

2013 HOUSE FINANCE AND TAXATION

HB 1184

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1184
January 21, 2013
Job #17484

Conference Committee

Committee Clerk Signature

Mary Bruner

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for flood recovery impact for individuals who were flooded out of their homes by the 2011 flood disaster.

Minutes:

No testimony.

Chairman Belter: Opened hearing on HB 1184.

Representative Louser: Introduced bill. The bill is an income tax credit for the flood victims of 2011 federally declared emergency in Minot and any of the areas that were inundated with flood waters. This bill would provide an income tax credit for the taxes that were paid in the years 2011 and 2012 going forward for the tax year 2013 and extended five years beyond that for a total of six years usable tax credit for taxes paid the previous two years. This is for qualified homeowners and would only apply to those people that were forced to evacuate their that had their property inundated with flood waters and have decided to return to that property and re-establish that as their primary residence. This would not apply to non-primary or non-owner occupied properties. For those of you who may not know the available FEMA maximum money was \$30,200 and that was never intended to make those victims of the flood whole on their property but it was substantially less than what other natural disasters previous to that had received. There was a Bank of North Dakota rebuilders loan and other Bank of North Dakota products that were available and I think we'll be seeing a couple of those extensions coming before us to extend those programs. Those programs were loans up to the match of FEMA's of \$30,200. For those of you that may be wondering about the flood FEMA is the only entity that sells flood insurance and in May we saw a five year extension of the flood extension program. It had been reauthorized on short term reauthorizations eighteen times and was finally authorized for five years. FEMA is also the entity that determines whether or not a residence is in the flood plain. When you close on a property there is a flood determination certificate that goes through FEMA to determine whether or not that property needs flood insurance. Over 95% of the properties that were inundated in Minot were not in the flood plain. Any entity that would have interest in placing properties in the flood plain obviously FEMA would have that interest because they are the ones that charge flood insurance. We've heard from time to time that the people who were in the flood plain or were in that area should have had flood insurance as it was not required by the only entity that sells it. This is a small way giving back and recovering for those residents that have not sold their property whether it is

at market value after the flood or had gone through a short sale. This only applies to property owners who are re-establishing their residence in the property that flooded.

Representative Marie Strinden: On line 18 it says "Who has rehabilitated and reoccupied that structure" so are there incidences where someone's home was completely demolished and could we use that property instead of structure?

Representative Louser: I guess that's something I haven't considered. I would have to go back and look at it. The structure would have to be completely torn down and rebuilt on the same foundation. That's a good point.

Representative Drovdal: One of the reasons for this bill is to get people back in their homes because we need residences and need houses in Minot and other areas. In that area not in the flood plain but got flooded out a number of condos and complexes that are rented out to residents they receive more aid. Did you consider owners of apartment complexes in the area to re-establish those areas?

Representative Louser: Yes I did consider that. I am actually one of those examples. A portion of my district was flooded, my primary residence was not, but I had a number of residences that were inundated with the flood waters. I don't want this to come across as something that I would personally benefit from because that's not the case. There is a rebuilders loan bill being heard on Wednesday that extends that opportunity to apply for the rebuilders loan to non-owner occupied but does not apply to this case.

Vice Chairman Headland: This bill would be inclusive of everyone whether or not they had flood insurance, were fully reimbursed, and would not be specific to any level of income; everyone who was flooded is going to be eligible?

Representative Louser: That is correct. I think the fiscal note on here is approximately \$6.9 million and I would imagine that was determined if everyone took that credit in the 2013-15 biennium but this would allow for that extension up to six years. If they are staying in a property and re-occupying it as their primary residence then they would qualify.

Representative Zaiser: Have you considered making this a more broad policy statement rather than a site specific or a couple sites dealing with the 2011 flooding issue and making it a policy statement that may affect the 2012-13 that would have the same thing so we wouldn't have to come back and revisit this each year if this were to be determined to be a good idea.

Representative Louser: In this case it is a 2011 presidential declared disaster in this state so it isn't necessarily specific to those areas but it is a presidential declared disaster for that year.

Representative Zaiser: You hadn't considered it making it looking forward and use it for 2013-15?

Representative Louser: No. I was looking specifically at what occurred and not what may occur in the future.

Representative Marie Strinden: Has something like this been done with other presidential declared emergencies in our state or other states? Why income tax and not property tax or are there other programs like that?

Representative Louser: I am not familiar if this has been done in other states. As far as property tax goes the local tax assessors have the authority and reduced assessments for flooded properties. In the case of Minot they had three different levels of reduction of value for 2011 and 2012 depending on where you were at on the rebuild in February of 2012.

Representative Marie Strinden: Are there any bills or requests for the state to reimburse that property tax that was reimbursed from Minot to the property owners?

Representative Louser: I have not seen a bill to that affect.

Representative Trottier: How many credits is a person allowed?

Representative Louser: This would be for the income tax that was paid to the state for 2011 and 2012 would be credited forward for 2013 and up to five years beyond 2013 towards tax liability.

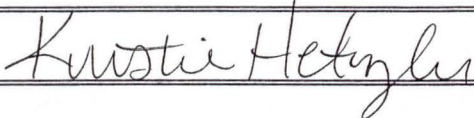
Chairman Belter: Further testimony in support of 1184? Any opposition? Any neutral testimony? If not we will close the hearing on 1184.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1184
January 30, 2013
Job 18023

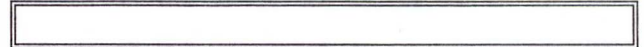
Conference Committee



Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for flood recovery impact for individuals who were flooded out of their homes by the 2011 flood disaster.

Minutes:



Chairman Belter: Opens HB 1184. Discussion on amendment.

Rep Strinden: Obviously it was specific to the Minot flood in 2011 but I would like it to state that it will be good for any presidentially declared disaster. So instead of putting in the Century Code for one instance it would become code for every disaster instance.

Rep Hatlestad: Is this retroactive and starts now?

Rep Strinden: I believe it would include the Minot flood, John Walstad wrote this for me and it would include future disasters.

Chairman Belter: I oppose this because I do not want this to be permanent policy.

Rep Strinden: That's fine with me.

Rep Strinden: Moves a Do Pass on the amendment.

Rep Zaiser: Second.

Motion fails.

Rep Drovdal: Moves a Do Not Pass

Rep Haak: Second.

House Finance and Taxation Committee
"Click here to type Bill or Resolution Number"
"Click here to type date"
Page 2

Yes: 12

No: 2

Absent: 0

Carried by: Rep Zaiser.

FISCAL NOTE
Requested by Legislative Council
01/11/2013

Bill/Resolution No.: HB 1184

- 1 A. **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.*

| | 2011-2013 Biennium | | 2013-2015 Biennium | | 2015-2017 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | \$(6,900,000) | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

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

| | 2011-2013 Biennium | 2013-2015 Biennium | 2015-2017 Biennium |
|------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | | |
| Townships | | | |

- 2 A. **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 1184 provides an individual income tax credit for certain flood victims.

- 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 HB 1184 creates an individual income tax credit equal to the income tax liability of flood victims that qualify under certain circumstances specified in the bill. The tax credit is equal to the amount of each eligible taxpayer's tax liabilities for tax years 2011 and 2012, and can be claimed on the returns filed for tax years 2013 through 2018.


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.*

If enacted, HB 1184 is expected to reduce state general fund revenues by an estimated \$6.9 million in the 2013-15 biennium. If tax rates are reduced for tax years 2013 and beyond, a portion of this fiscal impact will be carried forward into the following 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

Telephone: 328-3402

Date Prepared: 01/16/2013



Date: 1-30-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1184

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider 01001

Motion Made By Rep. Strinden Seconded By Rep. Zaiser

| Representatives | Yes | No | Representatives | Yes | No |
|------------------------------|-----|----|---------------------|-----|----|
| Chairman Wesley Belter | | | Rep. Scot Kelsh | | |
| Vice Chairman Craig Headland | | | Rep. Steve Zaiser | | |
| Rep. Matthew Klein | | | Rep. Jessica Haak | | |
| Rep. David Drovdal | | | Rep. Marie Strinden | | |
| Rep. Glen Froseth | | | | | |
| Rep. Mark Owens | | | | | |
| Rep. Patrick Hatlestad | | | | | |
| Rep. Wayne Trottier | | | | | |
| Rep. Jason Dockter | | | | | |
| Rep. Jim Schmidt | | | | | |
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| | | | | | |

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Voice Vote
Motion Failed*

Date: 1-30-13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1184**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Drovdal Seconded By Rep. Haak

| Representatives | Yes | No | Representatives | Yes | No |
|------------------------------|-----|----|---------------------|-----|----|
| Chairman Wesley Belter | ✓ | | Rep. Scot Kelsh | ✓ | |
| Vice Chairman Craig Headland | ✓ | | Rep. Steve Zaiser | ✓ | |
| Rep. Matthew Klein | | ✓ | Rep. Jessica Haak | ✓ | ✓ |
| Rep. David Drovdal | ✓ | | Rep. Marie Strinden | | ✓ |
| Rep. Glen Froseth | ✓ | | | | |
| Rep. Mark Owens | ✓ | | | | |
| Rep. Patrick Hatlestad | ✓ | | | | |
| Rep. Wayne Trottier | ✓ | | | | |
| Rep. Jason Dockter | ✓ | | | | |
| Rep. Jim Schmidt | ✓ | | | | |
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Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Zaiser

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

REPORT OF STANDING COMMITTEE

HB 1184: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1184 was placed on the Eleventh order on the calendar.