

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: SB 2212

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(302,000,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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 2212 reduces the individual income tax for tax years 2015 and 2016.

- 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 2212 reduces the rate imposed upon the lowest individual income tax bracket to zero; the rates in the four higher tax brackets remain the same as current law. If enacted, SB 2212 is expected to eliminate the individual income tax liability for approximately 170,000 low and moderate income taxpayers. All other taxpayers will experience tax reductions as well. SB 2212 will reduce state general fund revenues by an estimated \$302 million in the 2015-17 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 or a part of the appropriation is 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: 01/18/2015

2015 SENATE FINANCE AND TAXATION

SB 2212

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2212
1/20/2015
22175

- Subcommittee
 Conference Committee

Committee Clerk Signature

Katie Oliver for Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to an individual income tax rate reduction; to provide an effective date; and to provide an expiration date.

Minutes:

Attachment #1,

Chairman Cook called the committee to order, roll was taken and the hearing for SB 2212 was opened.

Senator David Hogue was present to introduce the bill.

Senator Hogue: District 38. See attachment #1.

Senator Triplett: Have you been able to see the fiscal note before your testimony this morning?

Senator Hogue: I was told \$151,000,000 per year and \$302,000,000 for the biennium.

Jon Godfread: Greater North Dakota Chamber. There is one piece that the Chamber doesn't like about this bill: there is no corporate income tax relief in this bill. We think that personal income tax dollar amount is fair for where think we should end up this session. We are going to be in here talking about tax a lot this session.

Senator Triplett: This bill doesn't purport to be a comprehensive bill; it doesn't say that there should be no corporate tax relief.

Jon Godfread: We like the see the compression and reduction of all the brackets. If the body decides that is the way to go I do not think we are going to be upset.

Joe Becker: North Dakota Tax Department spoke on the fiscal note.

Chairman Cook: Can you give us a breakdown of tax progress?

Joe Becker: Yes, I will follow up on that and get that information to you.

Senate Finance and Taxation Committee

SB 2212

01/20/2015

Page 2

There was no further discussion or testimony Chairman Cook then closed the meeting on SB 2212

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2212
2/9/2015
Job #23512

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on SB2212

Senator Unruh -- I think one is enough. I will move a do not pass on SB2212.

Seconded by Senator Bekkedahl

Roll Call 7-0-0.

Carrier Senator Laffen

Date: 2-9-15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2212

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Sen Unruh Seconded By Sen. Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Laffen

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

REPORT OF STANDING COMMITTEE

SB 2212: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2212 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2212

1

1 **TESTIMONY OF DAVID HOGUE IN SUPPORT OF SB 2212**

2 **Senate Finance & Taxation Committee**

3 **January 20, 2015**

4
5
6 Good morning Chairman Cook and members of the committee. My
7 name is David Hogue. I am a North Dakota state senator representing District 38.
8 I had the pleasure of serving on this Committee in the 62nd and 63rd Legislative
9 Assemblies.

10 I am introducing SB 2212 to provide income tax relief to all individual
11 income tax filers in the state of North Dakota. We have been reducing the
12 individual income tax rate for the last three sessions and another reduction is
13 within our means, notwithstanding the current uncertainty of state revenues
14 from the oil revenue sector.

15 I am aware there are several legislators and taxpayers advocating for the
16 elimination of the individual state income tax. I am not among those legislators
17 or taxpayers. I think the income tax is an eminently fair system of taxation, and
18 should be part of North Dakota's overall tax structure.

1 SB 2212 proposes to reduce to zero percent for two years the initial bracket
2 of income for all taxpayers, i.e., single, head of household, and married filing
3 jointly. The tax rate reduction sunsets in two years unless the 66th Legislative
4 Assembly votes to extend the rate reduction.

5 The rate reduction is from 1.22% to 0.0%. That doesn't seem like a
6 significant reduction but it will eliminate the tax liability for a large segment of
7 North Dakotans. Currently, a single person earning less than \$36,250 would have
8 no income tax liability under SB 2212; for a married couple filing jointly, the first
9 \$62,600 would be free from state income taxation; for a head of household filer,
the first \$48,600 would be free from taxation.

11 What could reasonably ask, "Why reduce taxes again in this time of
12 uncertainty regarding oil prices and related state revenues?" To that question I
13 have two answers.

14 First, I come from the view that to maintain control of spending in the
15 legislative branch, it's important to remove revenue from the table to promote
16 sound spending decisions. It's really no different than healthy eating: if one wants
17 to eat healthy, one shouldn't put Doritos and Twinkies on the dinner table. It's
not in the nature of legislative bodies to appropriately resist spending money that

1 enters the coffers. At the state level then, the legislature should manage its
2 revenues as a means to maintaining responsible spending.

3 Second, SB 2212 is an equitable proposal to concentrate tax relief to the
4 low income earners, and I think that's the fair thing to do. For the past three
5 sessions, we have lowered income taxes at double digit rates: 2009 -12.3%; 2011-
6 17.9%; 2013--19.3%. These rate reductions have been largely across all income
7 brackets but SB 2212 proposes, as a matter of equity, to leave the reduction in
8 the initial bracket. This measure thus provides a greater benefit to the lower
9 income resident taxpayers.

10 The proposal also sunsets the tax reduction after two years. We would all
11 like to see the rate reductions stand in place as permanent, but if the reduction
12 becomes unaffordable, the next legislative session need not take any action. The
13 first tier bracket of 1.22% would resume without action of the legislature.

14 Subject to committee member questions, this completes my testimony respecting
15 SB 2212.

16