

(prepare in triplicate)

FISCAL NOTE

prepared in regard to:

SENATE BILL 2285

(List bill or resolution and number, if available, or subject)

Amendment to: \_\_\_\_\_

(List bill or resolution and number)

Requested by: Legislative council Date of receipt: January 20, 19 75

In the following space note the fiscal effect in dollars of the legislative proposal. If additional space is needed, attach a supplementary sheet. (Please type)

Senate Bill 2285 would decrease state General Fund revenues by an estimated \$5,381,513 for the 1975-77 Biennium. This estimate is based on the current level of collections.

Date of preparation: January 22, 1975

Signed \_\_\_\_\_

Typed Name- Clair W. Cudworth

Department State Tax Department

M E M O

TO: Ken Jakes  
FROM: Clair W. Cudworth  
DATE: January 29, 1975  
SUBJ: Senate Bill 2285

At the January 27, 1975 (Monday) meeting of the Senate Finance and Taxation Committee it was requested that additional fiscal information be provided.

The first request was what the additional revenue loss would be if the last rate (11%) was eliminated on the proposed bill. This would, in effect, then tax all taxable income in excess of \$8,000 at a tax rate of 10%. Other rates were assumed to remain the same as the original proposed rates.

The fiscal effect of this elimination would be to reduce state General Fund revenues by an estimated \$8,367,543 for the 1975-77 Biennium. Or put in another way, it would decrease revenues \$2,986,030 more than the \$5,381,513 estimated decrease projected in the January 25, 1975 fiscal note.

The second request of this committee was to receive a copy of the last legislative session fiscal note on the income tax change. The attached fiscal note of February 9, 1973 indicates that \$7,000,000 would be lost in the 1973-75 Biennium by federalizing the income tax (assuming the old tax rates). The new rates (present rates) proposed were to offset this \$7,000,000 loss by \$4,400,000 or, therefore, result in a net loss of \$2,600,000.

I assume that the committee desired to make some comparison of the revenue loss as projected back in 1973 (\$4,400,000) under the same rates and rules as the revenue loss projected now (\$5,381,513) under the same rates and rules.

You can see the projected loss has increased significantly, but what is extremely important to consider is that the North Dakota personal income structure has also increased significantly between the calendar years 1971 and 1973, on which these projections were made. From 1972 to 1973 North Dakota farm income increased 143.8% while total income increased 39.3% which was the largest increase of any state.

The point that should be stressed is that personal income is the key in projecting individual income taxes. If personal income takes a significant jump one way or another, it is going to offset individual income tax collections significantly. All income tax fiscal notes prepared this year are based on 1973 personal income. I assume that the fiscal notes that were prepared in 1973 were based on 1971 personal income.

