

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1150

2007 HOUSE FINANCE AND TAXATION

HB 1150

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1150 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 24, 2007

Recorder Job Number: 1788

Committee Clerk Signature

Mickey Schmitt

Minutes:

Chairman Belter called the committee to order and the clerk read the roll; everyone was present. The Chairman opened the hearing on HB 1150 and asked for testimony in support of HB 1150.

Rep. Dan Ruby: The Bill you have before you today is not a penalty for getting married. Marriage penalty Bill kind of has its own sound to it. Basically the Bill that you have before you, it appears that there are all kinds of changes and I'm really working the income tax brackets and most of this has been brought up to current code or levels that had been prorated, this language was originally put in. What this Bill mainly does is remove a problem that we have in our tax code where if you're single, your levels of each bracket except for you as a single person. Now if you get married the brackets sort of change, now you're in a married bracket whether you're married and filing separately or jointly. The amount that you are able to reach in each bracket is higher as a single person than it is for a married couple. So two people earning their income from each occupation they have are limited in their taxes by these brackets because if they don't make over a certain amount, they don't move up into the next bracket. Once they marry and combine their incomes, it doesn't double like it should. What this Bill does is give them the same amount of level as a married couple that they would have had

singly. However, I want to let the committee know that I have an amendment coming because I was talking to John Walstad yesterday; we realized that inadvertently the only bracket that was actually changed was in the first bracket. I have not seen the fiscal note yet. I asked him to prepare the amendments to do the same in every bracket, he said that will change the fiscal note to higher, however it be significant because the majority of tax payers are going to be within that first bracket, and as the brackets go up the number of people qualify for those brackets will be substantially lower in numbers, so the fiscal note will be higher.

On page 2, line 9; where it says not over \$45,200, the real number is \$53,200, which is double the number on page 1, line 22.

On lines 10-17; all of those have been slightly adjusted so those are all correct percentages within subsection B.

Under C, married, filing separately, same thing, line 20, it shows \$31,850 instead of \$22,000, that's actually \$26,600. All the rates in this section have been adjusted.

Chairman Belter: Are there any questions?

Representative Schmidt: On page 2, line 21; where it's crossed over, \$22,000, now that figure should be \$26,600?

Rep. Dan Ruby: Yes, on line 20, rather than \$22,600, it is \$26,600.

Representative Schmidt: Is that inflation? The \$22, how long ago was that put in?

Rep. Dan Ruby: That's a good question. I don't remember the last time these were written, in 2000, they were put into the code and have been adjusted each year. This is the right time to do this.

Representative Vig: So we're reducing the taxes for when you get married? This updates it and reduces it a little bit?

Rep. Dan Ruby: Yes, this would. This would reduce the taxes for being married because at this time, you're penalized by not getting the same tax level as you did when you were single. This would be, well I wouldn't say it was a benefit to getting married but, this reduces the penalty for getting married and I think that's right way to say it.

Vice Chairman Drovdal: Currently there is an exemption for each child that you have and what is that exemption amount?

Rep. Dan Ruby: It's a \$3,400 exemption. And at the federal level you also have a tax credit as well and State tax code doesn't have that so you get the deduction, but you don't get a credit as you do as federal.

Representative Wrangham: Did the decoupling affect this?

Rep. Dan Ruby: There was the penalty at that time in the federal code and so since we are 14% of the federal, we did not get the benefit of having that fixed at that point as well. Had they fixed that before we decoupled and then we decoupled and had our bracket set up without this fixed, then we probably would have penalized ourselves, I don't think we changed as much, I think it was federal percentages.

Chairman Belter: Further testimony in support.

Representative Owens: Someone had suggested that if you reduce property tax it would increase income tax for the tax payers across ND. I didn't think that was the case so, I created two people and ran their tax returns. Keeping everything the same I married them off. What happened was; I had a single male with student loans living in Bismarck, a \$60,000 home. I had a single mother, one child, \$100,000 home, living in Bismarck. I married them off, they sold the house and they just happened to find a house for \$160,000 so that would stay the same, and then they had another child. Then I ran the taxes. And much to my surprise, totally by accident, by having another child, their state income tax, as compared to what they were

paying both as singles; if you add it together they saved \$2.00. I only have one child and I guarantee you he costs more than \$2.00. There is definitely a marriage penalty in the State income tax in ND.

Tom Fryer, with North Dakota Family Alliance: I do feel that aside from any arguments that have to do with the tax code itself, we would have to think that a penalty that discourages marriage or that sort of thing should be something we should address. In that light I really would like the committee to take a good look at this and seriously consider how that can be taken care of fully understanding the difficult implications of the fiscal note as well.

Chairman Belter: Is there any more testimony in support? Any opposition? Any neutral? If not, we'll close the hearing on HB 1150.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1150 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2183

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1150.

Chairman Belter: We won't act on this but I have some amendments from Rep. Ruby about the marriage penalty. **(See attachment #1)**

Representative Owens: It changes the value of the first of line 9 of the brackets but didn't change the rest of the brackets and that's why we needed the amendment.

Representative Wrangham: Rep. Ruby said that it didn't affect the fiscal note much.

Chairman Belter: We won't act on this now. I'll ask John Walstad about these amendments and whether they make an impact on the fiscal note on that. We'll close the hearing on HB1150.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1150 C

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2669

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1150. What are the committee's wishes?

Representative Headland: I move a Do Not Pass.

Representative Owens: Second it.

Chairman Belter: Is there any discussion? Will the clerk read the roll; 13-y, 0-n, 1-absent;

Rep. Froseth will carry HB 1150. Close the hearing on HB 1150.

FISCAL NOTE
Requested by Legislative Council
01/05/2007

Bill/Resolution No.: HB 1150

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$16,188,000)			
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1150 reduces the "marriage penalty" for individual income tax purposes.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill increases all the individual income tax brackets for Form ND-1, the state's major filing method, to those that have been established for tax year 2007. Additionally, the bill increases the lowest bracket for filing statuses "married filing jointly" (MFJ) and "married filing separately" (MFS) to mirror the brackets in place at the federal level. The effect of this change is the lowest bracket for MFS is equal to the lowest bracket for "single" filers. The lowest bracket for MFJ is twice the lowest bracket for "single" filers. This removes a significant portion of the "marriage penalty" and does so to the same extent that the federal income tax system has reduced the marriage penalty.

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.*

The fiscal impact of the adjustments to the lowest MFS and MFJ brackets, as provided in HB 1150, is expected to reduce state general fund revenues by an estimated \$16.188 million in the 2007-09 biennium.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
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Phone Number: 328-3402

Date Prepared: 01/23/2007

#1

HB 1150
1-29-07 pm

70372.0101
Title.

Prepared by the Legislative Council staff for
Representative Ruby
January 24, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1150

Page 2, line 11, replace "\$128,500" with "\$154,200"

Page 2, line 12, replace "\$128,500" with "\$154,200" and replace "\$3,877.86" with "\$4,885.30"

Page 2, line 13, replace "\$195,850" with "\$321,700" and replace "\$128,500" with "\$154,200"

Page 2, line 14, replace "\$195,850" with "\$321,700" and replace "\$6,800.85" with "\$12,154.80"

Page 2, line 15, replace "\$349,700" with "\$699,400" and replace "\$195,850" with "\$321,700"

Page 2, line 16, replace "\$349,700" with "\$699,400" and replace "\$14,554.89" with "\$31,190.88"

Page 2, line 17, replace "\$349,700" with "\$699,400"

Page 2, line 22, replace "\$64,250" with "\$77,100"

Page 2, line 23, replace "\$64,250" with "\$77,100" and replace "\$1,938.93" with "\$2,442.65"

Page 2, line 24, replace "\$97,925" with "\$160,850" and replace "\$64,250" with "\$77,100"

Page 2, line 25, replace "\$97,925" with "\$160,850" and replace "\$3,400.43" with "\$6,077.40"

Page 2, line 26, replace "\$174,850" with "\$349,700" and replace "\$97,925" with "\$160,850"

Page 2, line 27, replace "\$174,850" with "\$349,700" and replace "\$7,277.45" with "\$15,595.44"

Page 2, line 28, replace "\$174,850" with "\$349,700"

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
February 2, 2007 9:18 a.m.

Module No: HR-23-1897
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1150: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1150 was placed on the Eleventh order on the calendar.