2013 HOUSE FINANCE AND TAXATION

SB 2237

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2237
1/29/2013
Job Number 17882

☐ Conference Committee

Committee Clerk Signature	Angela R. Smith

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 40-63-04, 40-63-06, and 40-63-07, subdivision i of subsection 2 of section 57-35.3-02, and sections 57-38-01, 57-38-01.8, 57-38-01.21, 57-38-01.22, 57-38-01.23, 57-38-01.24. 57-38-01.25, 57-38-01.26, 57-38-01.27, 57-38-01.31, 57-38-01.32, 57-38-01.33, 57-38-30.3, 57-38.5-03, and 57-38.6-03 of the North Dakota Century Code, relating to income taxes of individuals, estates, and trusts; to repeal sections 57-38-01.20, 57-38-01.28, 57-38-01.29, 57-38-01.30, and 57-38-29.3 of the North Dakota Century Code, relating to income taxes of individuals, estates, and trusts; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on SB 2237.

Senator Miller introduced SB 2237.

Dustin Gawrylow - See attached testimony 1 in favor of SB 2237.

Matt Peyerl, Tax Department went through the mechanics of how exemptions, credits, and deductions coincide with the federal level.

Senator Dotzenrod - It looks like on page 47 at the top, that is where you are starting with that number that was taken off the federal return and it's the number that we would have on our federal return before we take our exemptions and deductions. That is where you're starting then?

Matt Peyerl - That is correct.

Chairman Cook closed the hearing on SB 2237.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2237
2/13/2013
Job Number 18892

☐ Conference Committee

Committee Clerk Signature	Angela Rittmiller

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 40-63-04, 40-63-06, and 40-63-07, subdivision i of subsection 2 of section 57-35.3-02, and sections 57-38-01, 57-38-01.8, 57-38-01.21, 57-38-01.22, 57-38-01.23, 57-38-01.24. 57-38-01.25, 57-38-01.26, 57-38-01.27, 57-38-01.31, 57-38-01.32, 57-38-01.33, 57-38-30.3, 57-38.5-03, and 57-38.6-03 of the North Dakota Century Code, relating to income taxes of individuals, estates, and trusts; to repeal sections 57-38-01.20, 57-38-01.28, 57-38-01.29, 57-38-01.30, and 57-38-29.3 of the North Dakota Century Code, relating to income taxes of individuals, estates, and trusts; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2237.

Senator Miller - What these amendments do is essentially they are similar to what we've already passed with Chairman Cook's income tax bill except a major change here is in the corporate income taxing. This is a $25 million tax cut for corporations and it flattens their tax to 4.7%. (2:04)

Senator Burckhard - In SB 2156 that we passed that was a $200 million individual tax cut and a $50 million corporate tax cut. This is a $200 million individual and $25 million corporate?

Chairman Cook - Yes, if you take a look at SB 2156, the amendments that we passed which are now the bill, they are numbered 8182.01003, that is the same amendments that you have here. The only difference between the amendments that we put on SB 2156 and the amendments that Senator Miller is handing out here is the flat rate for the corporate tax.

Senator Miller - The flat tax thing I had initially, it's something I would love to do it's just; I don't have the information I need to make it an effective bill. I will move the amendments.

Seconded by **Senator Oehlke**.

Chairman Cook - Senator Miller did point out to me that a vast majority of the states, that the corporate tax is a flat rate.

Senator Triplett - What does the vast majority mean?

Chairman Cook - 32 out of 43 states that have income tax. I understand the reason for a graduated rate system in personal income tax. At 4.7% we would not be the lowest but we wouldn't have too many below us.

Senator Triplett - Why did you just not, if the individual income tax ends up being exactly the same as Chairman Cook's bill why not just get that out of this bill all together so that this is just a standalone bill about corporate income tax?

Chairman Cook - It will be a personal and a corporate tax bill. My guess is that this is a $25 million so there are 2 differences that he has with his bill than mine. One is its less corporate and the other is the flat rate.

Senator Triplett - I understand the distinction, I was wondering why he didn't just remove all of the stuff about the individual income tax if it ends up being exactly the same as yours, why not just pull it out of this one?

Chairman Cook - Because my guess is only one of them is going to pass the Senate.

Senator Miller - I really didn't want to just have a corporate income tax bill.

Roll Call Vote on Amendment 7-0-0

Senator Miller - I'll move a **Do Pass as Amended and re-refer to Appropriations**.

Seconded by **Vice Chairman Campbell**.

Roll Call Vote 5-2-0

Carried by **Senator Miller**.

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: SB 2237

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						
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).*

SB 2237 broadens and flattens the individual income tax base, and imposes a single tax rate of 1.5%.

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 2237, if enacted, will broaden the individual income tax base by utilizing as a starting point, federal adjusted gross income. Most tax credits and deductions are repealed in this bill. All tax brackets are removed, and a single, flat tax rate of 1.5% is imposed. The single flat rate of 1.5% is estimated to be revenue neutral across all individual income taxpayers. It is not necessarily revenue neutral for any given taxpayer; there will be changes in the tax liabilities among individual taxpayers, as the progressivity embedded in the current tax system is removed.

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
Telephone: 328-3402
Date Prepared: 01/26/2013

13.0075.01005
Title.02000

Adopted by the Finance and Taxation Committee
February 13, 2013

7-3
2-14-13
1 of 5

PROPOSED AMENDMENTS TO SENATE BILL NO. 2237

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to a corporate income tax credit for contributions to rural leadership North Dakota; to amend and reenact subsection 3 of section 57-38-01.26, section 57-38-30, and subsection 1 of section 57-38-30.3 of the North Dakota Century Code, relating to authorized investments of an angel fund for income tax credit purposes and a reduction in income tax rates for corporations, individuals, estates, and trusts; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 3 of section 57-38-01.26 of the North Dakota Century Code is amended and reenacted as follows:

3. An angel fund must:

   a. Be a partnership, limited partnership, corporation, limited liability company, limited liability partnership, trust, or estate organized on a for-profit basis which is headquartered in this state.

   b. Be organized for the purpose of investing in a portfolio of at least three primary sector companies that are early-stage and mid-stage private, nonpublicly traded enterprises with strong growth potential. For purposes of this section, an early-stage entity means an entity with annual revenues of up to two million dollars and a mid-stage entity means an entity with annual revenues over two million dollars not to exceed ten million dollars. ~~Early-stage and mid-stage entities do not include those that have more than twenty-five percent of their revenue from income-producing real estate.~~ <u>Investments in real estate or real estate holding companies are not eligible investments by certified angel funds. Any angel fund certified before January 1, 2013, which has invested in real estate or a real estate holding company is not eligible for recertification.</u>

   c. Consist of at least six accredited investors as defined by securities and exchange commission regulation D, rule 501.

   d. Not have more than twenty-five percent of its capitalized investment assets owned by an individual investor.

   e. Have at least five hundred thousand dollars in commitments from accredited investors and that capital must be subject to call to be invested over an unspecified number of years to build a portfolio of investments in enterprises.

   f. Be member-managed or a manager-managed limited liability company and the investor members or a designated board that includes investor members must make decisions as a group on which enterprises are worthy of investments.

g. Be certified as an angel fund that meets the requirements of this section by the department of commerce.

h. Be in compliance with the securities laws of this state.

i. Within thirty days after the date on which an investment in an angel fund is made, the angel fund shall file with the tax commissioner and provide to the investor completed forms prescribed by the tax commissioner which show as to each investment in the angel fund the following:

(1) The name, address, and social security number or federal employer identification number of the taxpayer or passthrough entity that made the investment;

(2) The dollar amount remitted by the taxpayer or passthrough entity; and

(3) The date the payment was received by the angel fund for the investment.

j. Within thirty days after the end of a calendar year, the angel fund shall file with the tax commissioner a report showing the name and principal place of business of each enterprise in which the angel fund has an investment.

SECTION 2. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Corporate credit for contributions to rural leadership North Dakota.

There is allowed a credit against the tax imposed by section 57-38-30 in an amount equal to fifty percent of the aggregate amount of contributions made by the taxpayer during the taxable year for tuition scholarships for participation in rural leadership North Dakota conducted through the North Dakota state university extension service. Contributions by a taxpayer may be earmarked for use by a designated recipient.

SECTION 3. AMENDMENT. Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations.

A tax is hereby imposed at a rate of four and seven-tenths percent upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as provided in this chapter ~~provided:~~

~~1.~~ ~~For the first twenty-five thousand dollars of taxable income, at the rate of one and sixty-eight hundredths percent.~~

~~2.~~ ~~On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty thousand dollars, at the rate of four and twenty-three hundredths percent.~~

~~3. On all taxable income exceeding fifty thousand dollars, at the rate of five and fifteen hundredths percent~~.

SECTION 4. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

   a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$34,500~~$36,250 ~~1.51%~~1.22%

Over ~~$34,500~~$36,250 ~~$520.95~~$441.20 plus ~~2.82%~~2.27%

but not over ~~$83,600~~$87,850 of amount over ~~$34,500~~$36,250

Over ~~$83,600~~$87,850 ~~$1,905.57~~$1,614.06 plus ~~3.13%~~2.52%

but not over ~~$174,400~~$183,250 of amount over ~~$83,600~~$87,850

Over ~~$174,400~~$183,250 ~~$4,747.61~~$4,020.85 plus ~~3.63%~~ 2.93%

but not over ~~$379,150~~$398,350 of amount over ~~$174,400~~$183,250

Over ~~$379,150~~$398,350 ~~$12,180.04~~$10,314.36 plus ~~3.99%~~3.22%

of amount over ~~$379,150~~$398,350

   b. Married filing jointly and surviving spouse.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$57,700~~$60,650 ~~1.51%~~1.22%

Over ~~$57,700~~$60,650 ~~$871.27~~$738.17 plus ~~2.82%~~2.27%

but not over ~~$139,350~~$146,400 of amount over ~~$57,700~~$60,650

Over ~~$139,350~~$146,400 ~~$3,173.80~~$2,687.25 plus ~~3.13%~~2.52%

but not over ~~$212,300~~$223,050 of amount over ~~$139,350~~$146,400

Over ~~$212,300~~$223,050 ~~$5,457.14~~$4,621.01 plus ~~3.63%~~2. 93%

but not over ~~$379,150~~$398,350 of amount over ~~$212,300~~$223,050

Over ~~$379,150~~$398,350 ~~$11,513.79~~$9750.03 plus ~~3.99%~~3.22%

of amount over ~~$379,150~~$398,350

c. Married filing separately.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$28,850~~$30,325 ~~1.51%~~1.22%

Over ~~$28,850~~$30,325 ~~$435.64~~$369.08 plus ~~2.82%~~2.27%

but not over ~~$69,675~~$73,200 of amount over ~~$28,850~~$30,325

Over ~~$69,675~~$73,200 ~~$1,586.90~~$1,343.62 plus ~~3.13%~~2.52%

but not over ~~$106,150~~$111,525 of amount over ~~$69,675~~$73,200

Over ~~$106,150~~$111,525 ~~$2,728.57~~$2,310.50 plus ~~3.63%~~2.93%

but not over ~~$189,575~~$199,175 of amount over ~~$106,150~~$111,525

Over ~~$189,575~~$199,175 ~~$5,756.90~~$4,875.01 plus ~~3.99%~~3.22%

of amount over ~~$189,575~~$199,175

d. Head of household.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$46,250~~$48,600 ~~1.51%~~1.22%

Over ~~$46,250~~$48,600 ~~$698.38~~$591.51 plus ~~2.82%~~2.27%

but not over ~~$119,400~~$125,450 of amount over ~~$46,250~~$48,600

Over ~~$119,400~~$125,450 ~~$2,761.21~~$2,338.29 plus ~~3.13%~~ 2.52%

but not over ~~$193,350~~$203,150 of amount over ~~$119,400~~$125,450

Over ~~$193,350~~$203,150 ~~$5,075.84~~$4,298.54 plus ~~3.63%~~2.93%

but not over ~~$379,150~~$398,350 of amount over ~~$193,350~~$203,150

Over ~~$379,150~~$398,350 ~~$11,820.38~~$10,009.80 plus ~~3.99%~~ 3.22%

of amount over ~~$379,150~~$398,350

e. Estates and trusts.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$2,300~~$2,450 ~~1.51%~~1.22%

Over ~~$2,300~~$2,450 ~~$34.73~~$29.82 plus ~~2.82%~~2.27%

but not over ~~$5,450~~$5,700 of amount over ~~$2,300~~$2,450

Over ~~$5,450~~$5,700 ~~$123.56~~$103.69 plus ~~3.13%~~2.52%

but not over ~~$8,300~~$8,750 of amount over ~~$5,450~~$5,700

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Over ~~$8,300~~$8,750 ~~$212.77~~$180.64 plus ~~3.63%~~2.93%

but not over ~~$11,350~~$11,950 of amount over ~~$8,300~~$8,750

Over ~~$11,350~~$11,950 ~~$323.48~~$274.27 plus ~~3.99%~~3.22%

of amount over ~~$11,350~~$11,950

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

h. The tax commissioner shall prescribe an optional simplified method of computing tax under this section that may be used by an individual taxpayer who is not entitled to claim an adjustment under subsection 2 or credit against income tax liability under subsection 7.

SECTION 5. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2012."

Renumber accordingly

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

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2237

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0075.01005 title 02000

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Miller Seconded By Senator Oehlke

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Verbal vote

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

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2237

Senate Finance & 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 Senator Miller Seconded By Senator Campbell

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook	X		Senator Jim Dotzenrod		X
Vice Chairman Tom Campbell	X		Senator Connie Triplett		X
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

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 2237: Finance and Taxation Committee (Sen. Cook, 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 2237 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to a corporate income tax credit for contributions to rural leadership North Dakota; to amend and reenact subsection 3 of section 57-38-01.26, section 57-38-30, and subsection 1 of section 57-38-30.3 of the North Dakota Century Code, relating to authorized investments of an angel fund for income tax credit purposes and a reduction in income tax rates for corporations, individuals, estates, and trusts; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 3 of section 57-38-01.26 of the North Dakota Century Code is amended and reenacted as follows:

3. An angel fund must:

   a. Be a partnership, limited partnership, corporation, limited liability company, limited liability partnership, trust, or estate organized on a for-profit basis which is headquartered in this state.

   b. Be organized for the purpose of investing in a portfolio of at least three primary sector companies that are early-stage and mid-stage private, nonpublicly traded enterprises with strong growth potential. For purposes of this section, an early-stage entity means an entity with annual revenues of up to two million dollars and a mid-stage entity means an entity with annual revenues over two million dollars not to exceed ten million dollars. ~~Early-stage and mid-stage entities do not include those that have more than twenty-five percent of their revenue from income-producing real estate.~~Investments in real estate or real estate holding companies are not eligible investments by certified angel funds. Any angel fund certified before January 1, 2013, which has invested in real estate or a real estate holding company is not eligible for recertification.

   c. Consist of at least six accredited investors as defined by securities and exchange commission regulation D, rule 501.

   d. Not have more than twenty-five percent of its capitalized investment assets owned by an individual investor.

   e. Have at least five hundred thousand dollars in commitments from accredited investors and that capital must be subject to call to be invested over an unspecified number of years to build a portfolio of investments in enterprises.

   f. Be member-managed or a manager-managed limited liability company and the investor members or a designated board that includes investor members must make decisions as a group on which enterprises are worthy of investments.

   g. Be certified as an angel fund that meets the requirements of this section by the department of commerce.

   h. Be in compliance with the securities laws of this state.

i. Within thirty days after the date on which an investment in an angel fund is made, the angel fund shall file with the tax commissioner and provide to the investor completed forms prescribed by the tax commissioner which show as to each investment in the angel fund the following:

(1) The name, address, and social security number or federal employer identification number of the taxpayer or passthrough entity that made the investment;

(2) The dollar amount remitted by the taxpayer or passthrough entity; and

(3) The date the payment was received by the angel fund for the investment.

j. Within thirty days after the end of a calendar year, the angel fund shall file with the tax commissioner a report showing the name and principal place of business of each enterprise in which the angel fund has an investment.

SECTION 2. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Corporate credit for contributions to rural leadership North Dakota.

There is allowed a credit against the tax imposed by section 57-38-30 in an amount equal to fifty percent of the aggregate amount of contributions made by the taxpayer during the taxable year for tuition scholarships for participation in rural leadership North Dakota conducted through the North Dakota state university extension service. Contributions by a taxpayer may be earmarked for use by a designated recipient.

SECTION 3. AMENDMENT. Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations.

A tax is hereby imposed at a rate of four and seven-tenths percent upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as provided in this chapter ~~provided:~~

~~1. For the first twenty-five thousand dollars of taxable income, at the rate of one and sixty-eight hundredths percent.~~

~~2. On all taxable income exceeding twenty-five thousand dollars and not exceeding fifty thousand dollars, at the rate of four and twenty-three hundredths percent.~~

~~3. On all taxable income exceeding fifty thousand dollars, at the rate of five and fifteen hundredths percent.~~

SECTION 4. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this

chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$34,500~~$36,250	~~1.51%~~1.22%
Over ~~$34,500~~$36,250 but not over ~~$83,600~~$87,850	~~$520.95~~$441.20 plus ~~2.82%~~2.27% of amount over ~~$34,500~~$36,250
Over ~~$83,600~~$87,850 but not over ~~$174,400~~$183,250	~~$1,905.57~~$1,614.06 plus ~~3.13%~~2.52% of amount over ~~$83,600~~$87,850
Over ~~$174,400~~$183,250 but not over ~~$379,150~~$398,350	~~$4,747.61~~$4,020.85 plus ~~3.63%~~ 2.93% of amount over ~~$174,400~~$183,250
Over ~~$379,150~~$398,350	~~$12,180.04~~$10,314.36 plus ~~3.99%~~3.22% of amount over ~~$379,150~~$398,350

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$57,700~~$60,650	~~1.51%~~1.22%
Over ~~$57,700~~$60,650 but not over ~~$139,350~~$146,400	~~$871.27~~$738.17 plus ~~2.82%~~2.27% of amount over ~~$57,700~~$60,650
Over ~~$139,350~~$146,400 but not over ~~$212,300~~$223,050	~~$3,173.80~~$2,687.25 plus ~~3.13%~~2.52% of amount over ~~$139,350~~$146,400
Over ~~$212,300~~$223,050 but not over ~~$379,150~~$398,350	~~$5,457.14~~$4,621.01 plus ~~3.63%~~2.93% of amount over ~~$212,300~~$223,050
Over ~~$379,150~~$398,350	~~$11,513.79~~$9750.03 plus ~~3.99%~~3.22% of amount over ~~$379,150~~$398,350

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$28,850~~$30,325	~~1.51%~~1.22%
Over ~~$28,850~~$30,325	~~$435.64~~$369.08 plus ~~2.82%~~2.27%

but not over ~~$69,675~~$73,200 of amount over ~~$28,850~~$30,325

Over ~~$69,675~~$73,200 ~~$1,586.90~~$1,343.62 plus ~~3.13%~~2.52%

but not over ~~$106,150~~$111,525 of amount over ~~$69,675~~$73,200

Over ~~$106,150~~$111,525 ~~$2,728.57~~$2,310.50 plus ~~3.63%~~2.93%

but not over ~~$189,575~~$199,175 of amount over ~~$106,150~~$111,525

Over ~~$189,575~~$199,175 ~~$5,756.90~~$4,875.01 plus ~~3.99%~~3.22%

of amount over ~~$189,575~~$199,175

d. Head of household.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$46,250~~$48,600 ~~1.51%~~1.22%

Over ~~$46,250~~$48,600 ~~$698.38~~$591.51 plus ~~2.82%~~2.27%

but not over ~~$119,400~~$125,450 of amount over ~~$46,250~~$48,600

Over ~~$119,400~~$125,450 ~~$2,761.21~~$2,338.29 plus ~~3.13%~~ 2.52%

but not over ~~$193,350~~$203,150 of amount over ~~$119,400~~$125,450

Over ~~$193,350~~$203,150 ~~$5,075.84~~$4,298.54 plus ~~3.63%~~2.93%

but not over ~~$379,150~~$398,350 of amount over ~~$193,350~~$203,150

Over ~~$379,150~~$398,350 ~~$11,820.38~~$10,009.80 plus ~~3.99%~~ 3.22%

of amount over ~~$379,150~~$398,350

e. Estates and trusts.

If North Dakota taxable income is: The tax is equal to:

Not over ~~$2,300~~$2,450 ~~1.51%~~1.22%

Over ~~$2,300~~$2,450 ~~$34.73~~$29.82 plus ~~2.82%~~2.27%

but not over ~~$5,450~~$5,700 of amount over ~~$2,300~~$2,450

Over ~~$5,450~~$5,700 ~~$123.56~~$103.69 plus ~~3.13%~~2.52%

but not over ~~$8,300~~$8,750 of amount over ~~$5,450~~$5,700

Over ~~$8,300~~$8,750 ~~$212.77~~$180.64 plus ~~3.63%~~2.93%

but not over ~~$11,350~~$11,950 of amount over ~~$8,300~~$8,750

Over ~~$11,350~~$11,950 ~~$323.48~~$274.27 plus ~~3.99%~~3.22%

of amount over ~~$11,350~~$11,950

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. The tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes.

h. The tax commissioner shall prescribe an optional simplified method of computing tax under this section that may be used by an individual taxpayer who is not entitled to claim an adjustment under subsection 2 or credit against income tax liability under subsection 7.

SECTION 5. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2012."

Renumber accordingly

2013 SENATE APPROPRIATIONS

SB 2237

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2237
02-19-2013
Job # 19145

☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for corporate income tax credit RE: rural leadership ND

Minutes:

Chairman Holmberg called the committee to order on Tuesday, February 19, 2013 at 8:30 am in regards to SB 2237. All committee members were present. Brady Larson from Legislative Council and Tammy R. Dolan from OMB were also present.

Matt Peyrl, Tax Department provides neutral information. He explains the bill by sections. He explains what flattening tax rates are. He said the original bill was substantially different so the fiscal note is irrelevant.

Senator Holmberg says the original fiscal note tells very little since it was done before the bill was amended.

Mr. Peyrl states the starting point has been changed so the entire bill has been changed.

Senator Holmberg asks if there is a new fiscal note and if not there is not there isn't much they can do until they see the costs.

Senator Miller comes in to explain the costs in the bill. He said it is $200M in individual income tax, and 25M in corporate tax, the corporate tax cut is a flat rate.

Senator Holmberg asks if this is over and above the Governor's recommendation regarding tax relief.

Senator Miller states it is a $100M over the Governor's recommendation.

Senator Holmberg says they will wait for the fiscal note before doing anything on the bill.

Senator Miller explains that the rates are the same as what is in Senator Cook's bill.

Senator Holmberg asks if this bill fits in with any other tax bill.

Senator Miller states that since it is similar to Senator Cook's bill one bill should pass. He continues to say the difference in the two is the corporate structure. He explains why he likes the flat rate.

Senator Wanzek asks if this bill will bring back the short form.

Senator Miller says as it is currently written it would not.

Senator Holmberg is presented a new fiscal note and relays they will delay this bill until tomorrow so everyone has a chance to look at it.(Fiscal note was distributed to committee members).

Senator Krebsbach states with a flat tax in the corporate end of it there will be winners and losers and wonders what the comments were on that from the business community.

Senator Miller explains the current structure and how they would be affected.

Chairman Holmberg stated they will talk about tax policy tomorrow. The hearing was closed on SB 2237

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2237
02-20-2013
Job # 19256

☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for Corporate income tax credit for contributions to rural leadership ND (Do Not Pass.)

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order in regards to SB 2237. All committee members were present. Brady Larson , Legislative Council and Joe Morrissette, OMB were also present.

Senator O'Connell made a motion for a Do Not Pass, 2nd by Senator Erbele.

Chairman Holmberg asked for any discussion. There was none**. Call the roll on a DO NOT PASS ON SB 2237. A Roll Call vote was taken. Yea: 13 Nay: 0 Absent:0. Motion carried. Senator Robinson will carry the bill.**

Chairman Holmberg commented that we should make sure that this comes after SB 2156 on the floor.

The hearing was closed on SB 2237.

FISCAL NOTE
Requested by Legislative Council
02/14/2013

Amendment to: SB 2237

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			$(225,000,000)			
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).*

Engrossed SB 2237 reduces individual and corporate income tax rates.

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 4 of engrossed SB 2237 reduces individual income tax rates an equal percentage in each bracket. Section 3 eliminates the corporate income tax brackets and imposes a flat rate of 4.7%.

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, engrossed SB 2237 is expected to reduce state general fund revenues by an estimated $225 million in the 2013-15 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: 02/18/2013

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: SB 2237

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						
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).*

SB 2237 broadens and flattens the individual income tax base, and imposes a single tax rate of 1.5%.

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 2237, if enacted, will broaden the individual income tax base by utilizing as a starting point, federal adjusted gross income. Most tax credits and deductions are repealed in this bill. All tax brackets are removed, and a single, flat tax rate of 1.5% is imposed. The single flat rate of 1.5% is estimated to be revenue neutral across all individual income taxpayers. It is not necessarily revenue neutral for any given taxpayer; there will be changes in the tax liabilities among individual taxpayers, as the progressivity embedded in the current tax system is removed.

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
Telephone: 328-3402
Date Prepared: 01/26/2013

Date: 2-20-13

Roll Call Vote #________

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2237

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ________

Action Taken D Not Pass

Motion Made By O'Connell Seconded By Erbele

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Robinson

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

REPORT OF STANDING COMMITTEE

SB 2237, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2237 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2237

Senate Bill 2237 – Senate Tax and Finance Committee – Dustin Gawrylow

Goal: Improve North Dakota's Corporate Tax Rank to #11 (up from 35th).

Intentions of the bill:

The following are the intentions of the bill, if the language does not achieve these goals, it will need to be amended to do so.

*Rate in bill says 1.5% for flat-rate after exemption - that was intended to be 3% (or whatever can pass without increasing dollar-base tax burden on lower income). (or rev neutral)

Single rate of 3% on adjusted gross income, with a $15,000 personal exemption ($30,000 for married filing jointly)

Excessive taxes on income are also generally less desirable than taxes on consumption because they discourage wealth creation. In a comprehensive summary of international econometric tax studies, Arnold et. al. (2011) found that personal income taxes are among the most destructive to growth, being outdone only by corporate income taxes. The authors found that consumption and property taxes are the least harmful.

The economic literature on progressive income taxes is especially unkind. For example, the Arnold et. al. study finding that reductions in the top marginal rate of income taxes would be beneficial to long term growth. Examining the period 1969-1986, Mullen and Williams (1994) found that higher marginal tax rates reduce gross state product growth. This finding even adjusts for the overall tax burden of the state, lending credence to the principle of broad bases and low rates.

Prescott (2004) found that that progressive income taxes in Europe in the 1970s led workers on average to work fewer hours and not seek additional career-advancing opportunities. This means that progressive tax policy today can hinder the long run earning potential of a worker for the rest of their life. There is good evidence that progressive income taxes in Europe in the 1970s led workers on average to take on fewer hours and not seek additional career-advancing opportunities.

A better approach would be to tax income at a lower rate but on a broader base. Applying the tax to all adjusted gross income (minus a generous personal exemption to retain progressivity) would greatly reduce the taxpayers' costs of figuring out state taxes and eliminate distortions.

0% tax on capital gains, dividends, and interest income

The ultimate source of most capital income—interest, dividends and capital gains—is corporate profits. The corporate income tax reduces the level of profits that can eventually be used to generate interest or dividend payments or capital gains. This capital income must then be declared by the receiving individual and taxed. The result is the double taxation of this capital income—first at the corporate level and again on the individual level. This change will eliminate this double taxation.

Tax brackets will be de facto inflation-adjustment

Adjusting tax brackets for inflation prevents "bracket creep" whereby taxes go up just because income goes up, even if it is wiped out by increases in inflation.

TAX FOUNDATION Since 1937

Fiscal Fact

February 16, 2012
No. 292

Recommendations for North Dakota's Tax System

By
Mark Robyn

Introduction

At the request of the North Dakota Taxpayers Association, we offer a list of recommendations to improve North Dakota's business tax climate. The recommendations are derived from our *State Business Tax Climate Index*, which we produce annually to enable business leaders, government policymakers, and taxpayers to gauge how their states' tax systems compare according to the economic principles of simplicity, neutrality, and broad tax bases with low tax rates.

The states that score best in the *Index* are those that embrace the established tax reform approach of broadening the tax bases and lowering the tax rates. Reforms along those lines can of course affect revenue totals. While we recommended specific base-broadening changes, we have not included any specific corresponding rate reductions in the analysis, for two reasons. First, state revenue officials are better positioned than we are to estimate revenue effects. Second, North Dakotans must decide for themselves whether they want tax reform to raise the same amount of revenue or reduce revenue.

All *Index* rank changes listed in this analysis represent what the effect would have been had North Dakota had the relevant change in effect on July 1, 2011, the first day of the standard state fiscal year and the snapshot date for the 2012 *Index*. If all of the changes listed below had been in effect on July 1, 2011, North Dakota would have ranked fifth overall in the FY2012 edition of the *Index*, instead of 29th.

The following changes would broaden the state's tax bases and thus allow for lower tax rates without reducing tax revenue. These reduced tax rates (which are unspecified and therefore not reflected in the new rankings) could improve the state's score further and provide more flexibility to choose among our other recommendations without necessarily changing the state's final *Index* rank.

Corporate Income Tax

- Provide for unlimited business net operating loss (NOL) carry-backs of up to three years. About a quarter of states allow NOL carry-backs, with the maximum generally three years. Of those that allow it, most do not limit the amount that can be carried back.

Mark Robyn is an economist at the Tax Foundation.

- Broaden the corporate tax base by eliminating tax preferences such as investment credits, job credits, and research and development (R&D) credits.
- Eliminate the throwback rule. About half of states have no throwback rule.
- Adjust tax brackets for inflation to avoid automatic real corporate tax increases due to inflation.
- Currently, North Dakota requires taxpayers to make an addition to income if foreign taxes were deducted from income at the federal level. North Dakota should eliminate this provision, effectively allowing the deduction for foreign taxes paid. Twenty-one states allow the federal deduction to flow through to the state tax calculation.

Without any rate changes, the above corporate base changes would have been enough to improve North Dakota's rank to fourth, up from 21st place, in the corporate tax component of the *Index* had they been in effect on July 1, 2011. Reductions in corporate tax rates, potentially made revenue-neutral by the base-broadening mentioned, would further improve North Dakota's score, as would moving to a flat rate structure.

Individual Income Tax

- Utah and Indiana ranked 10th and 11th respectively. Each has a flat, one-rate individual income tax. If North Dakota emulated this model—for example, moving to a single 3.99 percent rate with an increased standard deduction and personal exemption (to a combined level of $15,000 per spouse)--this would represent significant improvement. Had such a system been in effect on July 1, 2011, the state would have ranked 11th in the individual income tax *Index* component, up from 35th.
- Investment income is double taxed by the federal tax system, and states should avoid aggravating that distortion with further state taxes. If North Dakota eliminated income taxes on capital gains, interest, and dividend income, they would be the first state with an individual income tax to do so. This change, in addition to the rate change above, would have improved North Dakota's rank to eighth for the individual income tax component (again, up from 35th).

North Dakota should also consider broadening the income tax base by eliminating special credits and deductions. While North Dakota currently adopts federal itemized deductions by starting their calculation with federal taxable income, calculating state tax solely on the calculation of federal adjusted gross income (AGI) would greatly simplify the system, eliminate economic distortions, and allow the state to lower the statutory tax rate even further. Such a change would not directly impact the state's *Index* score (the *Index* focuses on business taxes), but the broader base would allow for further rate reductions that would improve the state's score.

Sales Tax

Retail sales taxes are meant to tax consumption. Business-to-business transactions are not consumption; purchases by end-users are consumption. We recommend eliminating the sales tax on all business-to-business transactions and taxing all final retail sales to end-users, including services.

The above sales tax recommendations, if they had been in effect on July 1, 2011, would have improved the state's rank to sixth best on the sales tax *Index* component, up from 15th, which would be the best of the states with a statewide sales tax. Expanding the sales tax base to consumer services would allow for a lower rate, which would improve the state's score further.

Unemployment Insurance (UI) Tax:

- Reduce the time period for new businesses to qualify for an experience rating from three years to one year.
- Do not charge employers for UI claims for separations that were beyond the employer's control (e.g. employee left voluntarily) or for employees who continue to work part-time.
- All state laws use a system of experience rating by which individual employers' contribution rates vary by some measure of the historical risk of unemployment. North Dakota should consider changing to an

experience rating formula for businesses that is based on statewide experience rather than the experience of each individual business. Unlike other formulas, a state experience formula (called a "benefit-wage-ratio formula" by U.S. Dept. of Labor) adjusts tax rates based on statewide conditions, rather than adjusting them based on each businesses' employment history. This is desirable because it avoids the "shut-down effect" where struggling businesses face increasing UI tax rates, making it harder for the business to survive and potentially hastening its failure.

These UI changes, if they had been in effect on July 1, 2011, would have improved North Dakota's rank on the unemployment insurance *Index* component to eighth place, up from 31st place.

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ABOUT THE TAX FOUNDATION

The Tax Foundation is a 501(c)(3) non-partisan, non-profit research institution founded in 1937 to educate taxpayers on sound tax policy. Based in Washington, D.C., the Foundation's economic and policy analysis is guided by the principles of sound tax policy: simplicity, neutrality, transparency, and stability.

About the Center for State Fiscal Policy at the Tax Foundation

The Tax Foundation's Center for State Fiscal Policy produces timely, high-quality, and user-friendly data and analysis for elected officials, national groups, state-based groups, grassroots activists, the media, business groups, students, and the public, thereby shaping the state policy debate toward simple, neutral, transparent, stable, and pro-growth tax policies.

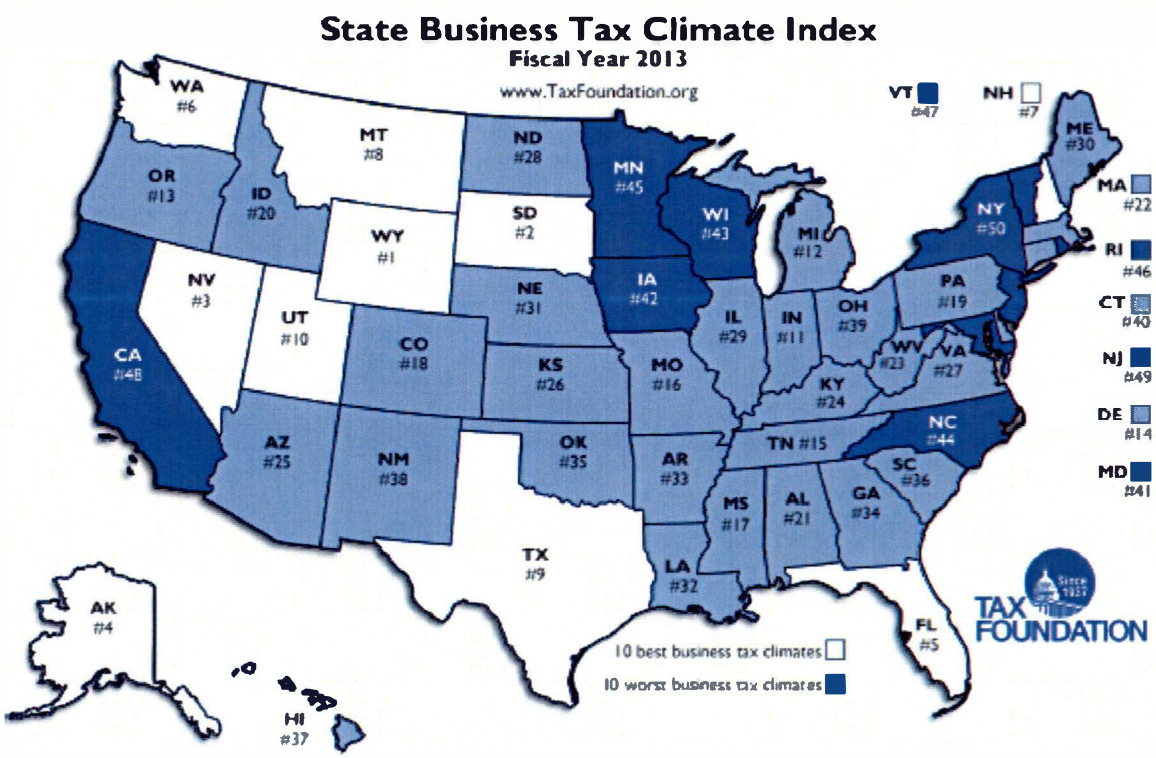

Table 1

2013 State Business Tax Climate Index Ranks and Component Tax Ranks

State	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Rank	Property Tax Rank
Alabama	21	17	18	37	13	8
Alaska	4	27	1	5	28	13
Arizona	25	24	17	50	1	5
Arkansas	33	37	28	41	19	19
California	48	45	49	40	16	17
Colorado	18	20	16	44	39	9
Connecticut	40	35	31	30	31	50
Delaware	14	50	29	2	3	14
Florida	5	13	1	18	10	25
Georgia	34	9	40	13	25	30
Hawaii	37	4	41	31	30	15
Idaho	20	19	23	23	47	2
Illinois	29	47	13	34	43	44
Indiana	11	28	10	11	11	11
Iowa	42	49	33	24	34	37
Kansas	26	36	21	32	9	28
Kentucky	24	26	26	9	48	18
Louisiana	32	18	25	49	4	23
Maine	30	41	27	10	32	39
Maryland	41	15	45	8	46	40
Massachusetts	22	33	15	17	49	47
Michigan	12	7	11	7	44	31
Minnesota	45	44	44	35	40	26
Mississippi	17	11	19	28	7	29
Missouri	16	8	24	27	6	6
Montana	8	16	20	3	21	7
Nebraska	31	34	30	26	8	38
Nevada	3	1	1	42	41	16
New Hampshire	7	48	9	1	42	43
New Jersey	49	40	48	46	24	49
New Mexico	38	39	34	45	15	1
New York	50	23	50	38	45	45
North Carolina	44	29	43	47	5	36
North Dakota	28	21	35	16	17	4
Ohio	39	22	42	29	12	34
Oklahoma	35	12	36	39	2	12
Oregon	13	31	32	4	37	10
Pennsylvania	19	46	12	20	36	42
Rhode Island	46	42	37	25	50	46
South Carolina	36	10	39	21	33	21
South Dakota	2	1	1	33	35	20
Tennessee	15	14	8	43	26	41
Texas	9	38	7	36	14	32
Utah	10	5	14	22	20	3
Vermont	47	43	47	14	22	48
Virginia	27	6	38	6	38	27
Washington	6	30	1	48	18	22
West Virginia	23	25	22	19	27	24
Wisconsin	43	32	46	15	23	33
Wyoming	1	1	1	12	29	35
Dist. of Columbia	*44*	*35*	*36*	*42*	*48*	*24*

State Business Tax Climate Index, 2011 – 2013

State	2013 Rank	2013 Score	2012 Rank	2012 Score	2011 Rank	2011 Score	Change from 2012 to 2013 Rank	Change from 2012 to 2013 Score
Alabama	21	5.26	20	5.24	21	5.28	-1	+0.02
Alaska	4	7.34	4	7.37	3	7.44	0	-0.03
Arizona	25	5.13	27	5.11	28	5.14	+2	+0.02
Arkansas	33	4.90	31	4.94	32	4.94	-2	-0.04
California	48	3.67	48	3.68	49	3.58	0	-0.01
Colorado	18	5.37	16	5.41	17	5.51	-2	-0.04
Connecticut	40	4.47	40	4.53	40	4.47	0	-0.06
Delaware	14	5.74	12	5.75	12	5.76	-2	-0.01
Florida	5	6.88	5	6.90	5	6.84	0	-0.02
Georgia	34	4.86	34	4.92	35	4.83	0	-0.06
Hawaii	37	4.80	35	4.83	34	4.85	-2	-0.03
Idaho	20	5.28	21	5.23	22	5.21	+1	+0.05
Illinois	29	5.03	28	5.05	16	5.52	-1	-0.02
Indiana	11	5.95	11	5.95	11	5.99	0	0.00
Iowa	42	4.47	41	4.48	42	4.38	-1	-0.01
Kansas	26	5.10	25	5.13	25	5.14	-1	-0.03
Kentucky	24	5.15	22	5.20	24	5.17	-2	-0.05
Louisiana	32	4.91	32	4.93	31	4.94	0	-0.02
Maine	30	5.01	37	4.78	38	4.70	+7	+0.23
Maryland	41	4.47	42	4.43	43	4.22	+1	+0.04
Massachusetts	22	5.17	23	5.17	28	5.12	+1	0.00
Michigan	12	5.86	18	5.37	19	5.37	+6	+0.49
Minnesota	45	4.18	45	4.20	44	4.19	0	-0.02
Mississippi	17	5.37	17	5.39	18	5.39	0	-0.02
Missouri	16	5.46	15	5.48	14	5.64	-1	-0.02
Montana	8	6.22	8	6.25	7	6.30	0	-0.03
Nebraska	31	4.96	30	4.95	30	4.99	-1	+0.01
Nevada	3	7.45	3	7.45	4	7.42	0	0.00
New Hampshire	7	6.25	7	6.31	6	6.35	0	-0.06
New Jersey	49	3.40	50	3.43	50	3.44	+1	-0.03
New Mexico	38	4.71	38	4.72	37	4.76	0	-0.01
New York	50	3.40	49	3.57	48	3.59	-1	-0.17
North Carolina	44	4.21	44	4.22	46	4.08	0	-0.01
North Dakota	28	5.03	29	4.98	33	4.67	+1	+0.05
Ohio	39	4.55	39	4.57	39	4.54	0	-0.02
Oklahoma	35	4.85	33	4.92	29	5.05	-2	-0.07
Oregon	13	5.75	14	5.62	15	5.61	+1	+0.13
Pennsylvania	19	5.33	19	5.32	20	5.33	0	+0.01
Rhode Island	46	4.12	46	4.18	47	3.88	0	-0.06
South Carolina	36	4.81	36	4.82	36	4.77	0	-0.01
South Dakota	2	7.56	2	7.54	2	7.57	0	+0.02
Tennessee	15	5.67	13	5.69	13	5.72	-2	-0.02
Texas	9	6.09	9	6.09	9	6.12	0	0.00
Utah	10	6.04	10	6.05	10	6.09	0	-0.01
Vermont	47	4.08	47	4.10	45	4.17	0	-0.02
Virginia	27	5.09	26	5.12	23	5.20	-1	-0.03
Washington	6	6.38	6	6.36	8	6.20	0	+0.02
West Virginia	23	5.16	24	5.16	27	5.14	+1	0.00
Wisconsin	43	4.37	43	4.39	41	4.40	0	-0.02
Wyoming	1	7.66	1	7.67	1	7.63	0	-0.01
Dist. of Columbia	*44*	*4.25*	*41*	*4.48*	*41*	*4.43*	*-3*	*-0.23*

Corporate Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013 Rank	2013 Score	2012 Rank	2012 Score	Change from 2012 to 2013 Rank	Change from 2012 to 2013 Score
Alabama	17	5.33	16	5.40	-1	-0.07
Alaska	27	5.03	25	5.09	-2	-0.06
Arizona	24	5.18	26	5.03	+2	+0.15
Arkansas	37	4.68	36	4.74	-1	-0.06
California	45	4.37	43	4.43	-2	-0.06
Colorado	20	5.25	19	5.33	-1	-0.08
Connecticut	35	4.71	31	4.95	-4	-0.24
Delaware	50	3.14	50	3.16	0	-0.02
Florida	13	5.52	12	5.59	-1	-0.07
Georgia	9	5.81	9	5.89	0	-0.08
Hawaii	4	6.00	4	6.08	0	-0.08
Idaho	19	5.31	18	5.34	-1	-0.03
Illinois	47	4.02	45	4.08	-2	-0.06
Indiana	28	4.99	23	5.14	-5	-0.15
Iowa	49	3.74	48	3.79	-1	-0.05
Kansas	36	4.68	35	4.74	-1	-0.06
Kentucky	26	5.04	24	5.11	-2	-0.07
Louisiana	18	5.32	17	5.40	-1	-0.08
Maine	41	4.52	47	3.98	+6	+0.54
Maryland	15	5.47	14	5.54	-1	-0.07
Massachusetts	33	4.78	34	4.79	+1	-0.01
Michigan	7	5.85	49	3.36	+42	+2.49
Minnesota	44	4.41	42	4.47	-2	-0.06
Mississippi	11	5.71	11	5.79	0	-0.08
Missouri	8	5.84	8	5.92	0	-0.08
Montana	16	5.46	15	5.54	-1	-0.08
Nebraska	34	4.75	33	4.82	-1	-0.07
Nevada	1	10.00	1	10.00	0	0.00
New Hampshire	48	3.97	46	4.03	-2	-0.06
New Jersey	40	4.53	39	4.59	-1	-0.06
New Mexico	39	4.54	38	4.61	-1	-0.07
New York	23	5.19	22	5.26	-1	-0.07
North Carolina	29	4.96	27	5.03	-2	-0.07
North Dakota	21	5.24	20	5.31	-1	-0.07
Ohio	22	5.20	21	5.27	-1	-0.07
Oklahoma	12	5.64	7	5.92	-5	-0.28
Oregon	31	4.91	30	4.97	-1	-0.06
Pennsylvania	46	4.32	44	4.38	-2	-0.06
Rhode Island	42	4.50	40	4.56	-2	-0.06
South Carolina	10	5.74	10	5.82	0	-0.08
South Dakota	1	10.00	1	10.00	0	0.00
Tennessee	14	5.50	13	5.57	-1	-0.07
Texas	38	4.61	37	4.68	-1	-0.07
Utah	5	5.98	5	6.06	0	-0.08
Vermont	43	4.50	41	4.56	-2	-0.06
Virginia	6	5.90	6	5.98	0	-0.08
Washington	30	4.93	29	5.00	-1	-0.07
West Virginia	25	5.12	28	5.02	+3	+0.10
Wisconsin	32	4.81	32	4.88	0	-0.07
Wyoming	1	10.00	1	10.00	0	0.00
Dist. of Columbia	*35*	*4.72*	*34*	*4.79*	*-1*	*-0.07*

Individual Income Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013 Rank	2013 Score	2012 Rank	2012 Score	Change from 2012 to 2013 Rank	Change from 2012 to 2013 Score
Alabama	18	5.61	18	5.63	0	-0.02
Alaska	1	10.00	1	10.00	0	0.00
Arizona	17	5.72	17	5.74	0	-0.02
Arkansas	28	5.22	27	5.23	-1	-0.01
California	49	1.61	50	1.62	+1	-0.01
Colorado	16	6.63	16	6.65	0	-0.02
Connecticut	31	4.79	31	4.80	0	-0.01
Delaware	29	5.18	28	5.20	-1	-0.02
Florida	1	10.00	1	10.00	0	0.00
Georgia	40	3.94	40	3.95	0	-0.01
Hawaii	41	3.87	41	3.88	0	-0.01
Idaho	23	5.38	26	5.24	+3	+0.14
Illinois	13	6.82	13	6.84	0	-0.02
Indiana	10	7.05	10	7.06	0	-0.01
Iowa	33	4.56	32	4.57	-1	-0.01
Kansas	21	5.50	21	5.51	0	-0.01
Kentucky	26	5.28	25	5.29	-1	-0.01
Louisiana	25	5.30	24	5.32	-1	-0.02
Maine	27	5.22	30	4.98	+3	+0.24
Maryland	45	3.27	46	3.07	+1	+0.20
Massachusetts	15	6.74	15	6.75	0	-0.01
Michigan	11	6.96	11	6.98	0	-0.02
Minnesota	44	3.50	44	3.51	0	-0.01
Mississippi	19	5.61	19	5.62	0	-0.01
Missouri	24	5.30	23	5.32	-1	-0.02
Montana	20	5.50	20	5.51	0	-0.01
Nebraska	30	5.16	29	5.17	-1	-0.01
Nevada	1	10.00	1	10.00	0	0.00
New Hampshire	9	7.50	9	7.52	0	-0.02
New Jersey	48	2.39	48	2.39	0	0.00
New Mexico	34	4.32	33	4.33	-1	-0.01
New York	50	1.50	49	2.03	-1	-0.53
North Carolina	43	3.59	43	3.60	0	-0.01
North Dakota	35	4.18	35	4.20	0	-0.02
Ohio	42	3.62	42	3.63	0	-0.01
Oklahoma	36	4.09	38	4.04	+2	+0.05
Oregon	32	4.76	34	4.31	+2	+0.45
Pennsylvania	12	6.91	12	6.92	0	-0.01
Rhode Island	37	4.09	36	4.11	-1	-0.02
South Carolina	39	3.95	39	3.96	0	-0.01
South Dakota	1	10.00	1	10.00	0	0.00
Tennessee	8	7.98	8	8.00	0	-0.02
Texas	7	8.89	7	8.91	0	-0.02
Utah	14	6.80	14	6.82	0	-0.02
Vermont	47	3.01	47	3.03	0	-0.02
Virginia	38	4.08	37	4.09	-1	-0.01
Washington	1	10.00	1	10.00	0	0.00
West Virginia	22	5.39	22	5.41	0	-0.02
Wisconsin	46	3.23	45	3.25	-1	-0.02
Wyoming	1	10.00	1	10.00	0	0.00
Dist. of Columbia	*36*	*4.15*	*31*	*4.80*	*-5*	*-0.65*

Sales Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013 Rank	2013 Score	2012 Rank	2012 Score	Change from 2012 to 2013 Rank	Change from 2012 to 2013 Score
Alabama	37	4.12	41	3.98	+4	+0.14
Alaska	5	7.86	5	7.91	0	-0.05
Arizona	50	2.80	50	2.80	0	0.00
Arkansas	41	4.05	37	4.12	-4	-0.07
California	40	4.06	40	4.04	0	+0.02
Colorado	44	3.66	44	3.55	0	+0.11
Connecticut	30	4.63	30	4.65	0	-0.02
Delaware	2	8.94	2	8.97	0	-0.03
Florida	18	5.06	19	5.04	+1	+0.02
Georgia	13	5.35	12	5.38	-1	-0.03
Hawaii	31	4.63	31	4.63	0	0.00
Idaho	23	4.93	23	4.92	0	+0.01
Illinois	34	4.41	33	4.45	-1	-0.04
Indiana	11	5.43	11	5.42	0	+0.01
Iowa	24	4.88	25	4.88	+1	0.00
Kansas	32	4.62	32	4.62	0	0.00
Kentucky	9	5.67	8	5.72	-1	-0.05
Louisiana	49	3.15	49	3.15	0	0.00
Maine	10	5.66	10	5.64	0	+0.02
Maryland	8	5.71	9	5.71	+1	0.00
Massachusetts	17	5.07	17	5.07	0	0.00
Michigan	7	5.73	7	5.74	0	-0.01
Minnesota	35	4.25	36	4.20	+1	+0.05
Mississippi	28	4.71	28	4.71	0	0.00
Missouri	27	4.72	26	4.77	-1	-0.05
Montana	3	8.79	3	8.82	0	-0.03
Nebraska	26	4.73	27	4.72	+1	+0.01
Nevada	42	3.98	42	3.96	0	+0.02
New Hampshire	1	8.98	1	9.02	0	-0.04
New Jersey	46	3.44	46	3.44	0	0.00
New Mexico	45	3.50	45	3.50	0	0.00
New York	38	4.09	38	4.10	0	-0.01
North Carolina	47	3.37	47	3.39	0	-0.02
North Dakota	16	5.09	15	5.11	-1	-0.02
Ohio	29	4.69	29	4.69	0	0.00
Oklahoma	39	4.07	39	4.09	0	-0.02
Oregon	4	8.66	4	8.68	0	-0.02
Pennsylvania	20	5.02	21	4.99	+1	+0.03
Rhode Island	25	4.82	24	4.88	-1	-0.06
South Carolina	21	5.00	20	5.00	-1	0.00
South Dakota	33	4.44	34	4.44	+1	0.00
Tennessee	43	3.69	43	3.70	0	-0.01
Texas	36	4.22	35	4.22	-1	0.00
Utah	22	4.98	22	4.98	0	0.00
Vermont	14	5.22	14	5.20	0	+0.02
Virginia	6	6.20	6	6.21	0	-0.01
Washington	48	3.34	48	3.33	0	0.01
West Virginia	19	5.03	18	5.04	-1	-0.01
Wisconsin	15	5.11	16	5.08	+1	+0.03
Wyoming	12	5.43	13	5.36	+1	+0.07
Dist. of Columbia	*42*	*4.00*	*41*	*3.99*	*-1*	*+0.01*

Unemployment Insurance Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013 Rank	2013 Score	2012 Rank	2012 Score	Change from 2012 to 2013 Rank	Change from 2012 to 2013 Score
Alabama	13	5.63	11	5.62	-2	+0.01
Alaska	28	4.82	28	4.90	0	-0.08
Arizona	1	6.28	1	6.39	0	-0.11
Arkansas	19	5.37	17	5.43	-2	-0.06
California	16	5.53	13	5.54	-3	-0.01
Colorado	39	4.64	23	5.09	-16	-0.45
Connecticut	31	4.79	32	4.81	+1	-0.02
Delaware	3	6.12	3	6.16	0	-0.04
Florida	10	5.77	5	5.92	-5	-0.15
Georgia	25	4.92	22	5.11	-3	-0.19
Hawaii	30	4.79	30	4.87	0	-0.08
Idaho	47	3.83	48	3.83	+1	0.00
Illinois	43	4.23	43	4.22	0	+0.01
Indiana	11	5.73	16	5.51	+5	+0.22
Iowa	34	4.70	35	4.68	+1	+0.02
Kansas	9	5.78	6	5.91	-3	-0.13
Kentucky	48	3.67	47	3.83	-1	-0.16
Louisiana	4	5.97	4	5.94	0	+0.03
Maine	32	4.75	40	4.50	+8	+0.25
Maryland	46	4.02	45	4.06	-1	-0.04
Massachusetts	49	3.35	49	3.36	0	-0.01
Michigan	44	4.11	44	4.15	0	-0.04
Minnesota	40	4.54	34	4.69	-6	-0.15
Mississippi	7	5.81	8	5.83	+1	-0.02
Missouri	6	5.91	9	5.79	+3	+0.12
Montana	21	5.20	20	5.19	-1	+0.01
Nebraska	8	5.79	12	5.60	+4	+0.19
Nevada	41	4.47	42	4.44	+1	+0.03
New Hampshire	42	4.23	39	4.53	-3	-0.30
New Jersey	24	4.94	25	4.99	+1	-0.05
New Mexico	15	5.56	14	5.53	-1	+0.03
New York	45	4.07	46	3.86	1	+0.21
North Carolina	5	5.95	7	5.87	+2	+0.08
North Dakota	17	5.52	31	4.82	+14	+0.70
Ohio	12	5.64	10	5.66	-2	-0.02
Oklahoma	2	6.17	2	6.37	0	-0.20
Oregon	37	4.67	33	4.69	-4	-0.02
Pennsylvania	36	4.67	37	4.64	1	+0.03
Rhode Island	50	2.83	50	3.02	0	-0.19
South Carolina	33	4.74	38	4.56	+5	+0.18
South Dakota	35	4.70	41	4.44	+6	+0.26
Tennessee	26	4.92	27	4.91	+1	+0.01
Texas	14	5.63	15	5.53	+1	+0.10
Utah	20	5.21	24	5.05	+4	+0.16
Vermont	22	5.19	19	5.25	-3	-0.06
Virginia	38	4.65	36	4.67	-2	-0.02
Washington	18	5.41	18	5.29	0	+0.12
West Virginia	27	4.87	26	4.96	-1	-0.09
Wisconsin	23	5.13	21	5.12	-2	0.01
Wyoming	29	4.80	29	4.89	0	-0.09
Dist. of Columbia	*24*	*5.03*	*24*	*5.05*	*0*	*-0.02*