

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1145

2005 HOUSE FINANCE AND TAXATION

HB 1145

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1145**

House Finance and Taxation Committee

Conference Committee

Hearing Date **January 12, 2005**

Tape Number	Side A	Side B	Meter #
1	x		34

Committee Clerk Signature

Janice Stein

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

JOSEPH BECKER, AUDITOR III/RESEARCH SPECIALIST, NORTH DAKOTA TAX DEPARTMENT Testified in support of the bill. See attached written testimony.

REP. CONRAD Are we getting \$5,000 more or \$5,000 less?

JOSEPH BECKER It indicates that either change, will be under \$5,000, for all we know, it could be a washout.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-12-2005

REP. IVERSON Made a motion for a **do pass**.

REP. OWENS Second the motion. **Motion carried. 12 Yes, 0 No, 2 Absent**

FISCAL NOTE
Requested by Legislative Council
01/03/2005

Bill/Resolution No.: HB 1145

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

HB 1145 changes the method of computing the individual income tax for certain separate filers. If enacted, HB 1145 is expected to have a fiscal impact less than \$5000.

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
Phone Number: 328-3402

Agency: Office of Tax Commissioner
Date Prepared: 01/11/2005

Date: 1-12-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1145

House FINANCE & TAXATION

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Motion Made By

Do Pass
Rep. Iverson Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD	A				
GRANDE, BETTE	✓				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	A				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE	✓				
WRANGHAM, DWIGHT	✓				

Total (Yes)

12

No

0

Absent

2

Floor Assignment

Rep. Owens

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

REPORT OF STANDING COMMITTEE (410)
January 12, 2005 1:02 p.m.

Module No: HR-07-0339
Carrier: Owens
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1145: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1145 was placed on the Eleventh order on the calendar.

2005 SENATE FINANCE AND TAXATION

HB 1145

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1145**

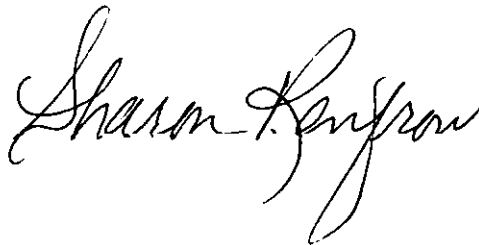
Senate Finance and Taxation Committee

Conference Committee

Hearing Date **March 2, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		15.8 - 22.6

Committee Clerk Signature



Minutes:

CHAIRMAN URLACHER CALLED THE COMMITTEE TO ORDER AND OPENED THE HEARING ON HB 1145.

JOE BECKER: from the Tax Dept. Appeared in support with written testimony stating the reason for the bill is to simplify and streamline the individual income tax forms by removing the exception to the general joint filing rule.

SEN. COOK: the change is not needed for ND-2 form?

ANSWER: its really relates back to 2001 at that time we had this rule in effect it applied to both long and short, when we overhauled the short form statutes we put in some specific language on how to calculate your tax under that new method on the ND-1. The ND-2 we didn't have to do that. So therefore any statutory changes in the tax calculation only take place with ND-1, you don't have to touch this ND-2 statutes.

NO OPPOSITION. Closed the hearing.

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number HB 1145

Hearing Date March 2, 2005

SEN. TOLLEFSON: made a **MOTION FOR DO PASS**, seconded by Sen. Cook

ROLL CALL VOTE: 6-0-0 Sen. Every will carry the bill.

Date: 3-2-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1145

Senate **Finance and Taxation** Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Tollefson

Seconded By

Cook

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier	✓	
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment *Every*

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

REPORT OF STANDING COMMITTEE (410)
March 2, 2005 11:47 a.m.

Module No: SR-38-3955
Carrier: Every
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1145: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1145 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1145

**Testimony—
House Finance and Taxation Committee**

House Bill 1145

January 12, 2005

Prepared by Joseph Becker, Auditor III/Research Specialist
North Dakota Office of State Tax Commissioner
Phone: 328-3451
E-mail: jjbecker@state.nd.us

Chairman Belter, and Members of the Committee:

Introduction

For the record, my name is Joseph Becker, and I'm here on behalf of the North Dakota Office of State Tax Commissioner (Tax Department).

House Bill 1145 is an individual income tax bill. It relates to a small number of married persons who, even though they file a joint federal income tax return, are required to file separate state income tax returns because they have different states of legal residence (one of which is North Dakota).

Background

If married persons file a joint federal income tax return, the general rule is that they must file a joint North Dakota income tax return. There is one exception to this general rule: If one spouse is a resident of North Dakota and the other spouse is a resident of another state, the spouses must file separate North Dakota income tax returns. This exception to the general rule has served the technical purpose of accommodating the different legal residence statuses in the structure and processing of the tax forms.

If the exception applies, the spouses not only must file separate state returns, but they must also complete and attach a special two-page supplemental schedule to their respective returns. The schedule is becoming increasingly complex and lengthy because it must integrate two different tax systems for individuals, and it is a constant source of confusion for taxpayers.

Reason for bill

The reason for this bill is simplify and streamline the individual income tax forms by removing the exception to the general joint filing rule. This will eliminate the need to complete the special supplemental schedule and will bring consistency to the filing of returns by all married persons. Only about 1,113 returns—or about 0.35% of all returns filed—were filed because of the exception.

Explanation of bill

Now I'd like to walk you through the bill to point out and explain the proposed changes.

Section 1 of the bill amends the provisions governing Form ND-1, the main method of filing for individuals. Most of the changes are found on page 3 of the bill. The changes remove the language relating to the exception to the joint filing rule, and they add new language clarifying how the tax is to be calculated by spouses with different states of residence. A number of other technical changes in the language are also made. (Note: Changes to the law are not needed to accommodate the removal of the exception to the joint filing rule on Form ND-2.)

Section 2 of the bill (on page 4) removes the language that provides for the exception to the joint filing rule for both Form ND-1 and Form ND-2.

Section 3 of the bill provides that the changes made by the bill will apply to tax years after 2004.

Fiscal impact

The changes made by Section 1 of the bill, which relate to Form ND-1, may result in a change in the tax liability of a small number of the taxpayers affected by this bill. However, the change was found to be minimal in the sampling of returns reviewed by Tax Department staff. The net effect of the change in the tax liability is estimated to be less than \$5,000.

Conclusion

The Tax Commissioner requests the Committee's favorable consideration of House Bill 1145. If there are any questions from the Committee, Mr. Chairman, I'd be happy to address them.

Testimony—

Senate Finance and Taxation Committee

House Bill 1145

March 2, 2005

Prepared by Joseph Becker, Auditor III/Research Specialist
North Dakota Office of State Tax Commissioner
Phone: 328-3451
E-mail: jjbecker@state.nd.us

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