

# MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

2362

2007 SENATE FINANCE AND TAXATION

SB 2362

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2362**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: # 2171

Committee Clerk Signature 

Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on SB 2362.

**Sen. Bakke** appeared as prime sponsor with written testimony. (See attached)

**Sen. Cook** what qualifies as to related expenses?

**Sen. Bakke**: Books, room and board, expenses that would be incurred that would show up on the student's bill at the University. Things that are directly related to their college education.

**Sen. Cook**: Apartment rent?

**Sen. Bakke**: it was not my intent that that would be included, no.

**Sen. Urlacher**: do you know what that average cost might be?

**Sen. Bakke**: from what I understand, it's running around \$10,000 a year for students at the University of ND. It varies from college to college.

**John Risch**: United Transportation Union appeared in support of the bill with written notes and feels it's a good idea and beneficial to working people, middle class of tax payers.

**Joe Becker**: Tax Dept. appeared neutral on the bill concerns with what qualifies and deals specific to use the definition in federal laws, that definition is only going to go to tuition and fees that are required to attend a university. It does not include room and board, books, and living expenses. The expenses that are pulled into play here are the same ones that would qualify

for the federal hold in lifetime tax with running credits of the federal law hold. also concerns that the bill is not clear on whether the expenses those are incurred in the year or actually paid during the year. We would need clarification on that.

**Sen. Urlacher:** does the fiscal note reflect John's concerns?

**Joe:** the fiscal note could be a little high because I'm not the fiscal analyst worked in the actual tax liability as limitations here. She based her number on approximately 21, 000 enrolled students.

**Sen. Cook:** the \$4,000 deduction is a deduction in the taxable income or is it a deduction in the taxes code?

**Joe:** This is a deduction against income.

**Sen. Urlacher:** in the guidelines then, you are referring to the actual costs paid?

**Joe:** yes, a simple adjustment on the bill would be page 1, line 9 just insert the word paid after expenses and the same on page 2, line 4

**Sen. Cook:** the reason for 2 sections is ND 1 and ND 2?

**Joe:** that's correct.

Closed the hearing.

**Sen. Triplett:** made a Motion to Move the Amendments by Mr. Becker, seconded by Sen. Cook.

Voice vote: 7-0-0 Amendments passed.

**Joe Becker:** brought in a hand out for consideration.

**Sen. Cook:** so if you're at that \$25,000 bracket, your average liability a day would be \$356 and relief from 2362 would be \$84 off of that?

Joe: all that is showing is that if you're at the \$25,000 AJ level, your tax liability could average from \$356 and depending on that \$25,000 you're probably going to be in the lowest bracket 2.1% so you're probably going to get \$84 benefit in that case.

Adjourned for the day.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2362

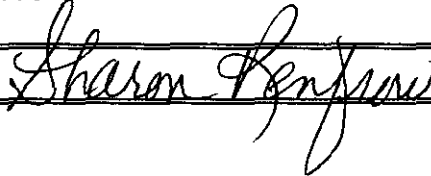
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: # 2480

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee back to order for further discussion and action on SB 2362.

**Sen. Triplett**: made a motion for a **DO PASS as Amended**, seconded by Sen. Horne.

**Sen. Horne**: this is a broader bill with less benefits to more people.

**Sen. Oehlke**: does this cost the schools anything?]

**Sen. Urlacher**: bothered with colleges taking in foreign students to keep up their enrollments at reduced or no costs that being at the expense of our students.

**Sen. Anderson**: this bill is for working families and I will support it.

**Sen. Oehlke**: I will support for lack of not seeing anything else good.

Roll call vote: 5-2-0      Sen. Anderson will carry the bill.

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/23/2007

Bill/Resolution No.: SB 2362

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			(\$3,410,000)			
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).*

SB 2362 provides an income tax deduction for higher education tuition and related expenses.

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.*

Assuming there are approx. 21,000 North Dakota students enrolled in a North Dakota college or university, and further assuming one third qualify for the larger tax deduction, one third qualify for the smaller tax deduction, and one third do not qualify (because of the income limitations, the need to have a tax liability, or the lack of qualifying expenses), we estimate SB 2362 will reduce state general fund revenues by approx. \$3.4 million in the 2007-09 biennium.

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, 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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/26/2007





**REPORT OF STANDING COMMITTEE**

**SB 2362: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2362 was placed on the Sixth order on the calendar.**

Page 1, line 9, after "expenses" insert "paid"

Page 2, line 4, after "expenses" insert "paid"

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2362

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2362

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-12-07

Recorder Job Number: 3403

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2362 on 02-12-07 regarding Higher Education Tuition.

**Senator JoNell Bakke District 43, Grand Forks** presented written testimony (1) and oral testimony in support of SB 2362.

There was further discussion regarding people and their filing income tax concerning this provision in this bill. No further discussion followed.

The hearing on SB 2362 closed.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2362

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-14-07

Recorder Job Number: 2362

Committee Clerk Signature

*Alice Delzer*

Minutes:

**Chairman Holmberg** opened the hearing on SB 2362 on 02-14-07. He suggested the committee look at using Senator Heitkamp's bill as the vehicle for the income tax. Do we have a motion of SB 2362.

**Senator Christman moved a DO NOT PASS, Senator Kilzer seconded. A roll call vote was taken resulting in 8 yeas, 6 nays and 0 absent. The motion carried. Senator Holmberg will carry the bill.**

The hearing on SB 2362 closed.

Date: 2/14/07  
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2362

Senate Appropriations Committee

Check here for Conference Committee

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

Action Taken do NOT pass

Motion Made By Christman Seconded By Kilzer

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter		✓
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas		✓
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern		✓
Senator Randel Christmann	✓		Senator Larry J. Robinson		✓
Senator Tom Fischer	✓		Senator Tom Seymour		✓
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		✓
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 8 No 6

Absent \_\_\_\_\_

Floor Assignment ~~Senators + Tony~~ Holmberg

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

REPORT OF STANDING COMMITTEE (410)  
February 14, 2007 12:07 p.m.

Module No: SR-31-3218  
Carrier: Holmberg  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2362, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2362 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

SB 2362

Chairman Urlacher and Members of the Senate Finance and Taxation Committee,

For the record, my name is JoNell Bakke. I am a senator from District 43 in Grand Forks and sponsor of SB2362. The intent of this bill is to provide some tax relief through an income tax deduction for the parents of college students who fall into the middle class income ranges.

Over the last several years, tuition rates in the state of North Dakota have risen by double digits. Students and their parents have seen decreased grants for higher education at the federal and state level. This has resulted in many parents reaching into their savings and personal accounts to pay college expenses.

This bill lays out the provisions for a state income tax deduction for two categories of taxpayers:

- A deduction of up to \$4,000 for qualified tuition and related expenses for taxpayers who have an federal adjusted gross income of less that \$50,000 for single filers and less than \$100,000 for married people filing a joint return.

OR

- A deduction of up to \$2,000 for qualified tuition and related expenses for taxpayers who have a federal adjusted gross income from \$50,000 to \$75,000 for single filers and from \$100,000 to \$150,000 for married persons filing a joint return.

At this time, I will address any questions that you might have concerning this bill.

Thank you.

*Some  
given to  
Senate  
Appropriations*



## Senate Bill 2362 Notes

Good idea that income tax breaks go to families, especially unusual expenses like education.

Crude calculations families filing jointly:

\$30k saves \$84  
\$50k saves \$84  
\$99k saves \$194  
\$100k + \$100 and change

Not much help overall especially for the low end.

May make more sense to award special scholarships to students of lower-income households with good grades.