

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Revised
 Bill/Resolution No.: SB 2349

- 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			\$(108,000,000)			
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 2349 reduces individual and corporation 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 1 of SB 2349 reduces corporation income tax rates. If enacted, this provision of the bill is expected to reduce state general fund revenues by an estimated \$21 million in the 2015-17 biennium.

Section 2 of SB 2349 reduces individual income tax rates. If enacted, this provision of the bill is expected to reduce state general fund revenues by an estimated \$87 million in the 2015-17 biennium.

The fiscal note is being revised to reflect the March 2015 official revenue forecast.

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.*

This estimated impact is 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: 04/16/2015

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Bill/Resolution No.: SB 2349

- 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			\$(125,000,000)			
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 2349 reduces individual and corporation 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 1 of SB 2349 reduces corporation income tax rates. If enacted, this provision of the bill is expected to reduce state general fund revenues by an estimated \$25 million in the 2015-17 biennium.

Section 2 of SB 2349 reduces individual income tax rates. If enacted, this provision of the bill is expected to reduce state general fund revenues by an estimated \$100 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.*

This estimated impact is 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: 02/02/2015

2015 SENATE FINANCE AND TAXATION

SB 2349

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2349
2/4/2015
Job #23166

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to reduction of the individual and corporation income tax rates; and to provide an effective date.

Minutes:

Attachment #1,

Chairman Cook opened the hearing on SB2349.

Senator Lonnie Laffen, District 43. (Attachment #1)

I am here today to introduce SB2349. It's a simple income tax reduction bill. Section 1 reduces the corporate income tax by 10%, or \$25 million in the next biennium. It reduces the tax evenly in all 3 brackets. Section 2 reduces the individual income tax by 10% or \$100 million in the next biennium. It reduces the tax evenly in all 5 income tax brackets for all 5 filing types. The bill also increases the income limit in each individual income tax bracket.

Chairman Cook -- This is the 3rd time that we've seen a bill to reduce income taxes.

Jon Godfread, Greater North Dakota Chamber

We stand in support of this bill. This is matching up with the governor's recommendations. We believe that this income tax reduction discussion is going to move forward. We're far from coming to the final product. We are happy to be part of the discussion.

Chairman Cook closed the hearing on SB2349.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2349
2/9/2015
Job #23511 @ meter 17:31

☐ 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 SB2349. In your packet you should have a spreadsheet put together by our intern. This is one of our income tax bills, 10% reduction across the board, personal; and 5% corporate.

Senator Triplett -- I will move a do not pass.

Seconded by Senator Dotzenrod.

Chairman Cook -- Is there another one you like better, or you don't want any income tax?

Senator Triplett -- I think we have very low income taxes in the state already. I don't think we need to reduce them further. I think we have reduced them each of the last 3 sessions and given that we have uncertain revenues for the next biennium, this doesn't seem a priority to me. I think we have done our duty in this topic area.

Chairman Cook -- Senator Triplett, you never know, by the end of this session you and I might be on agreement on that but it's a little early for me to get there yet but I am leaning in that direction.

Senator Dotzenrod -- I introduced an income tax bill and it was very expensive and I do have amendments coming to bring that down to the \$100 million figure. I only introduced that because I wanted to have, in front of us, one that would tend to be more progressive and help people on the lower end and that's the only reason I introduced it. Generally speaking, I don't like income tax cuts bills and I am probably going to be voting against all of them all, maybe even my own.

Chairman Cook -- We have a motion for do not pass SB2349.

Roll call vote 2-5-0.

Senate Finance and Taxation Committee

SB2349

February 9, 2015

Page 2

Senator Laffen -- I would move a do pass on SB2349, and rerefer to appropriations.

Seconded by Senator Unruh.

Roll call vote 4-3-0

Carrier Senator Laffen.

Date: 2-9-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2349**

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. Triplett Seconded By Sen. Dotzenrod

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) 2 No 5Absent 0

Floor Assignment _____

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

Date: 2.9.15Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2349**

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. Laffen Seconded By Sen. Unruh

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) 4 No 3Absent 0Floor Assignment Sen. Laffen

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

REPORT OF STANDING COMMITTEE

SB 2349: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2349 was rereferred to the Appropriations Committee.

2015 SENATE APPROPRIATIONS

SB 2349

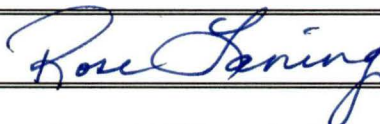
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2349
2/16/2015
Job # 23884

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to reduction of the individual and corporation income tax rates.

Minutes:

Attachment 1 - 2

Legislative Council - Chris Kadrmas
OMB - Nick Creamer

Chairman Holmberg called the committee to order on SB 2349 and turned the hearing over to **Senator Bowman**.

Lonnie J. Laffen, State Senator, District 43: Attachment 1.

Senator Sorvaag: Of the \$164,000 that were in the low end, how many paid zero?

Senator Laffen: 82,000 - exactly half. The 164,000 represents 35% of all filers and they paid less than \$100 - and half of that paid zero, so 17.5% paid zero.

Senator Carlisle: The bill on the military income - there wasn't any way to blend this in or they'll be participating on the 10%. Is that your thought?

Senator Laffen: They would participate in this income tax reduction. The military income is a stand-alone bill that has not went thru the floor. It's coming with a Do Not Pass recommendation, but hasn't been voted on yet.

Senator Bowman: When you lower a tax like this, does that show up in sales tax increases when you leave more money in the people's pocket, so that it's an offset tax in a certain way.

Senator Laffen: I don't have any statistics to back that up but I believe Ronald Reagan would believe that to be the case.

Jon Godfreed, Greater ND Chamber: Attachment 2. Want to keep this bill alive and need a vehicle going forward.

Senator Bowman closed the hearing on SB 2349.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee

Harvest Room, State Capitol

SB 2349

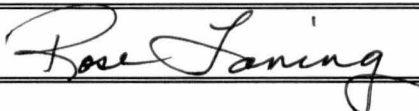
2/16/2015

Job # 23898

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to reduction of the individual and corporation income tax rates; and to provide an effective date.

Minutes:

Senator Wanzek moved Do Pass on SB 2349.

Senator Carlisle seconded.

Senator Robinson commented on the first half of this session and all they've done, but with this issue, no one has contacted him. He said that we can say we need a vehicle, but we have all the means in the world to come up with delayed bills or put this on OMB. There will be a vehicle if on the 18th of March we have a strong economy. It's too early to tell, so he's opposing the bill at this time.

Senator Heckaman agreed with Senator Robinson and is also going to oppose the bill. She thinks there will be plenty of vehicles to put this in if they find that they're in a financial situation where they can do this.

Senator Bowman asked if they all go on a list so we know what we've voted for so that when we get the forecast, it will give us a better idea on where we start making our adjustments. We've voted on a lot of good bills, but until we can afford them, I don't know - until we get our forecast.

Senator Robinson: Senator Cook handed out a partial list today. We don't hear anything at home about income tax. Back home, people are concerned about nursing homes going 3-3 to pay their staff. Property tax is a big issue. It's too early.

A Roll Call vote was taken. Yea: 9 Nay: 4 Absent: 0

Senator Laffen will carry the bill on the floor.

Date: 2-16-13
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2349

Senate Appropriations 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 Wanzek Seconded By Carlisle

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	<input checked="" type="checkbox"/>		Senator Heckaman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Senator Bowman	<input checked="" type="checkbox"/>		Senator Mathern		<input checked="" type="checkbox"/>
Senator Krebsbach	<input checked="" type="checkbox"/>		Senator O'Connell		<input checked="" type="checkbox"/>
Senator Carlisle	<input checked="" type="checkbox"/>		Senator Robinson		<input checked="" type="checkbox"/>
Senator Sorvaag	<input checked="" type="checkbox"/>				
Senator G. Lee	<input checked="" type="checkbox"/>				
Senator Kilzer	<input checked="" type="checkbox"/>				
Senator Erbele	<input checked="" type="checkbox"/>				
Senator Wanzek	<input checked="" type="checkbox"/>				

Total (Yes) 9 No 4

Absent 0

Floor Assignment Laffan

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

REPORT OF STANDING COMMITTEE

SB 2349: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (9 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). SB 2349 was placed on the Eleventh order on the calendar.

2015 HOUSE FINANCE AND TAXATION

SB 2349

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2349
3/11/2015
24642

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to reduction of the individual and corporation income tax rates.

Minutes:

No attachments.

Chairman Headland: Opened hearing.

Senator Laffen: Introduced bill. Section 1 reduces the corporate income tax by 5% or \$25 million in the biennium. It reduces the tax evenly in all three brackets. Section 2 reduces the individual income tax by 10% or \$100 million in the next biennium. It also evenly reduces the tax in all five income tax filing types. The bill increases the income limit in each individual income tax bracket to adjust for inflation. This is a total of \$125 million in corporate and personal.

Chairman Headland: You're aware of the bill we passed you? Why more relief for individuals than businesses?

Senator Laffen: This bill is a little different than the one you sent us; yours was 10-10 and this is 5-10. This is just another version for us to consider as we go forward. I know we have projections coming out on Wednesday. I would vote for any of them after what we see I think.

Representative Schneider: Was there consideration of giving a little more tax break to the lower income levels to make up for the higher proportion overall of income that is paid in taxes by low income people?

Senator Laffen: We had two of those bills go through our Finance and Tax Committee and they both failed. We discovered in committee that 164,000 filers in North Dakota pay less than \$100 each so the bottom 164,000 filers are only paying \$100. Of those 164,000 the average is only \$22. We didn't feel we needed a big adjustment there. When you make that adjustment every single income tax bracket is paid at the lower level of rate for that bracket.

Chairman Headland: We'll take testimony in support.

Jon Godfreed, Greater North Dakota Chamber: We stand in support of SB 2349. We will be advocating for as much tax relief as we can possibly get. We enjoyed Representative Dockter's bill as introduced on HB 1223 but we understand that an \$850 million income tax cut may not be realistic given our current situation. We like the 10 and 10 from the other side; we think that is fair. We've always advocated for making sure to treat businesses the same as individual taxpayers.

Representative Haak: What would your organization make as a top priority; SB 2292 or would it be an income tax cut?

Jon Godfreed: We would like to see both. The impact we would see from 2292 and making that shift going forward for the long term would definitely be our priority. We understand there will be tough decisions coming forward. We don't think income tax cuts are off the table at this point but if it comes to that I think we would look at 2292 as a long term fix to a problem that we've had in the state for a while.

Chairman Headland: With the 20,000 plus jobs open in the state do you view taxes as a mechanism to solve that problem?

Jon Godfreed: I think when people look to relocate and find a new job I'm not sure taxes are at the forefront of their mind. It brings in the economies that will attract those jobs and help diversify our economy which is one of our primary goals this session. We continue to try and make North Dakota one of the best places to do business. This body has done a very good job at stepping down the tax rate over the last six to eight years and we'd like to see that trend continue.

Keith Lund, President of Economic Development Association of North Dakota: Our legislative agenda includes support for reducing corporate and personal income tax. Therefore, we stand in support of SB 2349.

Chairman Headland: Is there any further support? Is there any opposition?

Kevin Herman, Beulah resident: I am opposed to this bill. I think the rates are unfair. I've been advocating through my representatives for one tax rate for everyone. There should be a flat tax. I'm tired of it. I'm single and besides subsidizing someone else's income or rate at the end I also have to subsidize property tax for a school. I stand opposed to this bill and it needs to be amended to one tax rate.

Chairman Headland: We certainly understand that you would like a flat tax. That is not the current policy in the state of North Dakota but your objection to our current tax code is on the record.

Kevin Herman: Thank you because someone has to stand up.

Chairman Headland: Is there any other opposition? Are there any questions for the tax department? Seeing none we will close the hearing on SB 2349.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2349
4/17/2015
26198

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Minutes:

No attachments

Chairman Headland: Opened hearing.

Representative Kading: I think it's very important to make sure the citizens of North Dakota are retaining the money they make. **Made a motion for a do pass.**

Representative Klein: Second.

Representative Hatlestad: Do we know what our checkbook balance is? Are we going to stretch ourselves too thin? I don't object to a cut but do we have enough money?

Chairman Headland: That's a question that is difficult to answer but I will say that in the last three bienniums when we've reduced rates on income we've ended up with more revenue. This is a very modest rate reduction. This is important. As we finish this 64th legislative assembly I think we've got fairly substantial increases in budgets and we've funded those. To leave here without providing some of this surplus to be kept by the taxing citizens would be a huge mistake and a travesty. I support the do pass.

Representative Dockter: I like income tax reductions. This is one area where we can pass a cut and people that earn an income will receive a benefit and get a reduction in their income tax. People that live in apartments who are working will get a reduction. I firmly believe in income tax because no one can mess with that; no county and no city. If you're working and making money you will receive a cut. It's the people's money.

Vice Chairman Owens: Unlike property tax where they would see the rate reduction at the end of the year this is in every single paycheck.

Representative Dockter: That is correct. A person that earns \$240 would get \$20 a month savings.

Representative Schneider: Property tax is a tax most people are asking for. Income taxes are already among the lowest in the nation. The tax cut in the corporate and income tax area don't benefit people who are paying disproportionate amounts of tax at the lower level of the spectrum. We've been told all along in this session and in this committee that

we can't afford to do things that would have greater impact on those who most need the assistance of government; low income, disabled, and elderly folks. If we can afford something then I think this is probably in that category.

Representative Haak: The fiscal note of 15.1002.01000 says the amount is \$108 million with \$21 million in corporate and \$87 million in individual. The fiscal paper that has the exact same number on it says something different in our folders so which one is it?

Chairman Headland: It's the one that is on laws today. The reason for the change is because in the new forecast they lowered the overall revenue picture a bit so when you lower out the total collections over the biennium the five percent reduction just correlates with that.

Representative Steiner: I'm going to support this motion but the senate is working on a homestead tax credit bill and is likely to pass. I support income tax reduction but I'm looking forward to seeing that we can also pass homestead tax credit even if it's a small amount.

Representative Froseth: The fiscal note is now at the \$108 million level rather than the \$125 million.

Representative Strinden: I feel that when we pass the apportionment bill we've made a big step forward for corporate income tax. I don't think we've looked at how this bill and that bill work together and how they are really going to affect things as they work together. If this was personal income tax I would vote yes but because we are taking too many leaps forward not knowing what we are going to get with corporate income tax I am going to resist the motion.

Chairman Headland: Passage of this bill and reducing the corporate rate by that little five percent actually reduces that \$118 million impact that Representative Haak threw out there yesterday on the floor. That could be a reason why you should take another look at what we're talking about. Representative Schneider was correct and we made some choices throughout this session on funding or exemptions and things that impact our ability to reduce rates for income so everybody gets tax relief. We did it because this committee intended on passing rate reductions for everyone that this bill will do. This has been a long standing tradition of this committee to support income tax rate reductions. I would hope we would continue that tradition into the future.

Roll call vote: 10 yes 4 no 0 absent

Motion carried.

Representative Dockter will carry this bill.

Date: 4-17-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2349

House 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 Rep. Kading Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK		✓
VICE CHAIRMAN OWENS	✓		REP STRINDEN		✓
REP DOCKTER	✓		REP MITSKOG		✓
REP TOMAN	✓		REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Dockter

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

REPORT OF STANDING COMMITTEE

SB 2349: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO PASS (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). SB 2349 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2349

TESTIMONY TO THE SENATE FINANCE & TAX COMMITTEE

FEBRUARY 4, 2015

LONNIE J. LAFFEN, SENATOR, DISTRICT 43

Mr. Chairman SB 2349 is a simple income tax reduction bill.

Section 1 reduces the Corporate Income Tax by 10% or \$25M in the next biennium. It reduces the tax evenly in all three brackets.

Section 2 reduces the Individual Income Tax by 10% or \$100M in the next biennium. It reduces the tax evenly in all five income brackets for all five filing types.

The bill also increases the income limit in every Individual Income Tax bracket.

TESTIMONY TO THE SENATE APPROPRIATIONS COMMITTEE

FEBRUARY 16, 2015

LONNIE J. LAFFEN, SENATOR, DISTRICT 43

SB 2349

2-16-15

#1

Mr. Chairman:

The Finance & Taxation committee had 3 bills relating to income tax reduction - two of which zeroed out the bottom bracket.

We also heard many bills to eliminate the income tax for special classes, one to exclude Social Security income, one to exclude day care providers, and one for military income.

SB 2349 before you is the only one to receive a do-pass recommendation from the committee. It would be our intention to send only one income tax bill over to the house. We aren't sure if income tax reductions will be possible this session and there is a long way to go before we get to the end - but we would like a vehicle in place to get us to that point.

Mr. Chairman SB 2349 is a very simple income tax reduction bill with a total reduction of 25M. ← \$125M

Section 1 - reduces the Corporate Income Tax by 5% or \$25M in the next biennium. It reduces the tax evenly in all three brackets.

Section 2 reduces the Individual Income Tax by 10% or \$100M in the next biennium. It reduces the tax evenly in all five income brackets for all five filing types.

The income levels in all brackets are adjusted for inflation.

Mr. Chairman: It has been the consistent preference of the committee that as long as we have an income tax - everyone should pay their share and the rate should be the as low as possible for all tax payers which is why we like this bill the best.

Some statistics we heard in committee: ND had 464K tax filers in 2013. Of this 464K - 164K paid less than \$100 and 82K paid no tax at all. The average tax paid for the 164K was only \$22.

I have also included a sheet that compares ND to the other states in terms of income tax collected - we are #27 - or I would state we are in 23rd place for lowest income tax.



Memorandum

JB 2/3/15
2349

To: Senator Dwight Cook
Chairman, Senate Finance and Taxation Committee
Members of the Senate Finance and Taxation Committee

From: Joseph J. Becker

Date: January 27, 2015

Subject: Individual Income Tax Filer Statistics

You requested the following information regarding individual income tax filers:

- **Number of returns with a tax liability of \$100 or less**

For the 2013 tax year (the most current tax year for which information is available), the number of returns filed by all filers is 464,853. Of this number, 35% of them, or 164,343, showed a tax liability of \$100 or less.

- **Number of returns with a zero tax liability**











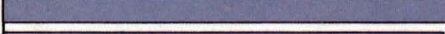
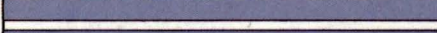
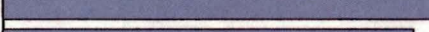
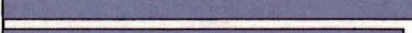















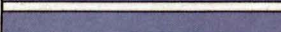













For the 2013 tax year, the number of returns with a zero tax liability is 82,699. This is 50% of the number of filers with a tax liability of \$100 or less, and is about 18% of the total number of filers.

- **Total number of returns filed for prior years (filing trend)**

Tax Year	No. of Returns	% Increase Over Previous Year	% Increase Since 2003
2013	464,853	4.1%	43.2%
2012	446,415	7.5%	37.5%
2011	415,335	8.6%	27.9%
2010	382,613	5.5%	17.9%
2009	362,613	0.3%	11.7%
2008	361,667	1.9%	11.4%
2007	355,026	3.8%	9.4%
2006	341,947	1.8%	5.3%
2005	335,851	1.8%	3.5%
2004	329,791	1.6%	1.6%
2003	324,635	-	

1.2

Rank	State	Per Capita
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1	Connecticut	\$2,172	
2	New York	\$2,047	
3	Massachusetts	\$1,924	
4	California	\$1,743	
5	Minnesota	\$1,651	
6	Oregon	\$1,593	
7	New Jersey	\$1,361	
8	Virginia	\$1,320	
9	Maryland	\$1,298	
10	Illinois	\$1,284	
11	Wisconsin	\$1,259	
12	Hawaii	\$1,236	
13	Delaware	\$1,221	
14	Maine	\$1,153	
15	Nebraska	\$1,125	
16	North Carolina	\$1,124	
17	Iowa	\$1,112	
18	Vermont	\$1,057	
19	Colorado	\$1,049	
20	Rhode Island	\$1,035	
21	Montana	\$1,030	
22	Kansas	\$1,022	
23	Utah	\$983	
24	West Virginia	\$969	
25	Arkansas	\$895	
26	Missouri	\$890	
27	North Dakota	\$888	
28	Georgia	\$878	
29	Ohio	\$853	
30	Kentucky	\$847	
31	Pennsylvania	\$844	
32	Michigan	\$833	
33	Idaho	\$802	
34	Oklahoma	\$757	
35	Indiana	\$757	
36	South Carolina	\$703	
37	Alabama	\$662	
38	New Mexico	\$595	
39	Louisiana	\$592	
40	Mississippi	\$587	
41	Arizona	\$513	
42	New Hampshire	\$75	
43	Tennessee	\$40	

* Seven states levy no individual income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

SB 2349

2-16-15

#2

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2349
February 16, 2015

Mr. Chairman and members of the committee, My name is Jon Godfread and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. Greater North Dakota Chamber is working to build the strongest business environment possible through its more than 1,100 business members as well as partnerships and coalitions with local chambers of commerce from across the state. Greater North Dakota Chamber also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in support of SB 2349.

The Greater North Dakota Chamber has been among the principle advocates for tax reductions in past sessions and that role will continue in this session. In seeking those reductions our goal is that any reductions given will be measured, fairly distributed among all classes of taxpayers and above all else sustainable for the long term. Our overarching goal is drive North Dakota to a position where it is considered the best state to do business. As you know, taxes play an important role in those rankings, we have made some good strides over the last three bienniums and we feel we can take another step this biennium.

We understand that there are many unknowns this session and tax relief will be on of the biggest issues debated. That being said, we will be advocating for the largest amount of tax relief possible, passing the Governors recommendation of \$100M reduction for personal income tax and \$25M for corporate income tax is as good a place to start the discussion as any, we would just encourage keeping a vehicle alive as we move towards the next revenue forecast.

Thank you for the opportunity to appear before you today in support for SB 2349. I would be happy to answer any questions.