

2009 SENATE FINANCE AND TAXATION

SB 2379

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2379

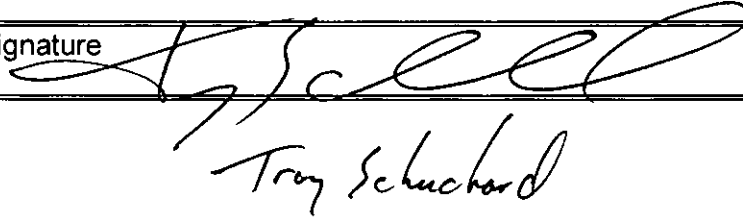
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8586

Committee Clerk Signature


Troy Schuchard

Minutes:

Chairman Cook: Opened hearing on SB 2379.

Senator Tim Mathern, District 37: Testified as sponsor and in support of the bill. See attachment #1 for testimony. See Attachment #2 for additional groups listed to support the bill.

3.55 **Vice Chairman Miller:** How much money are we talking about?

Senator Mathern: We have some people that will give you some examples.

5.00 **Paul Ronningen, Executive Director, National Association of Social Workers, North Dakota Chapter:** See Attachment # 3 for testimony in support of the bill.

7.26 **Senator Hogue:** If I understand the bill, if it were passed, looking at the table, it would be 20% for each individual in column four?

Paul Ronningen: There would be a 20% tack on to that. 13million as stated in the fiscal note.

Vice Chairman Miller: What do you need to get qualified for the federal tax credit?

Paul Ronningen: We can get that info to you.

8.55 **Renee Stromme, Executive Director, North Dakota Women's Network:** See Attachment #4 for testimony in support of the bill.

11.05 Chairman Cook: You talked about help to reverse years of growing poverty, declining health care coverage, and stagnant wages, I thought here in North Dakota that we are just the opposite. Do you have data or information I am missing or am not aware of?

Renee Stromme: The women we work with continue to stay or live in poverty because their opportunities are limited.

12.00 Don Morrison, Executive Director, North Dakota People.Org: See Attachment #5 for testimony in support of the bill.

15.25 Christopher Dodson, Executive Director of the North Dakota Catholic Conference: Testified in support of the bill. It works and it has bi-partisan support. In one sense this is the missing component to welfare reform which is why we saw in 1996-97, a lot of states looked at the EITC and adopted them. The system need to serve the human person; those that are trying to get out of poverty. It's easy to implement, no burden on employers, and studies show that most money saved by the EITC goes directly into the local economies.

18.20 Vice Chairman Miller: Can you explain how the earned income tax credit actually works.

Christopher Dodson: You have to be employed to receive it. This bill targets the "near-poor". This is based on your income; the more you work the more credit you receive.

Vice Chairman Miller: Do other states do things to tie to the federal system?

Christopher Dodson: I can get you the chart.

Senator Triplett: Did you say that 24 states have?

Christopher Dodson: Yes.

20.35 Chairman Cook: Joseph, can you get the requirements for the Federal EITC?

Vice Chairman Miller: And any paperwork for filling.

Joseph ????: Yes

2009 SENATE STANDING COMMITTEE MINUTES

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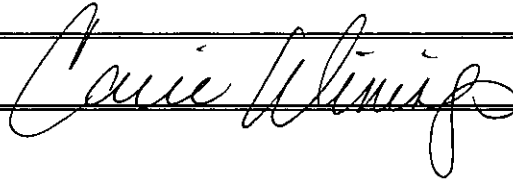
Senate Finance and Taxation Committee

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Hearing Date: 02/04/2009

Recorder Job Number: 8666

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on SB 2379.

Senator Hogue: Motioned for a Do Not Pass.

Vice Chairman Miller: Seconded.

Chairman Cook: Discussion.

Senator Triplett: I would argue in favor of this bill. As you can see my name is on this bill. I think it is a nice bill. It is a big fiscal note, but I would see this as one of several bills that I think of as alternatives to the Governor's income tax proposal. I think that most of our constituents have asked for tax relief, although it is not property tax relief, I think it has the benefit of benefiting low income people. If we are going to be giving away taxes in one form or another, whether by credits or reduction in rates, I would prefer to have them go disproportionately to lower income folks in our state who are struggling. I think as Senator Mathern said that this is one that rewards ones who are making an effort.

Senator Anderson: I kind of agree, but I don't know if this is the best way, the only way, or if there is another way. I can't support it at this point.

Senator Hogue: One thing I like about it is that it is a very efficient way of getting the money to the low income people. My focus is to get property tax relief as a number one priority. If that wasn't, I would feel it is a good bill.

Vice Chairman Miller: I would say that would be worth studying, it would be something like this. I think somewhere down the line we may want to look at something like this. It should be all one vision.

Chairman Cook: Any other discussion?

A Roll Call vote was taken: Yea 5, Nay 2, Absent 0.

Senator Miller will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/27/2009

Bill/Resolution No.: SB 2379

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 |
| Revenues | | | (\$28,000,000) | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

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).*

SB 2379 creates a state earned income tax credit for qualifying individuals.

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.*

SB 2379 provides that the state credit is to be computed as 20% of the federal earned income tax credit. SB 2379 authorizes the credit to be claimed on both of the state's individual income tax filing methods - Forms ND-1 and ND-2.

Based on federal statistics, we estimate that SB 2379, if enacted, will reduce state general fund revenues by an estimated \$28 million in the 2009-11 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.*

| | | | |
|----------------------|----------------------|-----------------------|----------------------------|
| Name: | Kathryn L. Strombeck | Agency: | Office of Tax Commissioner |
| Phone Number: | 328-3402 | Date Prepared: | 02/03/2009 |

Date: 02/04/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 2379

Senate Finance and Taxation

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Senator Hogue Seconded By Senator Miller

| Senators | Yes | No | Senators | Yes | No |
|---------------------------------|-----|----|-------------------------|-----|----|
| Sen. Dwight Cook - Chairman | ✓ | | Sen. Arden Anderson | ✓ | |
| Sen. Joe Miller - Vice Chairman | ✓ | | Sen. Jim Dotzenrod | | ✓ |
| Sen. David Hogue | ✓ | | Sen. Constance Triplett | | ✓ |
| Sen. Dave Oehlke | ✓ | | | | |
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Total: Yes 5 No 2

Absent 0

Floor Assignment Senator Miller

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

REPORT OF STANDING COMMITTEE

SB 2379: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2379 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

SB 2379

#1

Finance and Taxation Committee

February 4, 2009

Senator Tim Mathern

Chairman Cook and Members of the Finance and Taxation Committee

My name is Tim Mathern. I am a Fargo Senator and I am here to introduce SB 2379. Passage of this bill will bring \$28 million dollars to low income families by providing a state credit of 20% of a person's federal earned income tax credit.

There are three primary reasons why I encourage you to support this bill.

1. The credit rewards people who work. So often we have programs for the very poor but persons just above this income level sometimes might feel they are better off by not working. This rewards them for the initiative they take.
2. The credit gets into the economy quickly and is the most direct effort at stimulating the economy. These are the people that will spend the money they receive because they need it.
3. The credit is easy to administer. There are no new programs that come with it.

Members of the Committee I know you have the talents to understand the situation at hand to help make the right decisions. There are many others here to testify so I will leave it to them to provide further information.

Thank you for your work in weighing the issues coming before you and ask that you give a Do Pass recommendation to SB 2379.

Thank you for your consideration.

Earned Income Tax Credit - EITC for North Dakota

Helps
working
families

*The following North Dakota Agencies have
endorsed SB 2379-Earned Income Tax Credit*

Benefits
rural and
urban
communities

United Tribes Technical College

Provides
economic
stimulus to
communities

Children's Defense Fund

North Dakota Women's Network

*North Dakota Center for the Public Good
North Dakota AFL-CIO*

Is proven,
effective
anti-poverty
program

People Escaping Poverty Project

North Dakota Disabilities Advocacy Consortium

Has history
of bipartisan
support

North Dakota Human Rights Coalition

Is easy to
administer

*North Dakota Council on Abused Women
Services/Coalition Against Sexual Assault in
North Dakota*

Makes tax
systems
fairer

Fair Housing of the Dakotas

AAUW-ND

#3

SB 2379

Senate Human Services Committee

January 27, 2009

Chairman Cook and members of the Senate Finance and Tax Committee, I am Paul Ronningen, Executive Director of the National Association of Social Workers (NASW) North Dakota Chapter and also the State Coordinator for the Children's Defense Fund (CDF). Thank you for the opportunity to provide testimony **in support of SB 2379** for both NASW and the Children's Defense Fund.

The proposed Earned Income Tax Credit as found **in SB 2379** will:

- ✓ **Assist Low Income Working Families** with two or more children will receive the biggest benefit. This money can be used to offset the cost of health care, clothing, health care, school supplies and other needs. Many describe this as an anti-poverty program. At 20% of the current federal Earned Income Tax Credit, working low income families will have an additional 13 million for living expenses. One out of eight North Dakotan's currently receive this federal benefit.
- ✓ **Local businesses will realize the benefit** of additional dollars being spent in the community. This type of economic stimulus will help the family and the community during this economic downturn.
- ✓ **It is easy to administer.**
- ✓ It's a concept has been **supported by both sides of the aisle**: Presidents Ford, Reagan, Bush and Clinton.
- ✓ **Simply put this bill is good public policy that supports working families and main street North Dakota.**

The Children's Defense Fund and NASW are therefore pleased to **support SB 2379**. It provides needed dollars to the working poor of North Dakota.

Table 1. Federal Earned Income Tax Credit (EITC) by North Dakota Legislative District: 2005Source: The Brookings Institution, Earned Income Tax Credit Series, <http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx>

| District | Total number of federal tax returns | Total number of EITC returns | Total EITC rebates (in dollars) | Average EITC rebate (in dollars) | Percent of tax returns with EITC rebates |
|---------------------|-------------------------------------|------------------------------|---------------------------------|----------------------------------|--|
| North Dakota | 302,211 | 39,228 | 65,148,772 | 1,661 | 13.0% |
| District 1 | 6,663 | 963 | 1,632,848 | 1,696 | 14.4% |
| District 2 | 5,921 | 672 | 1,089,278 | 1,621 | 11.4% |
| District 3 | 6,644 | 874 | 1,526,434 | 1,747 | 13.2% |
| District 4 | 5,784 | 1,325 | 2,439,805 | 1,841 | 22.9% |
| District 5 | 7,549 | 1,055 | 1,713,129 | 1,624 | 14.0% |
| District 6 | 5,756 | 686 | 1,078,534 | 1,573 | 11.9% |
| District 7 | 5,975 | 926 | 1,506,161 | 1,627 | 15.5% |
| District 8 | 6,988 | 652 | 1,053,389 | 1,616 | 9.3% |
| District 9 | 4,969 | 2,012 | 4,135,312 | 2,055 | 40.5% |
| District 10 | 6,048 | 666 | 1,084,778 | 1,628 | 11.0% |
| District 11 | 6,685 | 863 | 1,356,066 | 1,572 | 12.9% |
| District 12 | 6,150 | 855 | 1,284,805 | 1,502 | 13.9% |
| District 13 | 9,625 | 989 | 1,649,928 | 1,668 | 10.3% |
| District 14 | 5,730 | 800 | 1,253,282 | 1,567 | 14.0% |
| District 15 | 6,258 | 920 | 1,589,941 | 1,729 | 14.7% |
| District 16 | 5,975 | 813 | 1,355,205 | 1,667 | 13.6% |
| District 17 | 5,968 | 645 | 986,609 | 1,529 | 10.8% |
| District 18 | 6,899 | 999 | 1,688,126 | 1,689 | 14.5% |
| District 19 | 4,528 | 463 | 728,450 | 1,572 | 10.2% |
| District 20 | 5,976 | 543 | 926,957 | 1,707 | 9.1% |
| District 21 | 7,681 | 910 | 1,364,523 | 1,500 | 11.8% |
| District 22 | 6,694 | 533 | 883,919 | 1,659 | 8.0% |
| District 23 | 5,816 | 1,388 | 2,735,781 | 1,971 | 23.9% |
| District 24 | 6,423 | 782 | 1,186,631 | 1,518 | 12.2% |
| District 25 | 5,989 | 711 | 1,177,651 | 1,656 | 11.9% |
| District 26 | 6,453 | 614 | 993,001 | 1,616 | 9.5% |
| District 27 | 8,007 | 940 | 1,502,830 | 1,599 | 11.7% |
| District 28 | 5,566 | 811 | 1,327,902 | 1,638 | 14.6% |
| District 29 | 5,842 | 756 | 1,249,083 | 1,652 | 12.9% |
| District 30 | 6,930 | 826 | 1,187,857 | 1,438 | 11.9% |
| District 31 | 5,634 | 1,252 | 2,335,077 | 1,866 | 22.2% |
| District 32 | 7,780 | 1,015 | 1,639,799 | 1,616 | 13.0% |
| District 33 | 6,461 | 594 | 975,763 | 1,643 | 9.2% |
| District 34 | 7,490 | 977 | 1,637,652 | 1,676 | 13.0% |
| District 35 | 7,315 | 708 | 1,079,768 | 1,524 | 9.7% |
| District 36 | 6,248 | 852 | 1,343,261 | 1,576 | 13.6% |
| District 37 | 6,952 | 876 | 1,353,503 | 1,546 | 12.6% |
| District 38 | 5,120 | 566 | 963,941 | 1,704 | 11.0% |
| District 39 | 5,922 | 707 | 1,139,295 | 1,610 | 11.9% |
| District 40 | 5,571 | 959 | 1,618,669 | 1,689 | 17.2% |
| District 41 | 7,420 | 727 | 1,170,266 | 1,610 | 9.8% |
| District 42 | 4,470 | 653 | 1,035,048 | 1,585 | 14.6% |
| District 43 | 7,546 | 830 | 1,292,181 | 1,557 | 11.0% |
| District 44 | 5,828 | 620 | 890,511 | 1,436 | 10.6% |
| District 45 | 4,411 | 447 | 653,757 | 1,463 | 10.1% |
| District 46 | 8,131 | 764 | 1,233,284 | 1,614 | 9.4% |
| District 47 | 8,419 | 691 | 1,098,783 | 1,590 | 8.2% |

Flier prepared by the North Dakota State Data Center and North Dakota KIDS COUNT, January 2009.



Senate Human Services Committee

SB2379

February 4, 2009

Good morning, Chairman Cook and members of the Senate Finance and Tax Committee. My name is Renee Stromme, and I am the Executive Director of the North Dakota Women's Network. Thank you for the opportunity to testify in support of Senate Bill 2379.

The North Dakota Women's Network serves as a catalyst for improving the lives of women through communication, legislation and increased public activism. We are a statewide organization with members from every corner of the state.

The North Dakota Women's Network strongly supports implementation of a state EITC because it will expand opportunities and improve economic security for women and their families, helping to reverse years of growing poverty, declining health care coverage, and stagnant wages.

The EITC is a proven, effective program that lifts more than 2 million American children out of poverty each year.

- The EITC now lifts more than 4.4 million people - roughly half of them children - out of poverty each year; it is the nation's most effective anti-poverty program for working families.
- The majority of North Dakota EITC claimants earn less than \$20,000.
- 24 % of children in North Dakota live with a single parent. Most single parents are women.
- The EITC has contributed to an increase in employment for single mothers. A substantial body of academic research shows that the credit has contributed to a significant increase in labor force participation among single mothers.
- Interviews with EITC recipients show that many use their EITC refunds to make the kinds of investments — paying off debt, investing in education, securing decent housing — that enhance economic security and promote economic opportunity.

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NORTH DAKOTA



WOMEN'S NETWORK

The North Dakota Women's Network stands behind programs which contribute to improving women's economic security. EITC is just such a program.

Thank you for allowing me to speak to you this morning. The North Dakota Women's Network strongly urge you to pass SB 2379. I will answer any questions.

Renee Stromme
Executive Director

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AS LEADERS, THE NORTH DAKOTA WOMEN'S NETWORK WILL SERVE AS THE CATALYST FOR IMPROVING THE LIVES OF WOMEN THROUGH LEGISLATION, COMMUNICATION AND INCREASED PUBLIC ACTIVISM.

#5

Senate Finance and Taxation Committee
SB 2379 – Earned Income Tax Credit
Testimony by Don Morrison, NDPeople.Org
February 4, 2009

Mr. Chairman and members of the committee, My name is Don Morrison and I am the Executive Director of NDPeople.Org, a statewide advocacy organization bringing people across the state together around our bedrock North Dakota values of fairness, opportunity, respect, democracy, hard work, and community.

We are pleased to support a state earned income tax credit.

You and I know that North Dakota families are working hard. We are doing our part. We live in a state where our work ethic is well known. Too often, however, the wages or the pay or the profit for our work is not enough to pay for basic living expenses. In addition, during the past decade, earnings have not only not kept up with inflation, but they have declined. From 2000 to 2006, workers' earnings, adjusted for inflation, declined from \$29,303 to \$27,239 in the U.S. People here didn't work any less or less hard, but still faced more difficulty making ends meet.

The earned income tax credit is a simple and easy way to make sure that working families receive more for the work they do.

This is a public policy that appeals to people from a variety of perspectives, across the political spectrum. In this new era of focusing our attention on making government work effectively, the earned income tax credit is an example of a public policy that works effectively to achieve its goal – to increase lower and middle income families' incomes.

It provides a reward for hard work.

It brings greater fairness to our tax system. The Earned Income Tax Credit has always been intended to offset *all* taxes paid by working families (not just income tax) including payroll taxes, sales taxes, property taxes, etc. North Dakota's lowest paid workers (the bottom 20%) pay 10.2% of their income to state and local taxes while the wealthiest taxpayers (top 1%) pay only 5.1%.

We appreciate the five sponsors coming from both political parties.

Again, we can agree that North Dakota working families are working hard. We already are doing our part to provide for our families and pay our bills, even when our wages and salaries are low. The earned income tax credit recognizes this and builds an effective public policy to achieve a goal all of us agree with.

We urge the committee to conclude that a DO PASS recommendation to the full Senate is in the best interests of North Dakota. Thank you for this opportunity to speak with you.

**NORTH DAKOTA COUNCIL ON ABUSED WOMEN'S SERVICES
COALITION AGAINST SEXUAL ASSAULT IN NORTH DAKOTA**

418 East Rosser #320 • Bismarck, ND 58501 • Phone: (701) 255-6240 • Fax 255-1904 • Toll Free 1-888-255-6240 • ndcaws@ndcaws.org

Testimony on SB 2379
Senate Finance and Taxation Committee
February 4, 2009

Chair Cook and Members of the Committee:

My name is Janelle Moos and I am submitting testimony in support of Senate Bill 2379 on behalf of the North Dakota Council on Abused Women's Services/Coalition Against Sexual Assault in North Dakota (NDCAWS/CASAND).

In 2007, over 4,000 victims reported incidents of domestic violence to 21 crisis centers in North Dakota. Recent research reported to the National Institute of Justice has shown that there is a strong correlation between economic distress and domestic violence.

- In one study researchers found a strong relationship between couples who worried about financial strain and the likelihood of domestic violence. Couples experiencing high levels of financial strain were 3 times as likely to experience domestic violence as those experiencing low levels of financial strain.
- Repeated victimization is more frequent in couples feeling financial strain.
- Financial strain may keep women in abusive relationships. The choice to stay or leave violent relationships may be based on the decision that a partner's economic contribution to the relationship outweighs the risk of violence.
- Unstable employment increases the risk of domestic violence.
- Women who are victims of domestic violence may experience unstable employment.
- Domestic violence can lead to both mental and physical health problems, which decreases a women's ability to retain employment.

While none of these statistics can be eliminated by a single remedy or course of action, the Earned Income Tax Credit provided under SB 2379 would help families keep more of their hard earned dollars and will help to ease some of the financial stress and strain in their lives. It would help them pay off debt, cover the cost of transportation, buy the basic necessities, and invest in their education and the education of their children.

NDCAWS/CASAND supports economic stimulus that will help working families ease the distress in their lives and allow them to focus on building and maintaining healthy relationships. We believe that SB 2379 is a step in the right direction. We urge you to support this bill.

Thank you.