

2009 HOUSE FINANCE AND TAXATION

HB 1243

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1243

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 19, 2009

Recorder Job Number: 7180

Committee Clerk Signature

Minutes:

**Chairman Belter:** We will open the hearing on HB 1243.

**Representative Dan Ruby:** This is a simple child income tax credit on your state income tax.

I introduced this bill for a couple of reasons. First, a lot of people have high child care and day care expenses. We talk about tax incentive or reduction and it always makes me think that

there are people who do not use daycare facilities and keep their child at home, which can also affect their income. If we had a proposal limiting the focus to children in day care, I think that is unfair. I propose to do a per child tax credit. It is not substantial, but when you look at the number of children in the state.... I have not seen the fiscal note. An interim committee

looked at \$150 per child and decided not to put in a bill and I decided to introduce one on my own and bring the dollar amount lower. If we had a bill to reduce expenses for childcare, it

would be just as high or close to it. The other reasons I decided to do this are that with the national economy, there is potential that the federal per tax child credit may be removed. I

understand that ND income is reduced per child on federal taxes so there is a reduction there.

In general, I think that the State of ND should recognize the advantage of encouraging people to raise families here and to come to ND. I don't think that this would necessarily bring a lot of

people here, but it surely makes it easier for families to meet their expenses. It is something I

have thought of many times when considering the costs associated with my family. Every child brought into this world brings costs from food, diapers, clothing, sporting equipment, etc. My five oldest are now working in the state and paying taxes, which helps our population and encourages families and makes it a little easier on them. There is an amendment **(Attachment 1)** proposed by the Tax Department, which they will explain. I support the amendment and have no problem with it. With that, I will stand for any questions.

**Vice Chairman Drovdal:** Is this a refundable tax credit? If it was \$300 and they have four kids, do they have to pay that? Do they get \$100 back?

**Representative Ruby:** That's a good question. I am not sure how that applies with the language that was written. I defer that question to the Tax Department.

**Representative Pinkerton:** You did not put a cap on there per family.

**Representative Ruby:** I think families put a cap on the number of children they have so it is capped in that way.

**Representative Pinkerton:** My son and daughter in law live outside Fargo. Their childcare bill will be around \$13,000 next year for two kids. Those are big numbers. I know \$23 million is a big number too, but \$100 for them on that \$13,000 bill is minor. Did any of your sponsors think about making the dollar amount higher? It seems like it would be better to put the money directly in the hands of the family rather than subsidizing daycare centers. I agree with your approach.

**Representative Ruby:** I did not discuss the level with the sponsors. I told them what it did and they were in favor of it, but I set the level because of the pushback I received from the interim committee and tried to limit the fiscal note. I agree with you if you put the money into the hands of the parents, it is not going to be put into a savings account somewhere. It is going to get spent and the state would receive a percent of the sales tax on that amount. I

think a broader approach works. It seems insignificant against a \$13,000 childcare bill, but I recognize that people who have only one income may not have the tax liability. However this committee decides to apply the credit to somebody who doesn't have that liability, I would be more than happy to see some kind of reimbursement. If the fiscal note is too high, it could just apply to actual tax liability. I will accept it either way. I just think it is the right thing to do to help families. With what is happening at the federal level, there may be some changes that will probably reduce some of the credit we have now. Who knows? Maybe there will be more of a tax cut. It just depends on the efforts at the national level.

**Chairman Belter:** This goes up to age 18. Did you consider what the fiscal note might be if you cut this off at age six or eight?

**Representative Ruby:** I know what you mean because those are the years you would have childcare costs for the most part. This is patterned after the federal tax credit where you are eligible up to 17. Normally the deduction goes further if the children are in college. I didn't really consider lowering it. Your costs continue once they are out of day care for everyday maintenance. Certainly I think everybody here has experienced that. If the committee chose to lower it, I would prefer it wasn't down that low.

**Chairman Belter:** Further testimony in support of 1243? Opposition? Do committee members have any questions from the Tax Department?

**Vice Chairman Drovdal:** Is this a nonrefundable tax credit? Is there a way we can compute the value of deduction we are actually giving? Is a \$100 tax credit equal to a \$10,000 deduction off gross income?

**Joseph Becker, State Tax Office:** On your first question, no there is no language in there to make it refundable. There may be a ceiling just based on tax liabilities. Your second question regarding backing into the deduction amount, that is certainly possible. It depends on the tax

bracket you are in. Basically divide your deduction by your tax rate and that will give you your deduction.

**Vice Chairman Drovdal:** I would be interested in the person in the middle tax bracket. Also could you explain the amendment.

**Joe Becker:** I will follow up on your deduction question. The amendment that we are proposing is to simplify the bill. Taking you to page 1, line 12 is basically addressing married individuals filing separate returns, it is trying to define who gets the credit. I think we can just let federal law define that. Whichever parent claims the child on the federal return would get the credit so we are just dropping that language.

**Representative Headland:** Do you have any idea of the percent of people in ND who pay any ND tax? During the campaign we kept hearing that 45% of taxpayers don't pay any tax.

**Joe Becker:** I do not off the top of my head, but I can certainly get that information.

**Chairman Belter:** Any other questions of the Tax Department? Any other testimony on 1243? If not, we will close the hearing on 1243.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1243

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/09

Recorder Job Number: 8623

Committee Clerk Signature

*Lou Engelson*

Minutes:

**Vice Chairman Drovdal:** Let's turn to HB 1243. 1243 is child income tax credit. I believe we have amendments for this. Are they available at this time?

**Rep. Grande:** I'll move the amendment.

**Vice Chairman Drovdal:** Amendment is moved by Rep. Grande. Second?

**Rep. Headland:** Second.

**Vice Chairman Drovdal:** Second by Rep. Headland. Will you explain the amendments.

**Rep. Belter:** What the amendments do is it removes the, changes the age from 18 to 10, and it also gives a refundable tax credit so that even if you do not have a tax obligation, you will still get a refund.

**Chairman Drovdal:** So a refundable tax credit that goes to age 10 instead of age 18. Any discussion?

**Rep. Kelsh:** Do you have any idea what that amendment does to the fiscal note?

**Rep. Belter:** I have contacted council and they're so backed up on fiscal notes, I don't know what the impact will be because I have no idea how many children there are where there is no tax obligation. That would be the real unknown.

**Vice Chairman Drovdol:** Part of the problem with fiscal notes at this time, is they won't do fiscal notes until an amendment is put on.

**Rep. Grande:** We also have amendments here by the tax commissioner which are going to be included with Rep. Belter's amendment.

**Vice Chairman Drovdol:** It's not part of the original motion. We'd have to amend.

**Chairman Grande:** I think the tax commissioner needed these on there for clarification of distribution. It's to help use for federal guidelines. That's fine. We can put in the bill with one set of amendments at a time.

**Rep. Headland:** I just want to reiterate. I have the same notes that Rep. Grande has.

**Rep. Grande:** Chairman do I need to withdraw? I'll withdraw my first motion .0101.

**Vice Chairman Drovdol:** The motion is withdrawn.

**Rep. Grande:** My motion is to accept both sets of amendments, the tax amendment .01TX and the Belter amendments 101.

**Vice Chairman Drovdol:** We have a motion to accept the tax amendment of .01TX and .0101. Is there a second?

**Rep. Headland:** Second.

**Vice Chairman Drovdol:** Second by Rep. Headland. Any more discussion? Hearing no other discussion on the amendments, all those in favor say aye. Opposed? Amendments carry. We have the bill before us amended.

**Rep. Headland:** I'll move for a **do pass**.

**Vice Chairman Drovdol:** Rep. Headland moves for a do pass recommendation. The bill will be rereferred to Appropriations. Second?

**Rep. Grande:** Second.

**Vice Chairman Drovdol:** Seconded by Rep. Grande. Discussion.

**Rep. Winrich:** I would resist a do pass on this. I don't think a refundable tax credit is necessary and again, there is already some tax benefit. A traditional one, the federal exemption that also has an effect on North Dakota taxes.

**Rep. Pinkerton:** Offhand I would think the fiscal note is about \$20,000,000 and I think we have about 2000 kids per age bracket. I do support the bill as amended.

**Vice Chairman Drovdol:** When Appropriations gets this bill, they will get a fiscal note on it. We'll have to trust them on it with the money part of it I guess and tell them if it's a good idea or not. Other comments. Seeing none, I'll have the clerk call this a do pass as amended rereferred to Appropriations on HB 1243.

**12 yes, 1 no, 0 absent. Rep. Pinkerton was assigned to carry the bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/09/2009

Amendment to: HB 1243

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$15,900,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).*

Engrossed HB 1243 creates an individual income tax credit of \$100 for each dependent child of the taxpayer under age 10.

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 provides the specifics of the tax credit. Section 2 enables the credit to be claimed on the state's primary individual income tax return, Form ND-1.

If enacted, Engrossed HB 1243 is expected to reduce state general fund revenues by an estimated \$15.9 million during the 2009-2011 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>	02/11/2009

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/12/2009

Bill/Resolution No.: HB 1243

**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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$23,300,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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 1243 creates an individual income tax credit of \$100 for each dependent child of the taxpayer under age 18.

**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 provides the specifics of the tax credit. Section 2 enables the credit to be claimed on the state's primary individual income tax return, Form ND-1.

If enacted, HB 1243 is expected to reduce state general fund revenues by an estimated \$23.2 million during the 2009-2011 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>	01/15/2009

90483.01TX  
Title.

Attachment 1  
Prepared by the Office of State Tax  
Commissioner  
January 16, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1243

Page 1, line 12, remove "For"

Page 1, remove lines 13 through 16

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1243

Page 1, line 8, after "a" insert "refundable"

Page 1, line 10, replace "eighteen" with "ten"

Renumber accordingly

February 4, 2009

VR  
2/5/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1243

Page 1, line 8, after "a" insert "refundable"

Page 1, line 10, replace "eighteen" with "ten"

Page 1, line 12, remove "For"

Page 1, remove lines 13 through 16

Renumber accordingly

Date: February 4, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1243

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number 2 Amendment 90483.0101

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winick		
Representative Headland					
Representative Weiler					
Representative Wrangham					

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

Absent \_\_\_\_\_

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

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

*Both amendments passed*

Date: February 4, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. AB 1243

House FINANCE AND TAXATION Committee

Check here for Conference Committee

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

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Headland Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich		/
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 12 No 1

Absent 0

Floor Assignment Rep. Pinkerton

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

*Refer to Appropriations*

**REPORT OF STANDING COMMITTEE**

**HB 1243: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1243 was placed on the Sixth order on the calendar.**

Page 1, line 8, after "a" insert "refundable"

Page 1, line 10, replace "eighteen" with "ten"

Page 1, line 12, remove "For"

Page 1, remove lines 13 through 16

Renumber accordingly

2009 HOUSE APPROPRIATIONS

HB 1243

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1243

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 12, 2009

Recorder Job Number: 9315

Committee Clerk Signature



Minutes:

**Chairman Svedjan** opened the hearing on HB 1243.

**Rep. Belter** explained HB 1243 and the work the Finance and Tax Committee did. It would give an income tax credit to each child up to age 18. The F&T House amendments reduce that age limit from 18 to 10 and changed the bill so that even though you did not have an income tax obligation we were still is able to apply for the credit. The new fiscal note is \$15.9 million.

**Svedjan:** Applies to taxpayers who have children 10 or younger.

**Rep. Delzer:** FN shows \$15.9 for this biennium but nothing in the future, but there is no sunset on the bill.

**Rep. Belter:** I do not know why they did not extend that beyond. As I read it there is has no sunset.

**Rep. Hawken:** Did you talk about a tax credit for those who are attending private school? \$15 million is a lot of money, ongoing.

**Rep. Belter:** This is a tax credit for each child for \$100. It has nothing to do with whether the children are going to school or not.

**Rep. Kempenich:** How does this fit in to the rest of the income tax bills that are coming out? Is this above, or including?

**Rep. Svedjan:** there are other income tax bills coming forward. Did your committee discuss how this might impact those?

**Rep. Belter:** This is just one of the tax reductions that are coming out of FTX. This bill passed because there a number of initiatives dealing with daycare and other things and it were the feeling that we should keep the bill alive and help those with children of daycare age and assist them with financial concerns.

**Rep. Berg:** I really like this concept. We are putting money into people's hands. Encouraging families. How do we balance it out with our spending? We put a lot of money through agencies that never really gets back to people and I think this does.

**Do Pass Motion Made By Rep. Wald; Seconded by Rep. Bellew**

**Discussion:** None

**Rep. Klein:** The fiscal note is incorrect. There is no ending date on this.

**Chm. Svedjan:** The FN is correct for 09-01. There is no sunset. That number might change some, but not a lot for 1113. My only concern about this bill is that there are many of us who pay taxes and don't have kids. Is there a better way to give an income tax credit where all taxpayers benefit?

**Rep. Nelson:** Would you accept an amendment to make this retroactive?

**Rep. Hawken:** how much would \$15 million every biennium do long term care and DDD providers?

**Rep. Bellew:** I think any time you give money back to the people; you are going to increase taxes. We could ask the whole committee how this would affect human services.

**Rep. Hawken:** What would \$15 million pay for as far as providing salaries for DDD. Could we add back in fifty cents of the dollar?

**Rep. Nelson;** this would fund the full \$2 pass through for both.

**Rep. Delzer:** Just one of them.

**Chm. Svedjan:** In our amended bill, we do have a dollar in there. On a Do Pass Motion we will take a roll call vote:

**Vote:**            9    Yes    12    No    3    Absent    Failed

**Do Not Pass Motion Made By Rep. Hawken, Seconded By Rep. Ekstrom**

**Vote:**    13    Yes    9    No    3    Absent    Carrier: Rep. Hawken

**Hearing closed.**

Date: 2/12/09  
 Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1243**

**Full House Appropriations Committee**

Check here for Conference Committee

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

*Failed*

Action Taken Do Pass ~~Roll Call~~

Motion Made By Wald Seconded By Bellew

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich	✓				
Rep. Skarphol		✓	Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad	✓	✓
Rep. Hawken		✓	Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson		✓			
Rep. Delzer	✓		Rep. Glassheim		
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert			Rep. Ekstrom		✓
Rep. Bellew	✓		Rep. Kerzman		
Rep. Kreidt		✓	Rep. Metcalf	✓	
Rep. Nelson		✓			
Rep. Wieland					

Total (Yes) 9 No 12

Absent 3

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

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

Date: 2/12/09  
 Roll Call Vote #: \_\_\_\_\_

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1243**

**Full House Appropriations Committee**

Check here for Conference Committee

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

Action Taken Do Not Pass

Motion Made By Hunter Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich		✓			
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein		✓			
Rep. Martinson	✓				
Rep. Delzer		✓	Rep. Glassheim		
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg		✓	Rep. Meyer	✓	
Rep. Dosch		✓			
Rep. Pollert		✓	Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman		
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson	✓				
Rep. Wieland					

Total (Yes) 13 No 9

Absent 3

Floor Assignment Rep. Hunter

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

REPORT OF STANDING COMMITTEE (410)  
February 13, 2009 6:20 p.m.

Module No: HR-28-2803  
Carrier: Hawken  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1243, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
recommends **DO NOT PASS** (13 YEAS, 9 NAYS, 3 ABSENT AND NOT VOTING).  
Engrossed HB 1243 was placed on the Eleventh order on the calendar.