the first \$80,000 value of the homestead.  Added a provision which allowed transfer of property without repaying the lien for special assessments where the transfer occurred between spouses because of the death of one of them.

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Operator's Signature Sharon A. Jee Date 10-14-83



# HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1985	No change.	\$12,000	Relief ranges from 100% reduction in taxable value if income is \$6,000 or less, to a 20% reduction if income is \$12,000 or less. Reduction in taxable value is limited, and ranges from \$2,000 to \$400.  Renters refund limit increased to a maximum of \$210 per applicant.	Added provision which excluded any federal rent subsidy from the calculation of rent and income for renters, and that no refund will be made to persons who pay rent or fees for any living quarters, including a nursing home, which are exempt from taxation.  Excluded the property tax credit for individuals living in a farm residence which is exempt from taxation. Also limited the total amount of homestead credit for special assessments to \$6,000 excluding the interest charged by the municipality levying the special, and provided that only the annual installment due would be allowed as a credit in any year.
1989	No changes.	\$13,000 (Effective for tax year 1990)	Relief ranges from 100% reduction in taxable value if income is \$7,000 or less, to a 20% reduction if income is \$13,000 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400.  Renters refund limit increased to a maximum \$230 per applicant.	Added provision allowing retention of property tax credits for property owned by persons confined to certain care facilities, provided the property is not rented to another person. Additional provision provided that all current benefits for the property tax credit cease upon death of the applicant and that the credit is prorated to the date of death.  Changed the definition of assets to include anything of value currently owned by the applicant excluding the first \$80,000 value of the homestead, plus the value of any property divested within the last three years.
1991	No change.	No change.	No change.	Changed provision to state that current benefits cease at the end of the taxable year of the death of the applicant.

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Operator's Signature 4402000 of Jee Date 10-14-83

# HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1993	No change.	\$13,500 (Effective for tax year 1995)	Relief ranges from 100% reduction in taxable value if income is \$7,500 or less, to a 20% reduction if income is \$13,500 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400. Renter's refund limit increased to a maximum \$240 per applicant.	Provided a definition of permanently and totally disabled similar to the definition used by Social Security Administration.  Expanded the provision on homestead credit for special assessments levied by any taxing district.
1999	No change.	\$14,000 (Effective for tax year 2000)	Relief ranges from 100% reduction if income is \$8,000 or less, to a 20% reduction if income is \$14,000 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400.  No change in the maximum amount of refund to renters.	

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Operator's Signature Michael J. Doe

Date 10-14-03

# HOMESTEAD CREDIT PAYMENTS

## HOMEOWNERS -

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>	<u>Amount Paid</u>
1975	6,004	\$ 650,693
1976	6,738	691,592
1977	9,663	1,351,324
1978	10,736	1,556,881
1979	10,529	1,582,655
1980	10,633	1,881,602
1981	10,158	1,970,208
1982	9,411	1,886,433
1983	8,820	1,841,081
1984	8,206	1,818,526
1985	7,362	1,697,678
1986	7,567	1,987,970
1987	7,540	2,011,933
1988	7,546	2,142,139
1989	7,307	2,158,650
1990	7,188	2,336,992
1991	7,029	2,230,637
1992	6,743	2,181,292
1993	6,576	2,184,714
1994	6,376	2,159,466
1995	6,095	2,194,689
1996	5,680	2,072,141
1997	5,278	1,974,283
1998	4,943	1,852,124
1999	4,457	1,817,552
2000	4,231	1,814,130
2001	4,341	1,768,001

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Cheresea J. Fee

Operator's Signature

10-14-03

Date

# HOMESTEAD CREDIT PAYMENTS

## RENTERS -

Refund for <u>Year of</u>	Number <u>Qualifying</u>	Amount <u>Paid</u>
1975	414	\$ 26,182
1976	508	37,367
1977	1,325	143,352
1978	2,301	292,458
1979	2,572	353,058
1980	2,594	365,696
1981	2,635	387,906
1982	2,664	414,429
1983	3,133	516,244
1984	3,068	519,667
1985	2,206	159,713
1986	1,994	161,905
1987	1,878	163,022
1988	1,881	163,357
1989	1,657	149,666
1990	1,601	149,705
1991	1,582	151,600
1992	1,534	155,205
1993	1,563	166,739
1994	1,626	175,554
1995	1,590	177,782
1996	1,499	166,841
1997	1,482	165,060
1998	1,454	173,370
1999	1,508	190,211
2000	1,417	178,406
2001	1,329	173,754

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Operator's Signature

Date

# Schedules Used For Determining Homeowners Credits

Effective for Tax Year	Income Levels	Percentage of Reduction	Maximum Reduction of Value Allowed
1976	\$ 0 - 2,500	100	\$ 3,000
	2,501 - 3,500	75	1,500
	3,501 - 4,500	50	1,000 *
	4,501 - 5,000	25	500
1977-1979	\$ 0 - 3,500	100	\$ 4,000
	3,501 - 4,500	80	3,200
	4,501 - 5,500	60	2,400 *
	5,501 - 6,500	40	1,600
	6,501 - 8,000	20	800
1980	\$ 0 - 4,500	100	\$ 4,000
	4,501 - 5,500	80	3,200
	5,501 - 6,500	60	2,400 *
	6,501 - 7,500	40	1,600
	7,501 - 9,000	20	800
1981-1983	\$ 0 - 5,500	100	\$ 4,000
	5,501 - 6,500	80	3,200
	6,501 - 7,500	60	2,400 *
	7,501 - 8,500	40	1,600
	8,501 - 10,000	20	800
1984-1985	\$ 0 - 5,500	100	\$ 2,000
	5,501 - 6,500	80	1,600
	6,501 - 7,500	60	1,200 **
	7,501 - 8,500	40	800
	8,501 - 10,000	20	400
1986-1989	\$ 0 - 6,000	100	\$ 2,000
	6,001 - 7,500	80	1,600
	7,501 - 9,000	60	1,200 **
	9,001 - 10,500	40	800
	10,501 - 12,000	20	400
1990-1994	\$ 0 - 7,000	100	\$ 2,000
	7,001 - 8,500	80	1,600
	8,501 - 10,000	60	1,200 **
	10,001 - 11,500	40	800
	11,501 - 13,000	20	400
1995-1999	\$ 0 - 7,500	100	\$ 2,000
	7,501 - 9,000	80	1,600
	9,001 - 10,500	60	1,200 **
	10,501 - 12,000	40	800
	12,001 - 13,500	20	400

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Operator's Signature

Date

*Y. Beron...*

10-14-03

# Schedules Used For Determining Homeowners Credits

Effective for Tax Year	Income Levels	Percentage of Reduction	Maximum Reduction of Value Allowed
2000-2002	\$ 0 - 8,000	100	\$ 2,000
	8,001 - 9,500	80	1,600
	9,501 - 11,000	60	1,200
	11,001 - 12,500	40	800
	12,501 - 14,000	20	400

\* Amounts are in assessed value

\*\* Amounts are in taxable value

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Date

HOUSE APPROPRIATIONS COMMITTEE  
GOVERNMENT OPERATIONS DIVISION

March 3, 2003

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2006

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division of the Office of State Tax Commissioner. The Property Tax Division has the responsibility to administer the Property Tax Credit for Senior Citizens or Disabled Persons.

There are three parts to the program, popularly known as the Homestead Credit program. The Homeowner's Property Tax Credit provides a graduated reduction in taxable value of a qualifying applicant's homestead, to a maximum of \$2,000 of taxable value, based on the applicant's income level. Property taxes on the homestead are reduced by the same percentage as the taxable value. The State reimburses the political subdivisions for property tax amounts lost because of the credits.

The Renter's Property Tax Refund provides a direct payment to qualifying renters when 20 percent of the rent, the portion deemed to represent property taxes, exceeds 4 percent of the renter's income. The difference is the refund, to a maximum of \$240; a minimum refund of \$5 is paid to a qualifying renter whose refund calculates to less than \$5.

The third part of the Homestead Credit program provides that a homeowner who qualifies for a taxable value reduction may elect to receive credit for the annual installment of special assessments. If the applicant takes advantage of that provision, a lien is placed upon the property for the amount of the credit plus interest at 9 percent. Few people apply for this part of the Homestead Credit program. Only two persons applied in 2002.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the film image above is less legible than this Notice, it is due to the quality of the document being filmed.

Marcy Dickerson  
Operator's Signature

10-14-03  
Date

SB 2006  
Testimony of Marcy Dickerson  
March 3, 2003  
Page 2

The Legislature has fully funded the Property Tax Credit for Senior Citizens or Disabled Persons since 1973. The general fund appropriation for the 2001-2003 biennium appears to be sufficient to meet the current needs of the programs.

The proposed Homestead Tax Credit appropriation in the Governor's budget of \$4,000,000 is a reduction from the current appropriation of \$4,540,813, but appears to be sufficient to meet the needs of the programs in the 2003-2005 biennium. Total annual payments for both the homeowners' and renters' programs have been declining.

If the appropriation is not sufficient to fully fund the programs, there are two alternatives: either leave the program not fully funded and let the reimbursements go to political subdivisions on a first-come, first-paid basis; or seek a deficiency appropriation in the 2005 session.

The attached material gives a history of the Homestead Credit program, the number of homeowner and renter recipients since 1975, the total amount of payments made to homeowners and renters since 1975, and schedules used for determining homeowners' credits.

This concludes my prepared testimony. I will be happy to try to answer any questions you may have.

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Yuberena A. Bee  
Operator's Signature

10-14-03  
Date



# HOMESTEAD CREDIT PAYMENTS

## HOMEOWNERS -

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>	<u>Amount Paid</u>
1975	6,004	\$ 650,693
1976	6,738	691,592
1977	9,663	1,351,324
1978	10,736	1,556,881
1979	10,529	1,582,655
1980	10,633	1,881,602
1981	10,158	1,970,208
1982	9,411	1,886,433
1983	8,820	1,841,081
1984	8,206	1,818,526
1985	7,362	1,697,678
1986	7,567	1,987,970
1987	7,540	2,011,933
1988	7,546	2,142,139
1989	7,307	2,158,650
1990	7,188	2,336,992
1991	7,029	2,230,637
1992	6,743	2,181,292
1993	6,576	2,184,714
1994	6,376	2,159,466
1995	6,095	2,194,689
1996	5,680	2,072,141
1997	5,278	1,974,283
1998	4,943	1,852,124
1999	4,457	1,817,552
2000	4,231	1,814,130
2001	4,341	1,768,001

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Yheresa A. Lee  
Operator's Signature

10-14-03  
Date

Testimony To The  
HOUSE APPROPRIATIONS COMMITTEE  
GOVERNMENT OPERATIONS DIVISION  
Prepared March 3, 2003, by the  
North Dakota Association of Counties  
Terry Traynor, NDACo Assistant Director

*Same testimony given to Senate*

**CONCERNING THE HOMESTEAD TAX CREDIT APPROPRIATION**

Chairman Carlisle and members of the committee, on behalf of the county officials of North Dakota, I am before you today to express their support for the funding of the Homestead Tax Credit Program contained in SB2006.

The property tax credits contained in this program are a critical element in North Dakota's efforts to allow the elderly and disabled to remain in their own homes. State and County government cooperate on numerous levels to serve this important part of our population, meeting their needs in a manner that is as economical as possible.

By making it feasible for this group of people to remain in their own homes, we reduce the number that move more rapidly into higher cost, group care facilities. The Homestead Tax Credit Program is a key element to this effort, and more importantly, it is essential to maintaining the quality of life for these North Dakota citizens.

Since the program was established, an adequate State appropriation has been provided to fund this State created tax credit, or deficiency appropriations were forthcoming when initial appropriations were insufficient. It is our sincere hope that this Legislature will continue this record of support for this important program.

Thank you Mr. Chairman and committee members for the opportunity to express the support of our Association.

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*Cherisea J. Bee*  
Operator's Signature

*10-14-03*  
Date

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Prepared by the North Dakota Legislative Council  
staff for Conference Committee  
April 21, 2003

**SENATE BILL NO. 2006 - TAX DEPARTMENT -  
INFORMATION TECHNOLOGY CHANGES**

	Option A	Option B	Difference
Senate reductions	(\$104,000)	(\$104,000)	\$0
5 percent reduction (Conference Committee proposal)	(162,881)	(162,881)	0
Restore Senate reductions		104,000	(104,000)
Total reductions	(\$256,881)	(\$152,881)	(\$104,000)
Percentage of total Information Technology plan included in executive budget of \$3,057,626	8.4%	6.0%	3.4%

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Yubereoa J. Lee  
Operator's Signature

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