

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/23/2019**

Amendment to: HB 1174

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(7,300,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1174 with Conference Committee Amendments will create a new individual income tax deduction for eligible individuals whose social security benefits are taxed under federal income tax law.

- 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.*

Sections 1 and 2 of the bill make technical changes corresponding to the change made in Section 3 of the bill. Section 1 of the bill provides that the full amount of social security benefits are to remain part of income for purposes of the homestead property tax credit income test, even though they are excluded from income tax. Section 2 of the bill provides that social security benefits are to be included in the calculation of the marriage penalty income tax credit only to the extent they remain part of North Dakota taxable income.

Section 3 of the bill provides that single individuals having a federal adjusted gross income of \$50,000 or less or a married couple filing jointly with a federal adjusted gross income of \$100,000 or less may reduce their North Dakota taxable income by the amount of their social security benefits that are taxed under federal income tax law. This section will have a fiscal impact.

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, Section 3 of HB 1174 with Conference Committee Amendments is expected to reduce state general fund revenues by an estimated \$7.3 million in the 2019-21 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 04/24/2019

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/19/2019**

Amendment to: HB 1174

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(4,200,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1174 with Conference Committee Amendments will create a new individual income tax deduction for eligible individuals whose social security benefits are taxed under federal income tax law.

- 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.*

Sections 1 and 2 of the bill make technical changes corresponding to the change made in Section 3 of the bill. Section 1 of the bill provides that the full amount of social security benefits are to remain part of income for purposes of the homestead property tax credit income test, even though they are excluded from income tax. Section 2 of the bill provides that social security benefits are to be included in the calculation of the marriage penalty income tax credit only to the extent they remain part of North Dakota taxable income.

Section 3 of the bill provides that single individuals having a federal adjusted gross income of \$50,000 or less or a married couple filing jointly with a federal adjusted gross income of \$75,000 or less may reduce their North Dakota taxable income by the amount of their social security benefits that are taxed under federal income tax law. This section will have a fiscal impact.

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, Section 3 of HB 1174 with Conference Committee Amendments is expected to reduce state general fund revenues by an estimated \$4.2 million in the 2019-21 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 04/22/2019

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/01/2019**

Amendment to: HB 1174

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(2,200,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1174 with Senate Amendments will create a new individual income tax deduction for eligible individuals whose social security benefits are taxed under federal income tax law.

- 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.*

Sections 1 and 2 of the bill make technical changes corresponding to the change made in Section 3 of the bill. Section 1 of the bill provides that the full amount of social security benefits are to remain part of income for purposes of the homestead property tax credit income test, even though they are excluded from income tax. Section 2 of the bill provides that social security benefits are to be included in the calculation of the marriage penalty income tax credit only to the extent they remain part of North Dakota taxable income.

Section 3 of the bill provides that individuals having a federal adjusted gross income of \$50,000 or less may reduce their North Dakota taxable income by the amount of their social security benefits that are taxed under federal income tax law. (This threshold applies per return, regardless of their filing status.) This change will have a fiscal impact.

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, Section 3 of HB 1174 with Senate Amendments is expected to reduce state general fund revenues by an estimated \$2.2 million in the 2019-21 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 04/01/2019

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/07/2019**

Bill/Resolution No.: HB 1174

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(20,800,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1174 will create a new individual income tax deduction for the portion of social security benefits that are taxed on an individual's federal income tax return.

- 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.*

Sections 1 and 2 of the bill make technical changes to language in the homestead property tax law and income tax law, respectively, relating to the inclusion or exclusion of social security benefits in definitions of income, for purposes of clarity and consistency with respect to the change made in Section 3 of the bill. These sections have no fiscal impact.

Section 3 of the bill will allow an individual to reduce North Dakota taxable income by the amount of any social security benefits that are included in the individual's taxpayer's federal taxable income. This change will have a fiscal impact.

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, Section 3 of HB 1174 is expected to reduce state general fund revenues by an estimated \$20.8 million in the 2019-21 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/15/2019



**2019 HOUSE FINANCE AND TAXATION**

**HB 1174**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1174  
1/16/2019  
30885

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker
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### Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

### Minutes:

Attachments 1-2
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**Chairman Headland:** Opened hearing on HB 1174.

**Representative Bellew:** Introduced bill. Distributed written testimony, see attachment #1. Ended testimony at 4:42.

**Chairman Headland:** Do you know when North Dakota started taxing social security benefits?

**Representative Bellew:** Since our income tax is based on federal wages I think it started immediately in 1984.

**Chairman Headland:** Do you think we should wait for the federal government to correct the issue before we do as a state?

**Representative Bellew:** No. I thought during the last tax program that President Trump put forward this should have been eliminated but it didn't happen.

**Chairman Headland:** Do you agree that if we eliminated income tax for everybody your problem would be solved?

**Representative Bellew:** Yes I do.

**Representative B. Koppelman:** With the fiscal note and changes in President Trump's tax plan do you know if this fiscal note is quite a bit smaller than it used to be? Are people already receiving a better deal because of the Trump tax plan even without this bill?

**Representative Bellew:** I think they are but I haven't seen what the effects of the new tax plan will have on the general populous but I think they will.

**Chairman Headland:** Is there further support?

**Mike Chaussee, Advocacy Director for AARP North Dakota:** Distributed written testimony, see attachment #2. Ended testimony at 11:26.

**Representative B. Koppelman:** You said the social security exemption level is \$25,000 for a single resident and \$32,000 for a married filing jointly in North Dakota.

**Mike Chaussee:** That is correct.

**Representative B. Koppelman:** If the exemption is \$25,000 for an individual then on money that would start being taxable they would be exempt on the first \$12,700 under the federal tax plan if they are single, so that's \$37,000 that they aren't paying tax on. Then the next \$10,000 is taxed at 10% so that's almost \$50,000. How many people who are on a limited income are greatly affected by this? Could you get us some information?

**Mike Chaussee:** I'm more than happy to pursue that. We just need to frame the right question.

**Chairman Headland:** Further support? Is there opposition? Seeing none we will close the hearing on HB 1174.

# 2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1174  
1/29/2019  
31739

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker
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## Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

## Minutes:

No attachments
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**Representative Blum: MADE A MOTION FOR A DO NOT PASS**

**Vice Chairman Grueneich: SECONDED**

**Chairman Headland:** Discussion?

**Representative Dockter:** I was a co-sponsor on this bill. After seeing testimony and after my years of doing tax prep the real people that will benefit from the social security part of this are the wealthy. The people that are just on social security and don't have much for retirement income would be exempt anyway because of the thresholds. As a couple you can make almost \$52,000 and not get taxed on your social security if you work the numbers right and they have personal exemptions. Now with the new tax law it's different but still there's no personal exemptions so the first \$24,000 are exempt then you can only get taxed up to 85% of your social security. A couple now can have all their social security and take out retirement out of IRAs of up to \$24,000 and their social security won't be taxed.

**Representative Hatlestad:** I was taxed once; I shouldn't be taxed twice on the same money. I think this is a good bill.

**Chairman Headland:** Any further discussion?

**ROLL CALL VOTE: 8 YES 6 NO 0 ABSENT**

**MOTION CARRIED**

**Representative Dockter will carry this bill.**

Date: 1-29-19  
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1174

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. Blum Seconded By Rep. Grueneich

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson	✓	✓
Vice Chairman Grueneich	✓		Representative Mitskog	✓	
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓	✓			
Representative Fisher	✓				
Representative Hatlestad		✓			
Representative Kading		✓			
Representative Koppelman	✓	✓			
Representative Steiner		✓			
Representative Toman		✓			
Representative Trottier	✓				

Total (Yes) 8 No 6

Absent 0

Floor Assignment Rep. Dockter

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

**REPORT OF STANDING COMMITTEE**

**HB 1174: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1174 was placed on the Eleventh order on the calendar.

**2019 SENATE FINANCE AND TAXATION**

**HB 1174**

# 2019 SENATE STANDING COMMITTEE MINUTES

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

HB 1174  
3/12/2019  
Job #33542

- Subcommittee  
 Conference Committee

Committee Clerk: Alicia Larsgaard

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create an enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax deduction for social security benefits; to amend and reenact subsection 5 of section 57-02-08.1 and section 57-38-01.28 of the North Dakota Century Code, relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

## Minutes:

Attachments: 3

**Chairman Cook:** Called the hearing to order on HB 1174.

**Representative Larry Bellew, District 38, Minot:** Introduced the bill. See attachment #1.

**(7:40) Chairman Cook:** Do you know when ND started taxing social security?

**Representative Bellew:** 1984.

**Chairman Cook:** Do you know what a retired person making \$30,000 per year would pay in income tax including social security?

**Representative Bellew:** I did a worksheet on a retired person making \$40,000. \$16,000 of social security. If this bill was to pass, it would decrease their total liability for state income tax by 30%. I do not remember the dollar figure.

**Senator Dotzenrod:** Part of this bill says, "Also the treasure department said that the portion of pension benefits not subject to taxation is that on after tax income." I want to make sure I understand that correctly.

**Representative Bellew:** I interpret that as saying we pay taxes on social security when we are working. I took that information off the internet. I might have worded it wrong. I was trying to convey that social security is not pretax. We pay taxes on it all of our lives.

**Josh Askvig, State Director, AARP ND:** Testified in favor of the bill. See attachment #2.  
**(11:00)** In my time, this issue has come directly from our members. This is an issue that our



members reached out to us on and said this was an issue they want us to work on because ND is 1 of 13 states in the country that tax social security benefits.  
Continued reading from testimony.

**Melissa Sobolik, Great Plains Food Bank:** Testified in favor of the bill. See attachment #3.

**Chairman Cook:** Is it safe to say low income seniors are not paying income tax?

**Melissa Sobolik:** That would be correct.

**Chairman Cook:** Any further testimony on this bill? Hearing none, we will close the hearing on HB 1174.

# 2019 SENATE STANDING COMMITTEE MINUTES

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

HB 1174  
3/18/2019  
Job #33839

- Subcommittee  
 Conference Committee

Committee Clerk: Alicia Larsgaard

## **Explanation or reason for introduction of bill/resolution:**

A BILL for an Act to create an enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax deduction for social security benefits; to amend and reenact subsection 5 of section 57-02-08.1 and section 57-38-01.28 of the North Dakota Century Code, relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

## **Minutes:**

Attachments: 0

**Chairman Cook:** Called the committee to order on HB 1174. This would remove social security from paying income tax. We had a similar Senate bill before crossover that came out of this committee as 5-1 do not pass.

**Senator Unruh: Moved a Do Not Pass on HB 1174.**

**Senator Kannianen: Seconded.**

**Chairman Cook: Any Discussion?**

**Senator Dotzenrod:** When this bill came over from the House, I thought it was interesting that the argument was underlying the push for this bill which was double taxation. I had not considered that on the earlier bill we had. A lot of his argument to pass this bill was the sense that this had been taxed once before and that we should not be taxing it a second time.

**Chairman Cook:** It had not been taxed before. It was exempt from tax.

Senator Dotzenrod: When the money was earned, it was taxed and then he was saying we are taxing it again which is a pretty good argument. I will support the bill. I supported the earlier one too.

**A Roll Call Vote Was Taken: 5 yeas, 1 nay, 0 absent.**

**Motion Carried.**

Senate Finance and Taxation Committee  
HB 1174  
March 18, 2019  
Page 2

**Senator Kannianen will carry the bill.**

Date: 3-18-19  
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1174

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 Unruh Seconded By Kannianen

Senators	Yes	No	Senators	Yes	No
Chairman Cook	✓		Senator Dotzenrod		✓
Vice Chairman Kannianen	✓				
Senator Meyer	✓				
Senator Patten	✓				
Senator Unruh	✓				

Total (Yes) 5 No 1

Absent 0

Floor Assignment Kannianen

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

**REPORT OF STANDING COMMITTEE**

**HB 1174: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS** (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1174 was placed on the Fourteenth order on the calendar.

**2019 SENATE APPROPRIATIONS**

**HB 1174**

# 2019 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Harvest Room, State Capitol

HB 1174  
3/25/2019  
JOB # 34195

- Subcommittee  
 Conference Committee

Committee Clerk: Alice Delzer and Alicia Larsgaard

### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax deduction for SS benefits; to amend and reenact subsection 5 of section 57-02-08.1 and section 57-38-01.28 of the North Dakota Century Code, relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

### Minutes:

1. Testimony of Mike Chaussee, AARP of ND

**Chairman Holmberg:** Called the Committee to order on HB 1174. All committee members were present. Becky J. Keller, OMB and Chris Kadrmaz, Legislative Council were also present.

**Representative Larry Bellew, District 38, Minot:** I am here to introduce HB 1174. I do not believe this bill had to come here. If you look at rule #329, Section 2, it says "Every bill or resolution to which is attached a fiscal note stating that the measure has an effect of \$50,000 on the appropriation for a state agency or a department must be re-referred to appropriations." I assume that is the reason you have it now.

**Chairman Holmberg:** We have it because the body sent it to us.

**Representative Bellew:** Yes, but based on this rule, I am assuming.

**Chairman Holmberg:** Well, the majority ruled.

**Representative Bellew:** That is fine. I am just saying I personally don't think this should be here. You are the Senate and you can do as you wish over here. I am here to introduce the bill. The bill before you, if passed, will eliminate state income tax on Social Security. It used to be so simple. Social Security was not taxed. Period. That all changed in 1983 when Congress decided to tax up to 50% of the benefits. Later, in 1992, lawmakers decided to tax up to 85% of the benefits. Since ND state income tax is tied to the federal level, that is why there is state income tax on SS in ND. ND is only 1 of 13 states that taxes benefits on SS. According to the SS Administration, almost 62M people, most of them retired, received a

benefit check in November. For these retirees, their SS income is not just some extra cash to count on at the end of the month, it is an indispensable source of income that they couldn't do without. SS data shows that 62% of these retired workers net at least half their income if not more from SS. Therefore, this bill is for those retirees to help them in their golden years. I am I that boat too, Mr. Chairman.

When did SS become taxable and why? The taxation and SS benefits were first introduced in the SS amendments of 1983. This tax was part of a package to decide to raise revenue and cut costs from the SS Program. The retirement ages were also raised at that time. This tax took effect in 1984. This part of my testimony hurt me because it was my President Reagan who signed this into law.

Elimination of this tax from state income makes sense. Retirees are having to hand money back to the state that, in their minds, was already taxed while they were working. SS is not pre-taxed. So we were taxed on our full amount of income and still have SS deducted. I believe this an example of double taxation. This tax effects everyone. As I stated earlier SS benefits are taxed in only 13 states with ND being one of them. A report also came out stating that the friendliest days to retire in did not subject SS to state income tax. That would be a good reason to eliminate state income tax in ND.

Senators, it is time to eliminate SS from state income tax. The budget proposed by our Governor was the second highest proposal in state history. The amount was a little over \$14 B. The fiscal note on this bill is \$20.8M which represents .0014% of the total budget. This reduction should not hurt state government at all. Senators, as far as I know, we are not giving anything back to the people this session. We have increased government spending. I believe it's time to give something back to the people. Let's do the right thing and let's pass this bill.

**(0.6:53) Senator Bekkedahl:** The comment was made in floor discussion about 50% of the SS contributions being from the individual over the lifetime and then 50% are matched by the employer. When you talk about taxing the full amount in your lifetime, you are really only being taxed for the 50% you are contributing right?

**Representative Bellew:** Yes.

**Senator Bekkedahl:** But this would be a full benefit on both 50 percent's.

**Representative Bellew:** This would be a total state income tax reduction. You would still be taxed on the federal level.

**Senator Bekkedahl:** The benefit you receive is 50% derived from the contribution from the employer and 50% from the employee.

**Representative Bellew:** That is correct.

**Senator Dever:** I understand why you would not want to see this bill in front of the House Appropriations committee. I also noticed that all but 5 members of House Appropriations



voted for the bill. Sixteen members voted for the bill and on this committee, 8 voted for the bill.

**Representative Bellew:** This is your bill now so I will not tell you what it passed in the House by. It did pass the full Senator Floor.

**Senator Dever:** Now we are figuring out how to deal with the reduction in revenue of \$20.800,000. You are not concerned about priorities elsewhere?

**Representative Bellew:** This is a priority for the seniors in the state.

**V. Chairman Wanzek:** In section 1, that deals with the homestead?

**Representative Bellew:** That is existing language. The gist of this bill is just to reduce state income tax on SS. I do not know why council put that in there. I would have to talk to Emily Thompson because she drafted the bill.

**V. Chairman Wanzek:** As I am reading this, I am assuming it is in there to clarify that if we are going to remove SS from income, we are not doing it in the homestead section of the law.

**Representative Bellew:** That would probably be true. This bill does not reduce the homestead tax credit or veteran's disability tax credit from property taxes.

**(0.10:43) Mike Chaussee, AARP of ND:** Testified in favor of HB 1174 and provided Attachment #1. The people that we deal with want this. We heard from many people during the interim. This was not number 1 on our radar that we were going to work on, but we did hear from a number of people who did not know why they were paying this so we wanted to get involved. We did not know what the bill was going to look like. Three bills that were almost identical, were introduced this session. One started on the Senate side, and 2 were introduced on the House side. This bill is one of those three that survived.

**(15:25) Chairman Holmberg:** As Senator Dever pointed out, we are in the midst of preparing to close our budget numbers and pass something. So here we have almost \$20.8M. If we are looking for this \$20.8M, should we take it from medical assistance nursing homes or home and community based care? It is going to come from somewhere.

**Mr. Chaussee:** I do not know how to answer that question. We would like to see those things funded. We understand it is a difficult place to be in. I do not have the brain power to tell you where to go.

**Chairman Holmberg:** Representative Bellew made the point about priorities. That is one of the things the Appropriations committee has to do. He said this is his high priority. I was throwing out to you, the kind of things we deal with over the next few weeks.

**Senator Sorvaag:** You said 90% depend on SS and don't pay taxes. You used another number for another group that most likely pays little or nothing for tax. As AARP is looking at this, you research, you crunch numbers but have you looked at an appropriate threshold for

ND that would really help those in need? To some \$300 is a lot of money. We don't diminish that. We also know that what we did here, the bulk of that money is going to come from those who are making a lot of money. Did you crunch numbers that AARP might like as a threshold?

**Mr. Chaussee:** I do. I can send the entire committee out a worksheet that outlines the thresholds that every other state operates within. We have supported many of those along the way. We have had discussions with the Tax Department here about what certain thresholds would mean to the fiscal note. I would be happy to share that information.

**Chairman Holmberg:** I know Senator Mathern has done some work. I am sure the Tax Department can provide that information. We are not going to do anything on the bill today.

**V. Chairman Wanzek:** I am wondering, the threshold at the federal level has never been changed since when it was implemented. Is there any effort on the part of your end? That seems that that would solve the problem if there was an inflation adjuster or a change in the threshold at the federal level.

**(0.18.59) Mr. Chaussee:** I know we have engaged at certain points over the years. I do not know how intense we have been. I can ask someone who has been with the organization longer than I have. I can let you know how we dove into that issue.

**V. Chairman Wanzek:** I think you would get a lot more bang for the buck if you could raise that threshold at the federal level.

**Mr. Chaussee:** Yes, I understand that.

**Senator Bekkedahl:** Are we going to receive any information from the tax department?

**Chairman Holmberg:** They are here and prepared to give us information.

**(0.20.13) Pat Pinns, Retired School Teacher:** Testified in favor of the bill. I wanted to speak to this bill. First of all, we don't envy your job. Whenever you are crunching numbers and it comes down to the dollar bill, it is not an easy job. That is the same way in everyone's home. One thing that needs to be put into perspective on this on the idea of what's been happening to the disparity and wealth of this country is that the wealthy are getting wealthier, and the poor are getting poorer. That is not necessarily your problem. We look at this state and we look at the number seniors and we know that number has been growing. I am part of that movement. Many of you are approaching that as well.

I don't know the rational back in 1983 for instituting this. It doesn't take a rocket scientist to figure it out. Someone wanted more money on the federal level. They needed to find another place to pull the money in itself. I do remember the backlash on it. Many of you shall remember that because the word that came out is that where is this government of ours instituting a surtax on us. A tax on a tax. It has always kind of been an unwritten rule that we tax people but we do not want to tax them to death by putting a tax on another tax. Any way you spell this, you are placing a tax on a tax that has been put into place itself. I wanted to speak about living with a budget as a school teacher. I started back in 1970 as a teacher. I did prom, plays, and speech. I made \$5,200. When you say a gross salary, that was gross

salary. I am a long way from that today but we are also 40 some years down the road. I still have to deal with that measure as a retired person of a budget on a monthly basis. I do not envy you. You cannot just pull \$20M out of a drawer. I hope you will look at this and consider it carefully. I am hoping you will put support behind this bill.

**Chairman Holmberg:** Anyone else here to testify?

**Joe Becker, Tax Department:** I am here to answer any questions.

**Senator Mathern:** Would you please give us the fiscal impact if we limited this change to a threshold where the combined ND income was \$75,000 and another one at \$100,000.

**Joe Becker:** We have run some numbers. If you would set an adjusted gross income at \$75,000, you would exclude the benefits at 100%. That would lower the fiscal note to about \$6.4M for the biennium. If you would set a threshold at \$100,000 of adjusted gross income, it would cut the fiscal note to about \$10.6M. For \$50,000 the fiscal note would drop to \$ 2.2M per biennium.

**Chairman Holmberg:** The total fiscal note, if there was a threshold of \$75,000 would be \$6.4 M. If the threshold went up to \$100,000 it would be \$10M.

**Joe Becker:** That is correct. With the \$100,000 we would be exempting those benefits. There are quite a number of folks in the \$50,000-\$100,000 range.

**Senator Bekkedahl:** It makes sense to me because as you increase that threshold, more people would come in for the fiscal note.

**Joe Becker:** Yes. The threshold is now 0 so we will tax all those folks that have taxable benefits so it is sitting at \$20.8M. If we would then put a threshold in at \$50,000 AGI, we are only excluding those with the AGIs below \$50,000. That is the \$2.2M. As we raise that threshold we would increase the fiscal note because more folks would reap the benefits of the exclusion.

**Senator Bekkedahl:** What is the defined medium household average income for ND?

**Joe Becker:** I do not know.

**Senator Bekkedahl:** If you could look that number up and get a fiscal note based on that, that would be great. Maybe it would make sense to tie some change in this threshold to some meaningful statistic like that. That is all I am looking for.

**Joe Becker:** I will look at that for you.

**Senator Sorvaag:** You are talking about this being a joint income. This threshold could vary. This would be the same whether single or married.

**Joe Becker:** This is looking at a per return. It is differentiating between single or joint returns.

**Senator Dever:** I understand the SS income on the average is about \$1,200 a month. What would be the top end of that?

**Joe Becker:** I can certainly find that out for you.

**Senator Dever:** The next bill we have exempts military retirement pay. It has a fiscal note of \$3M. Should that represent a deduction should that pass to this fiscal note? I understand a lot of military retirees are not SS age yet.

**Joe Becker:** Our basis for taxing the benefit is what is taxed at the federal level. If there is another exclusion on the books for ND, that is not going to affect the amounts coming in to the state return. The military exclusion is going to be on top of the SS exclusion.

**Senator Grabinger:** I looked up online. The medium household income is \$61,843 as of 2017. That is the latest they have.

**Joe Becker:** In respect to that, we will have to really estimate. We cannot break it down. If we set a threshold between \$50,000 - \$75,000, that range is a large range. It ranges from \$2.2M to \$6. M. Your number is going to lay somewhere in between. We could look at the number of recipients to see which way that leans.

**Chairman Holmberg:** What percentage of recipients are under the \$100,000 threshold?

**Joe Becker:** Based on federal returns filed with ND addressed, approximately 50,000 are paying federal tax on their SS benefits. It may be higher now since that data is 1 or 2 years old. Of that about 38,000 would fall below the \$100,000.

**Senator Oehlke:** If nothing else was done to state's tax on SS with the exception of only taxing half of it, I hear the angst on double taxation. Did anyone ever ask what that fiscal note would be?

**Joe Becker:** We broke our fiscal note between certain age categories to try and get a better number. Within those, we calculated average tax rates, at this point, it would be about half the fiscal notes you are looking at now. We are working with averages anyway.

**Chairman Holmberg:** Anyone else giving us information on the bill? If not, we will close the hearing on 1174.

# 2019 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Harvest Room, State Capitol

HB 1174  
3/28/2019  
JOB # 34352

- Subcommittee  
 Conference Committee

Committee Clerk: Alice Delzer

## Explanation or reason for introduction of bill/resolution:

Relating to an individual income tax deduction for SS benefits; Relating to the homestead tax credit and the marriage penalty credit.

## Minutes:

1.Proposed Amendment # 19.0115.01002

**Chairman Holmberg:** opened the hearing on HB 1174. All committee members were present except Senator Hogue. Chris Kadmas, Legislative Council and Larry Martin, OMB were also present.

**Senator Mathern:** HB 1174, which is a bill that would state that SS benefits are not taxable in ND has a fiscal note of some \$21M. I thought that was a little steep for what we had to work with, so this amendment places a threshold on that amount of dollars that would not be taxed at \$50,000 of the adjusted gross income for a single filer, and \$70,000 for a joint return filer. I arrived at these thresholds using the \$50,000 because we had some data about that where the costs would bring this down to about \$2.2M. But as I talked with Joe Becker and other folks regarding the single filer versus the joint filer issue, what we used to call marriage penalty, in a sense, goes into effect if you treat all filers the same. So somebody married would only get \$50,000 but that's two people. Somebody single would get \$50,000, that's one person. And so I just asked Mr. Becker to give me a suggested amount in order to be consistent with other tax policy and to be in the range of the other 8 states that have such a tax policy. So that is how I came to the \$70,000 for the joint return that is filed. Adoption of this amendment would take the fiscal note down from about \$20M to about \$4.76M. I did ask Mr. Becker of the tax department to give us that rough estimate. Generally, they don't do fiscal notes until an amendment is adopted but he gave this to me this morning. The estimated reduction would be for the next biennium. Attachment # 1, Amendment # 19.0115.01002 was submitted.

**Senator Mathern: moved the Amendment. 2<sup>nd</sup> by Senator Grabinger.**

**(0.04.23) Senator Bekkedahl:** My understanding, wasn't the fiscal note estimation for \$50,000 and below at about \$2.2M? That was confirmed. So the difference here is when you add the joint filing of \$70,000 in, that is where the other \$2.2M coming into the fiscal note?

**Senator Mathern:** That is correct. the other point that we did have, the fiscal impact was at \$100,000. Originally had an amendment drafted at \$100,000, that was \$6.8M and so addressing those folks that are joint return at \$70,000 brought it up to this amount.

**Senator Bekkedahl:** I guess the research that I looked at showed that if we took this to the \$50,000 level, which is now \$32,000, do you remember, Senator Mathern?

**Senator Mathern:** That is when we apply the federal threshold to the impact on the state taxes, yes.

**Senator Bekkedahl:** I looked at the numbers and filers as well, and if we were at the \$50,000 threshold, the number of filers that would be exempt for this would actually slightly exceed the number of filers that would not be exempt. Right now its about 1/3, 2/3 I would prefer to keep it at the \$50,000 level for the marriage penalty.

**Chairman Holmberg:** Anyone else? I still don't know. it's still \$4.7M. Each member will have to decide how they plan to vote on the amendment.

Senator Dever: We don't have a draft. I would prefer to what Senator Bekkedahl is talking about. It seems to me that there is valid argument that this is a tax on a tax because the SS tax on income that was taxed previously. Apart from that, the tax that people are paying on their other income, generally is tax on what was deferred tax so it seems to me appropriate to apply this provision only to SS tax and whatever we can do to get close to that. So I am not sure whether we should adopt this amendment or what Senator Bekkedahl is considering, but I like the concept.

**(0.07.34) Senator Mathern:** The intent of my amendment is to actually address that question of the double taxation but not really offer it to people with higher incomes and I think that would be no problem with adopting Senator Bekkedahl's suggestion as an alternative to this. It would still accomplish that purpose, not to the same level, but I think it still does make sense for those folks who are working on their budget pretty diligently to make it into retirement would get some sort of benefit from a reduction like this. I'd be glad to withdraw my motion if Senator Bekkedahl would like to offer that as an alternative.

**Senator Bekkedahl:** I don't have the formal language in front of me.

**Chairman Holmberg:** if this is withdrawn I would have you do that tomorrow.

**Senator Mathern:** I think it just takes off the words after the comma, for \$70,000 or less if a joint return is filed on this sheet of paper that we have before us.

**Chris Kadrmas, Legislative Council:** Just to confirm that I am understanding correctly, Senator Bekkedahl's recommendation is to provide that tax payers with federal adjusted gross income of \$50,000 and no other options be indicated? Or \$50,000 or less? I mean if that's the case, it would be as simple as doing that. If there were any other questions I would need to defer to Emily Thompson.

**Chairman Holmberg:** Why we don't that. so if you are willing to withdraw.

**Senator Mathern:** I would withdraw my motion.

**Chairman Holmberg:** so then let's close the book on this today.

# 2019 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Harvest Room, State Capitol

HB 1174  
3/29/2019  
Job # 34376

- Subcommittee  
 Conference Committee

Committee Clerk: Rose Laning

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax deduction for SS benefits; to amend and reenact subsection 5 of section 57-02-08.1 and section 57-38-01.28 of the North Dakota Century Code, relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

## Minutes:

Amendment 19.0115.01003

Legislative Council: Adam Mathiak  
OMB: Becky Keller

**Chairman Holmberg** opened discussion on HB 1174.

**Senator Bekkedahl** (handed out amendment 19.0115.01003 – attached # 1): This amendment removes the language which was \$70,000 for joint filers and just leaves it at a threshold of less than \$50,000. The fiscal note on that level was \$2.2M.

**Chairman Holmberg:** We passed the salary issue yesterday and in our last meeting with the House, they had put on the table 2% the first year with a \$100 minimum, \$200 maximum and 2.5% the second year. When we left that meeting, the chairman said we're just going to go back to 2 & 2 and pass that. Then they did change that, so now I think they are spending slightly more money than is in the Senate package so we're having this tortoise race to the finish line. Their latest proposal is 2 & 2.5 with \$120 minimum the first year with a \$200 maximum, but we don't have the numbers yet as to what the dollar difference is. They're spending more money on state employees. I was just telling you that because I know the media is aware of it and I'd rather have you hear it so you know it is there.

**Senator Robinson:** We need to feel good here as a committee that our action here caused them to rethink their stand and the move is in a positive direction.

**Senator Mathern:** If we pass this bill with the amendments that Senator Bekkedahl is offering, we're adding \$19M to the positive in our negotiations.

**Chairman Holmberg:** On the sheets that area used in the small room, \$30M is already gone.



**Senator Bekkedahl: Moved proposed amendment 19.0115.01003.**  
**Senator Poolman: Seconded the motion.**

**Senator Bekkedahl:** Yesterday I talked about Senator Mathern's amendment placing slightly more people in this exemption category in the filings to the state. More than 50% would be in this category. When we take it down to this level, it actually flips a little bit so there's less people in this category of exemption than there is remaining filers above this level. It changes that dynamic a little bit.

**Senator Poolman:** I really like this amendment because when we ask the average Joe what they are imagining when they hear that we're taxing social security, I think that it's this person that they are thinking about. They aren't thinking about all of those who may have more income. This is getting at the essence of what most people think we would be doing with this bill.

**Senator Mathern:** I would remind everyone of the very positive vote of the bill on the floor so there is support out there but this amount probably addresses those people who need it the most.

**Chairman Holmberg:** All in favor of the amendment say aye.  
**Voice vote carried.**

**Senator Erbele: Moved Do Pass as Amended on HB 1174.**  
**Senator Robinson: Seconded the motion.**

**A Roll Call Vote Was Taken: 14 yeas, 0 nays, 0 absent.**  
**Motion carried.**

The bill goes back to the Finance & Tax committee and **Senator Kannianen** will carry the bill.

March 28, 2019

SL  
1301  
3/29

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

Page 3, remove the overstrike over line 3

Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter  
"to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of  
fifty thousand dollars or less, reduced"

Renumber accordingly

Date: 3-28-19

Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1174

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0115.01002

- 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 Mathern    Seconded By Grabinger

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Withdrawn

Date: 3-29-19

Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1174

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0115.01003

- 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 Bekkedahl Seconded By Poolman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Voice Vote  
Carried*

Date: 3-29-19

Roll Call Vote #: 2

2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1174

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 Erbele Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Sen Karpman F+Tax

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

**REPORT OF STANDING COMMITTEE**

**HB 1174: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1174 was placed on the Sixth order on the calendar.

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

Page 3, remove the overstrike over line 3

Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter "to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of fifty thousand dollars or less, reduced"

Renumber accordingly

**2019 CONFERENCE COMMITTEE**

**HB 1174**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1174  
4/11/2019  
34685

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit.

### Minutes:

No attachments

**Chairman Dockter:** There were changes made in the Senate. Could someone from the Senate go through these changes?

**Senator Kannianen:** It's an interesting story with this bill because it was a do not pass on both sides yet it still passed. When it was rereferred on the Senate side to Appropriations it was amended to have a \$50,000 income cap so the fiscal note was carved down quite substantially.

**Chairman Dockter:** The fiscal note sent over from the House was \$20.8 million and you carved it down to \$2.2 million.

**Senator Kannianen:** Yes.

**Chairman Dockter:** We were both overturned by both chambers so we are here with this bill before us. Can I get some direction?

**Representative Headland:** The House's position on taxation has always been modeled towards tax relief for everyone. We've resisted carve outs for certain factions of taxpayers. I'm wondering if we could give consideration into amending this bill into a broad tax relief for everyone.

**Chairman Dockter:** I agree with Representative Headland. People want tax credits. I think if we put something in that reduces and eventually eliminates the income tax the bill load would be a lot less in our tax committees because that's what people want every session.

**Senator Cook:** I find this interesting as we have four republicans on this committee and these four have all voted against the bill before us. The two democrats are the only two that voted for the bill. I believe that despite my no vote on this bill my job is to represent the



Senate. There are two things I can take from the voice of the Senate this session and that is when they eventually pass this bill as amended unanimously that is a pretty strong message. Number two, they have consistently defeated any attempt to reduce or eliminate the income tax session after session. I also felt that we have a broad base with a low rate. We can continually dwindle down at the base which is why I voted against this bill but it passed the Senate unanimously and it passed your chamber. I think that's the message we should take and represent here. We would oppose any effort to try and amend this bill.

**Representative Headland:** I think there are things we certainly agree on; we don't take lightly our responsibility here and we understand what we're supposed to do in this conference committee. It's important to talk about things we agree upon as we move forward with this piece. We've always rejected the effort to pick winners and losers in taxation. The argument that was made in the House on this effort was the fact that some believe the benefit shouldn't be taxed. The challenge becomes moving away from something and the cost to do so. We need to look into seeing if there is any desire to move up from what we passed over from the Senate. We may need to take this back and have discussions in both chambers if there is a desire or a will to move up in any way from the \$2.2 million and come back with some possible amendments.

**Chairman Dockter:** You reduced the marriage penalty tax to \$50,000 total, regardless if it's a single or married filed jointly. If we're going to compromise, there needs to be some separation with married or filing singly. We are consistent with everything else we do in the tax code.

**Senator Cook:** I talked with Dee Wald about the married and single filers. I'd be happy to have Dee explain to the committee the reasons why in a future committee meeting.

**Chairman Dockter:** This is an important issue that needs to be resolved. We'll meet again.

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1174  
4/16/2019  
34768

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker
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### Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit.

### Minutes:

No attachments
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**Chairman Dockter:** Opened the conference committee on HB 1174. Does anyone have a comment or any suggestions?

**Representative Headland:** In the House we've spent the session trying to figure out a way to provide tax relief to the citizens in North Dakota. As far as this bill goes, it will carve out a certain faction of taxpayers and reduce their tax burden or at least it would have as it moved out of the House. It will for a limited number of taxpayers that way it's been amended in the Senate. I'd like to propose we have an amendment drafted to provide \$50 million of tax reductions for everybody.

**Chairman Dockter:** Does anyone from the Senate have any ideas for amendments? Once the amendments are completed we'll schedule another meeting. Get any amendments drafted if you have anything. Meeting adjourned.

# 2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1174  
4/18/2019  
34844

Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker
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## Explanation or reason for introduction of bill/resolution:

A BILL relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit.

## Minutes:

No attachments
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**Chairman Dockter:** Opened conference committee on HB 1174. Do we have any suggestions for this bill?

**Representative Headland:** I don't have anything written up but I think we should consider moving up to \$75,000 for those married and filing jointly. I'd be happy to get that amendment drawn up if that's the direction the committee would like to go.

**Chairman Dockter:** The original bill was \$20.8 million then the Senate brought it down to \$2.2 million. With this proposed change it would be \$4.2 million so it would be an extra \$2 million. It would add another 5,000 filers who would be eligible under the new plan. If we get the amendments drawn up would the Senate be okay with this?

**Senator Cook:** I'm alright with it. The Senate would recede and further amend.

**Representative Headland:** I don't think we can vote without the amendment before us.

**Senator Cook:** I've done it.

**Representative Headland:** Made a motion for the Senate to recede from the Senate amendments and amend as follows: raise the married filing jointly to \$75,000 while keeping the single filer to \$50,000 and move forward. I think our chairman should get the amendment drafted.

**Chairman Dockter:** I can do that.

**Representative Mitskog:** Seconded motion.

**Chairman Dockter:** There's been a motion for the Senate to recede and further amend to \$75,000 filing jointly and \$50,000 filing singly.

**Senator Cook:** Once you get the amendments drafted we can all take a look at them but we don't have to come back for another conference committee.

**Chairman Dockter:** Fair enough. I'll get those drafted right away. Any other discussion?

**Roll Call Vote: 6 Yes 0 No 0 Absent**

**Motion carried.**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1174  
4/22/2019  
#34897

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A BILL relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit; and to provide an effective date.

### Minutes:

No attachments

**Chairman Dockter:** HB1174 is back before the committee. This morning the House rejected the conference report. Both chambers passed the unlimited threshold then it was rereferred to Appropriations in the Senate where they reduced it to \$2.2 million. It came back over and we had a conference committee where we settled on \$50,000 for single and \$75,000 for married filing jointly with a fiscal note of about \$4.2 million. The only tax relief we've giving this session is for military families. I'm looking for direction because the House sent it back to us from our previous conference report. Does anyone have any suggestions?

**Rep. Headland:** Made a motion for the Senate to recede from Senate amendments.

**Rep. Mitskog:** Seconded the motion.

**Senator Kannianen:** Do you think that if it was really given a good run on the floor the conference report on the other one would have been adopted?

**Chairman Dockter:** Yes, because it's already passed both chambers. Appropriations is where they made the changes.

**Senator Kannianen:** I meant the conference committee report we had before that failed this morning. I heard it was a pretty close vote. Don't you think it would go through if you had good backing on the floor?

**Chairman Dockter:** We thought we had good backing. When we originally voted we had 65 votes which is almost 2/3 vote. I think we would still be in the 60s for votes if we brought it back.

**Senator Cook:** I listened to the floor this morning. You carried the bill and a committee member asked two rhetorical questions which you answered. There was little argument

made that we were creating a marriage penalty but I never heard any answer to his argument. As I read your action this morning you were fairly comfortable that the conference committee was going to pass. There wasn't much fight put up to defend the conference committee in my mind but you got 42 votes to support it and 49 not to support it. I don't think there's a strong message from the House that they want a \$20 million fiscal note. I would advise that before we go there we put a good effort into trying to find something close to what you had today that will pass, if not the same thing.

**Chairman Dockter:** I think that more than likely it would be the same outcome.

**Rep. Headland:** I think it would be a travesty to leave this session without some cash relief. Part of the resistance to this bill on the House side early on was that we had a bigger vision for the taxpayers of North Dakota but it appears they may not be getting that or see the benefits from that. We strongly believe in what we have here.

**Chairman Dockter:** We are at the end. We do not have many options left to give tax relief. This is one vehicle left where we can give relief.

**Rep. Mitskog:** This is an important bill for seniors in North Dakota. I'm fearful that this could fail so I am willing to compromise. I was disappointed in the actions of the House today even though I am here to defend the House. I want a piece of legislation that has a chance of passing.

**Rep. Headland: Withdrew motion.** How are we going to do it; run a bill out until we get something passed? I don't think we could run the bill out fixing the marriage requirement. I see it being defeated on the floor. I'm willing to take a run at that if that's what you think we need to do. We can change the requirements to \$50,000 for single and \$100,000 for married filing jointly.

**Chairman Dockter:** Yes. It would have a fiscal note of \$7.3 million with about 30,000 filers being affected.

**Rep. Mitskog: Withdrew second motion.**

**Senator Cook:** It may be worth our time to have the chairmen meet with the Tax Department regarding the marriage penalty issue and how we would solve it. I don't think the marriage penalty is as big of an issue as it was portrayed this morning.

**Chairman Dockter:** Several years ago the marriage penalty was \$6,200 for single and \$10,000 or \$11,000 for married filing jointly then they changed the code where it's \$12,000 for single and \$24,000 for married filing jointly. Whatever it is for single you double it for the marriage penalty. We can meet with the Tax Department today then schedule another conference committee tomorrow morning,

The meeting was adjourned.

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1174  
4/23/2019  
34932

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker
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### Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for social security benefits; relating to the homestead tax credit and the marriage penalty credit.

### Minutes:

No attachments
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**Chairman Dockter:** Senator Kannianen and myself met after the meeting yesterday. We had some good discussion and we're looking at a good compromise.

**Senator Kannianen:** We talked some numbers yesterday and you wanted to go higher while I wanted to go lower.

**Chairman Dockter:** Whatever it is it needs to be double from the single to the married filing jointly. We're looking at \$50,000 for single and \$100,000 for married filing jointly. The fiscal impact would be \$7.3 million with about 30,000 filers benefiting from this legislation.

**Senator Kannianen:** If that's what it takes I think those numbers would be okay. **Made a motion for the Senate to recede from Senate amendments and amend as follows with \$50,000 for single and \$100,000 for married filing jointly.**

**Representative Mitskog:** Seconded motion.

**Representative Headland:** I think we should maybe look at the opportunity we have here and try to get back to the original version of what the House passed.

**Representative Mitskog:** Going to a \$20 million fiscal note?

**Representative Headland:** That's what I would like to discuss.

**Representative Mitskog:** I'm certainly here to uphold and represent the House's position but I know that it's a large fiscal note. This is an important piece of legislation for seniors in our state. We need to look at something that is realistic and has a good chance of passing.

**Senator Cook:** This is all about the art of compromise. We have demonstrated a lot of compromise with this amendment before us now. I think we need to call the question and hopefully pass this amendment moving on to other tax bills where we have some work to do yet.

**Roll call vote: 5 Yes 1 No 0 Absent**

**Motion carried.**

**Chairman Dockter:** Travis, just cross out \$75,000 and replace it with \$100,000 on the amendment. Unless something happens on the floor this should be the end of the conference committees on HB 1174.

Meeting adjourned.



PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

That the Senate recede from its amendments as printed on pages 1440 and 1441 of the House Journal and pages 1190 and 1191 of the Senate Journal and that engrossed House Bill No. 1174 be amended as follows:

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

Page 3, remove the overstrike over line 3

Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter "to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of fifty thousand dollars or less, or seventy-five thousand dollars or less if married filing jointly, reduced"

Renumber accordingly

April 23, 2019

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4/23/19  
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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

That the Senate recede from its amendments as printed on pages 1440 and 1441 of the House Journal and pages 1190 and 1191 of the Senate Journal and that House Bill No. 1174 be amended as follows:

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

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Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter "to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of fifty thousand dollars or less, or one hundred thousand dollars or less if married filing jointly, reduced"

Renumber accordingly

Date: 4-18-19  
 Roll Call Vote #: 7

**2019 HOUSE CONFERENCE COMMITTEE  
 ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1174 as (re) engrossed

**House Finance and Taxation Committee**

- Action Taken**
- HOUSE accede to Senate Amendments
  - HOUSE accede to Senate Amendments and further amend
  - SENATE recede from Senate amendments
  - SENATE recede from Senate amendments and amend as follows  
     \$75,000 married filing jointly
  - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Headland Seconded by: Rep. Mitskog

Representatives						Senators					
	4-11	4-16	4-18	Yes	No		4-11	4-16	4-18	Yes	No
Chairman Dockter	X	X	X	X		Senator Kannianen	X	X	X	X	
Representative Headland	X	X	X	X		Senator Cook	X	X	X	X	
Representative Mitskog	X	X	X	X		Senator Dotzenrod	X	X	X	X	
Total Rep. Vote						Total Senate Vote					

Vote Count      Yes: 6      No: 0      Absent: 0

House Carrier Rep. Dockter      Senate Carrier Sen. Kannianen

LC Number 19.0115 . 01004 of amendment

LC Number \_\_\_\_\_ . 03000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Raise to \$75,000 for married filing jointly.

Date: 4/23/2019  
Roll Call Vote #: 1

**2019 HOUSE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1174 as (re) engrossed

House "Enter committee name" Committee

- Action Taken  HOUSE accede to Senate Amendments  
 HOUSE accede to Senate Amendments and further amend  
 SENATE recede from Senate amendments  
 SENATE recede from Senate amendments and amend as follows  
  
 Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Kannianen Seconded by: Representative Mitskog

Representatives	4/22	4/23	Yes	No	Senators	4/22	4/23	Yes	No
Chairman Dockter	x	x	x		Senator Kannianen	x	x	x	
Rep. Headland	x	x		x	Senator Cook	x	x	x	
Rep Mitskog	x	x	x		Senator Dotzenrod	x	x	x	
Total Rep. Vote			2	1	Total Senate Vote			3	0

Vote Count Yes: 5 No: 1 Absent: 0

House Carrier Representative Dockter Senate Carrier Senator Kannianen

LC Number 19.0115 , 01005 of amendment

LC Number 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

\$50,000 single filing  
\$100,000 married filing jointly

Insert LC: 19.0115.01004  
House Carrier: Dockter  
Senate Carrier: Kannianen

**REPORT OF CONFERENCE COMMITTEE**

**HB 1174:** Your conference committee (Sens. Kannianen, Cook, Dotzenrod and Reps. Dockter, Headland, Mitskog) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1440-1441, adopt amendments as follows, and place HB 1174 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1440 and 1441 of the House Journal and pages 1190 and 1191 of the Senate Journal and that engrossed House Bill No. 1174 be amended as follows:

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

Page 3, remove the overstrike over line 3

Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter "to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of fifty thousand dollars or less, or seventy-five thousand dollars or less if married filing jointly, reduced"

Renumber accordingly

HB 1174 was placed on the Seventh order of business on the calendar.

Insert LC: 19.0115.01005  
House Carrier: Dockter  
Senate Carrier: Kannianen

**REPORT OF CONFERENCE COMMITTEE**

**HB 1174:** Your conference committee (Sens. Kannianen, Cook, Dotzenrod and Reps. Dockter, Headland, Mitskog) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1440-1441, adopt amendments as follows, and place HB 1174 on the Seventh order:

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Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of fifty thousand dollars or less, or one hundred thousand dollars or less if married filing jointly, reduced"

ReNUMBER accordingly

HB 1174 was placed on the Seventh order of business on the calendar.

**2019 TESTIMONY**

**HB 1174**

HB 1174  
Elimination of State Income Tax on Social Security

#1  
HB 1174  
1-16-19  
P. 1

Mr. Chairman, members of the Finance and Tax Committee,

The bill before you, if passed, will eliminate the State income tax on Social Security.

According to the Social Security Administration, almost 62 million people, most of them retired received a benefit check in November. For most of these retirees, their Social Security income isn't just some extra cash to count at the end of the month. It is an indispensable source of income that they couldn't do without. SSA data shows 62% of these retired workers nets at least half their income, if not more, from Social Security. Therefore, this bill is before you...to help retirees in their golden years.

The Social Security Act was enacted August 14, 1935. The Act was passed as part of President Roosevelt's New Deal. It was not subject to taxation until 1984.

Social Security was not taxed in the early days because the Treasury Department of the US considered benefits received under the SS Act as "gratuities", and since gifts or gratuities were not generally taxable, Social Security benefits were not taxable. Also, the Treasury Dept. said that the portion of pension benefits not subject to taxation is that on "after-tax income". What this means is that SS is not pre-tax income, the worker pays taxes on all income including the Social Security withholding.

When did Social Security become taxable and why. The taxation of Social Security benefits was first introduced in the Social Security Amendments of 1983. This tax was part of a broader package designed to raise revenue and cut costs for the Social Security program. The retirement ages were also raised at this time. The tax took effect in 1984.



#1  
HB 1174  
1-16-19  
p. 2

Elimination of this tax from state income makes sense. After all, retirees are having to hand back money to the State that was in most of our minds, already taxed while we were working. If this tax were eliminated from State income tax, middle-income and low-income retired workers would see an immediate boost in their monthly pay.

Currently, Social Security benefits are taxed in only 13 states, with North Dakota being one of them. Also, a report came out stating the friendliest states to retire in did not subject Social Security to State income tax.

Committee members, it is time to eliminate Social Security from State income tax. Thank you and I hope you will give this bill a favorable recommendation.



Real Possibilities in

# North Dakota

#2  
HB 1174  
1-16-19  
p. 1

January 16, 2019  
House Finance and Tax Committee  
Testimony on Social Security Tax Repeal – HB 1174  
Mike Chaussee – AARP North Dakota  
[mchaussee@arp.org](mailto:mchaussee@arp.org) or 701-390-0161

Chairman Headland, members of the House Finance and Tax Committee, I am Mike Chaussee, Advocacy Director for AARP North Dakota. Thank you for listening to AARP North Dakota's testimony in support of House Bill 1174, a repeal of the state tax on Social Security Benefits.

We represent our 88,000 members from across North Dakota, many of whom have lived here their entire lives. They work, they play, they travel, they help raise their grandkids, assist their neighbors and they vote. They also spend money.

In North Dakota people 50 and older spend about \$14 billion a year. That's about 51 percent of consumer spending in the state. Yet, this group presently makes up only 33 percent of the population. We could rattle off a bunch of other economic statistics, but it really comes down to this – AARP North Dakota is committed to supporting or defending issues that help older North Dakotans;

1. Access affordable health care
2. Choose where they live – which includes having access to services and not being forced out of their homes or communities
3. Maintain financial stability

Eliminating the state tax on Social Security benefits helps provide financial relief for many North Dakotans, especially those who lived on fixed incomes. We testified last week on another bill that many North Dakota residents rely on Social Security for a large chunk of their income. Twenty-three percent of older North Dakotans rely on Social Security for more than 90 percent of their income. Forty-five percent rely on it

#2  
HB 1174  
1-16-19  
p.2

for more than half of their income. The average Social Security check in North Dakota is a little more than \$1,300 a month. While we understand the people who make very little will not pay taxes on their Social Security, many people who land just above that threshold will. The Social Security exemption levels of \$25,000 for a single resident and \$32,000 for married filing jointly have not been adjusted for inflation in nearly 35 years. Our data gurus estimated that if the threshold would have kept up with inflation the numbers would look more like \$63,000 and \$111,000 today. So, in 1984, the median income was \$21,000. That falls well below the threshold of \$25,000 – so in 1984 the person making the median income would not pay tax on Social Security. In 2016, the median income was \$61,000. They're paying taxes on their Social Security at some of the highest levels.

Now, to the shocker. North Dakota is one of three states (West Virginia and New Mexico being the others) that taxes Social Security at the federal government level. That's it. Ten other states do have a state tax on Social Security but they've created thresholds higher than the federal level – allowing for more people making moderate incomes to avoid the tax. Twenty-eight have state income tax, but do not tax Social Security at all – if this bill passes as written, North Dakota would become state number 29.

Before I take any questions, I'd like to share with you that during the interim, my first interim at AARP, we received a number of calls asking us to work on this issue. In fact, I think it's fair to say it is the number one advocacy related issue on our members' radar. Maybe that's because of recent work done in Minnesota to change its threshold, maybe it's because other states around the country have been making movement on this issue...either way, it caught our attention. So, when Representative Bellew approached us about the bill, we were happy to lend our support.

AARP supports House Bill 1174.

Thank you – Mike Chaussee, AARP North Dakota

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HB 1174  
1-16-19  
p.3



Real Possibilities



## AARP STATE FACT SHEET NORTH DAKOTA

AARP has offices in all 50 states, Washington, DC, Puerto Rico and the US Virgin Islands.

### Contact Information

North Dakota State Office  
Josh Askvig  
State Director  
jaskvig@aarp.org  
701-355-3642

National Office  
Beverly Gilyard  
Director of Federal Strategy  
bgilyard@aarp.org  
202-434-3747

AARP is working to help Americans 50+ in North Dakota live life to the fullest. We advocate for our members on critical priorities, such as strengthening Social Security, protecting seniors' access to their doctors, and ensuring all Americans have independence and choice as they age.

AARP serves as a one-stop resource for information on the age 50+ population in North Dakota and public opinion research. In addition to serving as a clearinghouse for information about older Americans, we also offer programs and tools that help Americans age 50+ make the best decisions about their health and financial security. We hope the data below and the programs on the reverse side will be helpful to you and your constituents.

### AARP MEMBERS

Total number of AARP members in North Dakota: **85,624**

### SOCIAL SECURITY

Social Security Beneficiaries: **125,786**

Retirees: **87,569**

Widow(er)s: **10,965**

Disabled Workers: **13,917**

Social Security recipients who rely on Social Security for 50% or more of their income: **45.3%**

Social Security recipients who rely on Social Security for 90% or more of their income: **23.1%**

### MEDICARE

Total Medicare Beneficiaries: ~ **115,636**

### HELPING PEOPLE LIVE INDEPENDENTLY

(Medicaid data for older adults and people with physical disabilities)

Percent of Medicaid long-term care spending for home and community-based services: **14.7%**

Percent of Medicaid long-term care spending for institutional care: **85.3%**

Estimated number of family caregivers during the year: **62,100**

Unpaid contributions of family caregivers annually are valued at: **\$860 million**

NORTH DAKOTA AT A GLANCE

#2  
HB 1174  
1-16-19  
p.4

### **AARP: Helping Americans 50+ Live Their Best Lives**

AARP is working to ensure Americans 50+ have choice, control and independence through every stage of their lives. Take advantage of these offerings that can enhance the lives of you, your family members and friends.

#### **Getting Ready for Retirement**

It's never too late to plan for retirement, and it doesn't have to be complicated. AARP offers award-winning, unbiased online tools and information that can help you make effective financial and health-related retirement decisions, such as determining how much money you will need, when to claim Social Security to maximize benefits, and how to navigate through and select Medicare choices. [www.aarp.org/readyforretirement](http://www.aarp.org/readyforretirement)

#### **Finding a Job or Starting a Business**

Whether you're looking for a new job or thinking about starting your own business, AARP can help turn your goals and dreams into real possibilities. Check out [www.aarp.org/work](http://www.aarp.org/work) for tips, tools and other information on topics such as using social media to job hunt, finding a company that values your years of experience, and polishing your résumé. AARP is working with the Small Business Administration to provide mentoring and resources for people who want to start or grow a business; visit [www.aarp.org/startabusiness](http://www.aarp.org/startabusiness). In addition, employers can find a variety of resources on recruiting and retaining experienced workers at [www.aarp.org/employers](http://www.aarp.org/employers).

#### **Making Communities More Livable and Age-Friendly**

AARP research shows that nearly 90 percent of people age 45 and older want to stay in their homes and communities for as long as possible. That's why AARP is helping cities, towns, counties and states become great places for people of all ages to live, work and play. Learn more about how communities are creating age-friendly housing and transportation options; safe, walkable streets; access to needed services; and opportunities for residents of all ages to participate in community activities. [www.aarp.org/livable](http://www.aarp.org/livable)

#### **Staying Ahead of the Curve with AARP Driver Safety**

All drivers can sharpen their driving skills and refresh their knowledge of the rules of the road by taking the AARP Smart Driver Course, available in a classroom or online, in English or Spanish. In some states, participants may receive a multi-year auto insurance discount for completing the AARP Smart Driver Course (participants should consult their insurance agent for details). To learn more, visit [www.aarp.org/drive](http://www.aarp.org/drive) or call 1-877-846-3299.

In addition, CarFit ([www.aarp.org/carfit](http://www.aarp.org/carfit)) can help you learn how your vehicle's design and operating features can better-fit your needs, and the We Need to Talk seminar ([www.aarp.org/weneedtotalk](http://www.aarp.org/weneedtotalk)) provide tips on how to recognize when it's time for family members to limit or stop driving, and how to discuss this topic with loved ones. Find state-specific driving information and enjoy personalized tools, games and programs at the AARP Driving Resource Center. [www.aarp.org/drc](http://www.aarp.org/drc)

#### **Staying Connected with Friends and Loved Ones by Sharpening Digital Skills**

AARP TEK Academy can help you connect with friends, family and your passions through free, online courses on the topics of Intro to Smartphones and Tablets, Beyond the Basics with Smartphones and Tablets, Intro to Facebook and Other Social Networks, and Fraud Protection and Online Safety. In addition, AARP TEK and Kaplan University have partnered to offer LearningAdvisor, an online program offering over 33,000 courses from 20 different providers for free or at low-cost. Learn more at [www.aarp.org/tek](http://www.aarp.org/tek).

#### **Caring for a Loved One**

Caring for a family member or close friend is one of the most important—and complicated—roles you'll play. Find resources, tools, and support to help you manage the care of a loved one at [www.aarp.org/caregiving](http://www.aarp.org/caregiving) or 877-333-5885.

#### **Connect to Fun, Interactive Learning from AARP Community Programs In-Person or Online**

Whether you're sharpening your skills to find a job, trying to connect with other family caregivers or want to learn how to use your mobile device, AARP Community Programs connects you to fun, interactive local events and e-learning – at no charge! Our in-person classes are offered in cities and towns nationwide, including in [insert city or state name]. You'll also find us at fairs, festivals and local events. And, you can learn online anytime through webinars, interactive videos, games, tools and online fairs. Find us in your community and access e-Learning at: [www.aarp.org/academy](http://www.aarp.org/academy).

# North Dakota



#2 1-16-19  
#1174 p.5

The Longevity Economy is the sum of all economic activity in North Dakota that is supported by the consumer spending of households headed by someone age 50 or older—both in North Dakota, as well as spending on exports from North Dakota to other states and DC. This includes the direct, indirect (supply chain), and induced economic effects of this spending. (The induced impact involves the ripple effects from the spending of those employed either directly or indirectly.)

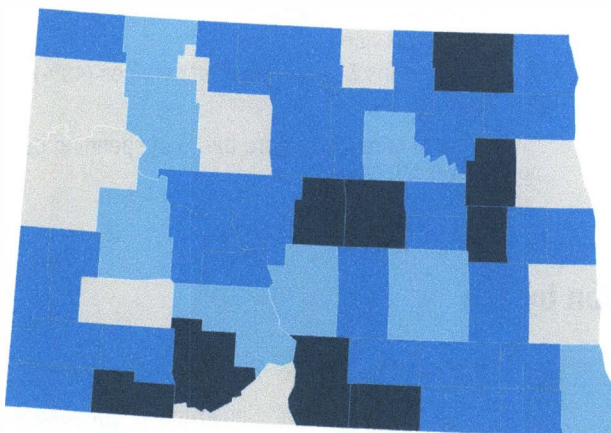
People over 50 contribute to the economy in a positive, outside proportion to their share of the population. Despite being 33% of North Dakota's population in 2015 (expected to be 37% in 2040), the total economic contribution of the Longevity Economy accounted for 36% of North Dakota's GDP (\$20.1 billion). This supported 42% of North Dakota's jobs (248,000), 37% of labor income (\$12.4 billion), and 29% of state and local taxes (\$1.3 billion). The greatest number of jobs supported by the Longevity Economy were in education & health services

(61,000), trade, transportation & utilities (58,000), and leisure & hospitality (30,000).

This \$20.1 billion impact of the Longevity Economy was driven by \$14.2 billion in consumer spending by over-50 households in North Dakota, or 51% of total comparable consumer spending. The categories where Longevity Economy spending accounted for the largest share of total consumer spending were health care (61%), entertainment (50%), and utilities (50%).

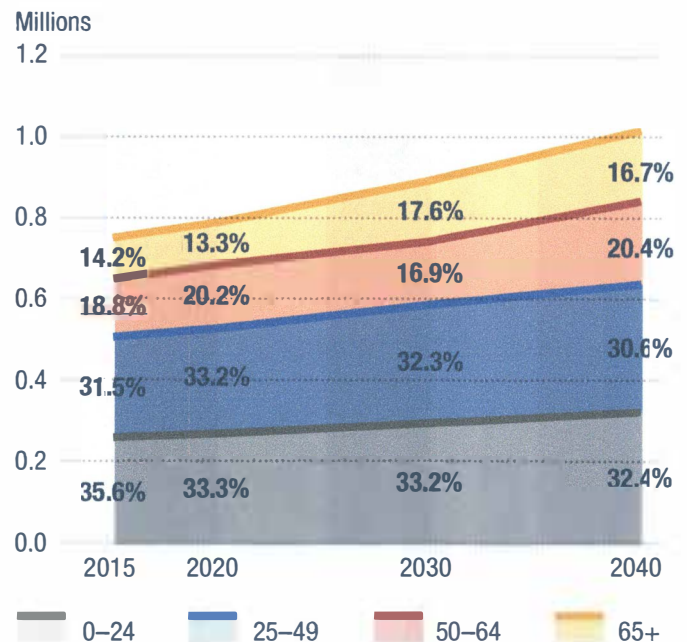
People over 50 also make a significant contribution to North Dakota's workforce, with 74% of people 50-64 employed, compared to 86% of people 25-49. Overall, people over 50 represent 31% of North Dakota's workforce. Among employed people, 17% of those 50-64 are self-employed entrepreneurs, compared with 10% of those 25-49. Additionally, 42% of those 50-64 work in professional occupations, compared to 42% of those 25-49.

## Population by county over 50



20%–30% 30%–40%  
40%–50% 50%–60%

## Population by age



Notes: Population by age by county is from the Census Bureau population estimates for 2015. State population projections to 2040 are from the Cooper Center for Public Service. Labor force status and occupation by age are from the 2015 American Community Survey (ACS). Consumer spending by age of household head for 2015 is calculated by Oxford Economics using data on relative household consumption levels by product type from the 2015 Consumer Expenditure Survey and the 2012 National Health Expenditures Data. These are combined with the number of households by age of household head from the ACS, and then total spending by product is scaled to 2015 household spending data from IMPLAN. The 2015 economic impact of this spending by the Longevity Economy is calculated by Oxford Economics using IMPLAN software, and benchmarked against IMPLAN totals for the state.

<https://doi.org/10.26419/res.00172.038>

OXFORD  
ECONOMICS

AARP®  
Real Possibilities



## HB 1174

### Elimination of State Income Tax on Social Security

Mr. Chairman and members of the Senate Finance and Tax Committee,

The bill before you, if passed will eliminate State income tax on Social Security.

It used to be so simple: Social Security benefits were tax free. Period. But then, as part of a "Save Social Security" plan, Congress decided to tax up to 50% of benefits. Later, lawmakers decided to tax up to 85%. Currently, about 18 million Social Security recipients are taxed if your "provisional income" is more than \$25,000 on a single return or \$32,000 on a joint return. Provisional income is adjusted gross income (not including Social Security) plus 50% of your benefits plus any tax-free interest from municipal bonds. If that income is between \$25,000 and \$34,000 on a single return or between \$32,000 and \$44,000 on a joint return, up to 50% of your benefits can be taxed. Now, if your provisional income is more than \$34,000 on a single return or \$44,000 on a joint return, it is likely 85% of your benefits will be taxed. North Dakota also subjects Social Security benefits to State Income Tax, one of only thirteen states that tax Social Security.

According to the Social Security Administration, almost 62 million people, most of them retired received a benefit check in November. For most of these retirees, their Social Security income isn't just some extra cash to count at the end of the month. It is an indispensable source of income that they couldn't do without. SSA data shows 62% of these retired workers nets at least half their income, if not more, from Social Security. Therefore, this bill is before you...to help retirees in their golden years.



The Social Security Act was enacted August 14, 1935. The Act was passed as part of President Roosevelt's New Deal. It was not subject to taxation until 1984.

Social Security was not taxed in the early days because the Treasury Department of the US considered benefits received under the SS Act as "gratuities", and since gifts or gratuities were not generally taxable, Social Security benefits were not taxable. Also, the Treasury Dept. said that the portion of pension benefits not subject to taxation is that on "after-tax income". What this means is that SS is not pre-tax income, the worker pays taxes on all income including the Social Security withholding which makes this double taxation.

When did Social Security become taxable and why. The taxation of Social Security benefits was first introduced in the Social Security Amendments of 1983. This tax was part of a broader package designed to raise revenue and cut costs for the Social Security program. The retirement ages were also raised at this time. The tax took effect in 1984.

Elimination of this tax from state income makes sense. After all, retirees are having to hand back money to the State that was in most of our minds, was already taxed while we were working. If this tax were eliminated from State income tax, middle-income and low-income retired workers would see an immediate boost in their monthly pay. I believe that this is a classic example of double taxation. And this tax affects everyone, because someday hopefully, all will receive Social Security benefits.

Currently, Social Security benefits are taxed in only 13 states, with North Dakota being one of them. Also, a report came out stating the friendliest states to retire in did not subject Social Security to State income tax.

Senators, it is time to eliminate Social Security from State income tax.

One member in House said that they did not like reducing taxes for a group (namely senior citizens). In 1984 only, the social security receipts were taxed. I believe that Social Security received has already been taxed, thus it is a double taxation.

Finally, the budget proposed by our Governor, I believe, is the second highest proposal in State history. The amount proposed is \$14,293,822,993. If one can believe the fiscal note, which I don't, of \$20,800,000, this represents .001455% of the total proposed budget. This should not hurt State Government at all. Fellow Legislators, as far as I know, we are not giving anything back to the people this session, only increasing government spending. We have in committee a "ground hog" bill that is proposing to give government an additional \$280,000,000 all new spending. Yet, according to the committee that this bill came from, we cannot afford to give our seniors some of their money back. Let's do the right thing and pass this bill.

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**AARP**<sup>®</sup> Real Possibilities  
**North Dakota**

March 12, 2019  
Senate Finance and Tax Committee  
Testimony on Social Security Tax Repeal – HB 1174  
Josh Askvig – AARP North Dakota  
[jaskvig@aarp.org](mailto:jaskvig@aarp.org) or 701-989-0129

Chairman Cook, members of the Senate Finance and Tax Committee, I am Josh Askvig, State Director for AARP North Dakota. Thank you for listening to AARP North Dakota's testimony in support of House Bill 1174, a repeal of the state tax on Social Security Benefits.

We represent our 88,000 members from across North Dakota, many of whom have lived here their entire lives. They work, they play, they travel, they help raise their grandkids, they support their local communities, assist their neighbors and they vote.

In North Dakota people 50 and older spend about \$14 billion a year. That's 51 percent of consumer spending in the state. Yet, this group presently makes up only 33 percent of the population. We could rattle off a bunch of other economic statistics, but it really comes down to this – AARP North Dakota is committed to supporting or defending issues that help older North Dakotans;

1. Access affordable health care
2. Help people choose where they live – which includes having access to services and not being forced out of their homes or communities
3. Maintain financial stability

Eliminating the state tax on Social Security helps provide financial relief for many North Dakotans, especially those who live on fixed incomes. Twenty-three percent of older North Dakotans rely on Social Security for more than 90 percent of their

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income. Forty-five percent rely on it for more than half of their income. The average Social Security check in North Dakota is a little more than \$1,300 a month. While we understand the people who make very little will not pay taxes on their Social Security, many people who land just above that threshold will.

The Social Security exemption levels of \$25,000 for a single resident and \$32,000 for married filing jointly have not been adjusted for inflation in nearly 35 years. Our data gurus estimated that if the threshold would have kept up with inflation the numbers would look more like \$63,000 and \$111,000 today. In 1984, the median income was \$21,000. That falls well below the threshold of \$25,000 – so - in 1984 the person making the median income would not pay tax on Social Security. In 2016, the median income was \$61,000. They're paying taxes on their Social Security at federal level – and in North Dakota to the state as well.

North Dakota is one of 13 states that taxes Social Security at the state level. Most of them have set up some sort of threshold reducing the amount paid to the state versus the federal guidelines. At this point, North Dakota is one of just three states - West Virginia and New Mexico being the others - that taxes Social Security at the federal government level. And I can report that one of the two other states also has a bill to reduce the Social Security Tax at the state level sitting on the Governor's desk awaiting final approval.

During the interim we received a number of calls on this issue which encouraged us to work hard on this issue. And prior to the vote in the House we generated more e-mails in a short amount of time on this issue than any issue I can remember. They're interested and fired up about this one.

AARP supports House Bill 1174.

Thank you,  
Josh Askvig  
State Director, AARP North Dakota

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Testimony from Great Plains Food Bank

**Support for HB 1174**

Senate Finance and Taxation Committee

March 12, 2019

Chairman Cook and members of the Senate Finance and Taxation Committee, I am Melissa Sobolik from the Great Plains Food Bank and I'm here today to support HB 1174.

As the only food bank in the state of North Dakota, Great Plains Food Bank distributes food to over 200 food pantries, soup kitchens and shelters all across the state as well as through our direct service programs, like the Backpack Program, Mobile Food Pantry and Senior Food Program. Last year one in 9 North Dakotans needed food assistance and we were proud to be there to help.

We recently completed the largest and most comprehensive study of food pantry clients, called Hunger in North Dakota 2018. We conducted face-to-face interviews with 516 clients asking them a series of 81 questions. Not only about their nutritional needs, but gathering demographic and root cause information as well. I wanted to share a few findings from our senior clients that will lend support for HB 1174.

Just over 12% of those who seek food assistance, are seniors (age 60+). Senior clients reported their average monthly income is just \$1,124, primarily from social security benefits. Upwards of 40% of them report making tough decisions every month – choosing between paying for food and medicine, food and utilities and food and gas for their vehicle.

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Increasingly, grandparents are caring for their grandchildren for a number of reasons. Their income isn't adequate to support themselves and their bills, let alone the needs of children. They are not only re-entering the workforce, they are going without necessities, like medication and medical care, to ensure their grandchildren get everything they need.

We know they are making difficult decisions each and every month and HB 1174 would make their lives a little easier by putting a little extra money in their pockets. For many it could mean visiting the doctor this month, or filling the car with gas. Those things may seem small to some, but for many low income seniors, it will make a world of difference.

I encourage you to support HB1174 and would be happy to answer any questions you have. Thank you.

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# AARP<sup>®</sup> Real Possibilities North Dakota

March 25, 2019  
Senate Appropriations Committee  
Testimony on Social Security Tax Repeal – HB 1174  
Mike Chaussee – AARP North Dakota  
[mchaussee@aarp.org](mailto:mchaussee@aarp.org) or 701-390-0161

Chairman Holmberg, members of the Senate Appropriations Committee, I am Mike Chaussee, with AARP North Dakota. I'm here to on behalf of our 88,000 members and all North Dakotans 50-and-older to support House Bill 1174, a repeal of the state tax on Social Security Benefits.

AARP North Dakota is committed to supporting or defending issues that help older North Dakotans;

1. Access affordable health care
2. Help people choose where they live – which includes having access to services and not being forced out of their homes or communities
3. Maintain financial stability

Eliminating the state tax on Social Security helps provide financial relief for many North Dakotans, especially those who live on fixed incomes.

Twenty-three percent of older North Dakotans rely on Social Security for more than 90 percent of their income. Forty-five percent rely on it for more than half of their income. While we understand the people who make very little will not pay taxes on their Social Security, many people who land just above that threshold will.

The Social Security exemption levels in North Dakota mirror those of the federal government. The thresholds of \$25,000 for a single resident and \$32,000 for married

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filing jointly have not been adjusted for inflation in nearly 35 years. Our data gurus estimated that if the threshold would have been adjusted for inflation over the years those thresholds would look more like \$63,000 and \$111,000 today. In 1984, when the federal government implemented the tax on Social Security, the median household income was \$21,000. Well within the threshold so they were not a group targeted to pay the tax. In 2017, the median household income was more than \$61,000 – well outside of the threshold.

Presently, North Dakota is one of 13 states that taxes Social Security at the state level. Most of them have set up some sort of threshold reducing the amount paid to the state versus the federal guidelines. At this point, North Dakota is one of just three states - West Virginia and New Mexico being the others - that taxes Social Security at the federal government level. And I can report that one of the two other states also has a bill to reduce the Social Security Tax at the state level sitting on the Governor's desk awaiting final approval.

During the interim we received a number of calls encouraging us to work hard on this issue. As you witnessed last week, our members, and older North Dakotans are very interested and willing to engage on this issue. We generated nearly 500 e-mail responses in 26 hours prior to the Senate floor vote. Most of the ones you received are from your constituents only. We encourage you to listen to your constituents and support House Bill 1174.

Thank you,  
Mike Chaussee  
AARP North Dakota

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19.0115.01002  
Title.

Prepared by the Legislative Council staff for  
Senator Mathern

March 26, 2019

3-28-19 HB 1174

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P1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

Page 2, remove line 30

Page 3, line 2, remove the overstrike over "~~and~~"

Page 3, remove the overstrike over line 3

Page 3, line 4, remove the overstrike over "~~Revenue Code~~" and insert immediately thereafter  
"to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of  
fifty thousand dollars or less, or seventy thousand dollars or less if a joint return is filed,  
reduced"

Renumber accordingly

19.0115.01003  
Title.

Prepared by the Legislative Council staff for  
Senator Bekkedahl

March 28, 2019

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pg 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

Page 2, remove line 30

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Page 3, line 4, remove the overstrike over "Revenue Code" and insert immediately thereafter  
"to the extent included in North Dakota taxable income"

Page 3, line 14, replace "Reduced" with "For taxpayers with federal adjusted gross income of  
fifty thousand dollars or less, reduced"

Renumber accordingly

## House Bill 1174

### Exclusion for taxable social security benefits

<b>AGI Threshold</b> Exclusion allowed if AGI is equal to or less than this amount (Single / Married, Joint)	<b>Estimated Revenue Reduction</b>	<b>Approximate Number of Eligible Filers</b>
\$30,000 / \$60,000	\$1.7 million	11,789
\$35,000 / \$70,000	\$2.8 million	15,937
\$40,000 / \$80,000	\$4.0 million	20,757
\$45,000 / \$90,000	\$5.7 million	24,982
\$50,000 / \$100,000	\$7.3 million	30,041
\$55,000 / \$110,000	\$8.4 million	31,995
\$60,000 / \$120,000	\$9.4 million	33,950
\$65,000 / \$130,000	\$10.5 million	35,904
\$70,000 / \$140,000	\$11.5 million	37,860
\$75,000 / \$150,000	\$12.7 million	40,035
\$80,000 / \$160,000	\$13.5 million	41,264
\$85,000 / \$170,000	\$14.3 million	42,491
\$90,000 / \$180,000	\$15.2 million	43,720
\$95,000 / \$190,000	\$16.0 million	44,947
\$100,000 / \$200,000	\$16.8 million	46,175
No threshold	\$20.8 million	50,190

<b>Other States' AGI Thresholds</b>	<b>AGI Threshold</b>	<b>MFJ Threshold</b>
Nebraska	\$43,000 / \$58,000	35% higher
Rhode Island	\$83,550 / \$104,450	25% higher
New Mexico	\$28,500 / \$51,000	79% higher
Missouri	\$85,000 / \$100,000	18% higher
Connecticut	\$75,000 / \$100,000	33% higher
Kansas	\$75,000	Not applicable
W. Virginia	\$50,000 / \$100,000	100% higher
Vermont	\$45,000 / \$60,000	33% higher