

2001 HOUSE FINANCE AND TAXATION
HB 1055

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1055

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 17, 2001

Tape Number	Side A	Side B	Meter #
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Committee Clerk Signatur	e Jani	a stein	

Minutes:

REP. AL CARLSON. CHAIRMAN Opened the hearing.

REP. ANDY MARAGOS, DIST. 3, MINOT, Introduced the bill in order that we may once again address the idea of decoupling our state income tax from the federal income tax. I think this particular part of our tax policy is outlived and counter productive, as long as it remins revenue neutral. We are one of the smallest true rates of income tax of all of the states.

Perception is ninety eight percent of reality, and when people see the tax rate of North Dakota at 14%, too many of them do not drop down to the asterisk, which explains to them that it is only 14% of our federal liability. There is no excuse for that. I would like to protect us as a low tax rate when we are competing for economic development.

RICK CLAYBURGH, STATE TAX COMMISSIONER, Testified in support of the concept of this bill. We are in the process of finishing our tax study and in that the tax committee makes

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a discussion about the issue of decoupling. The majority of the citizens of North Dakota feel a flat rate of 14% in federal liability is fairly simple and we have done the best we can despite the changes which have occurred the last couple of years by this legislature. We continue to try to maintain that spirit of the law in keeping the short form and have added a schedule for those few taxpayers who require the adjustments you have added. He gave an example of a company looking at North Dakota and other states to come to North Dakota. The company made a comment about the tax rate. He was not interested in subjecting his employees into a state with a 15% income tax. Governor Schaefer spent time explaining to him what the portion of the federal liability meant. But he still had a difficult time, conceptually, coming back with questions. We finally took the tax form and came up with a model employee tax form, then were able to show the president of the company that their employees would have been paying about two thousand dollars less by locating in North Dakota. We used a seventy thousand dollar salary at that point. This took a lot of time and effort, and that was only one company. I really think, the perception, in reality, does not need to be in our way. I certainly appreciate the concerns some of the legislators have about the safety of coming off 14% of federal liability then a more accurate rate of 3.2 to 5.4%. I would suggest that the legislature look at our North Dakota form, we have a short form and long form, they are two distinct statutes that do not support each other, in fact, they conflict with each other. I would suggest that the legislature look over this in the interium, and review both the short form and long form and create a single tax form in North Dakota, one which maintains the spirit of the short form, simplicity and schedules to allow for the more complex filer.

REP. DROYDAL You mentioned a figure in your testimony of three point something up to five, I am looking at the bill and it says 2.1%.

RICK CLAYBURGH It is 2.1 to 5.1%

REP. HERBEL The person that has an income of fifty thousand dollars, will this impact his liability any different than under the present form?

RICK CLAYBURGH In my understanding the way the bill was drafted, this would not have a noticeable effect to the individual taxpayer. It would be revenue neutral down to the individual taxpayer, for the most part. The taxpayer would virtually pay the same tax with this system.

REP. HERBEL Have you done a study at what fiscal impact there would be with President Elect Bush's tax cut?

RICK CLAYBURGH Anytime Congress does any tax changes, our fiscal analysts will review those both on behalf of the tax administrators and our congressional delegation provides them information about the impact to the state of North Dakota. We have not addressed the details yet on President Elect Bush's tax plan. We don't know if they are available at this point. I forgot to mention, that if Congress raises the tax base, North Dakota state income tax increases without any of you voting on it and without the Governor signing it and it becomes an increase.

REP. RENNERFELDT I have seen this bill many times over the years, you say it would be neutral without shifting any taxes, don't you think it would be much easier down the road to tweek this, don't you think it would be possible to manipulate the tax with this bill?

RICK CLAYBURGH There is always a possibility, but I have great faith in the elected leaders in the state of North Dakota.

REP. SCHMIDT Why is this bill revenue neutral and the one two years ago wasn't?

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RICK CLAYBURGH The choice in the decision of the bill sponsor, two years ago, put that in to try to address an inequity in our tax law. That was probably the single issue which led to the defeat of the bill. This is a clean bill which is only focusing on the decoupling.

JOHN WALSTAD, ATTORNEY FOR THE LEGISLATIVE COUNCIL, Explained the history of the bill. All the draft intends to do is back up one line on the federal tax return, from your federal tax liability to your federal taxable income. The trouble is, between those two lines on your federal return, we run through all the federal tax tables. To make this federally neutral, what we had to do in the bill draft, was to put those federal tax tables in reverse, multiply all of the federal rates by 14%.

REP, MIKE TIMM, DIST, 5, MINOT, Testified in opposition of the bill. Through the years, even when I was chairman of this committee, we would see these type bills come in in different forms. I remember back when we did have the brackets, there were always attempts to raise those brackets, raise the percentages. When we decided to adopt the type of tax that we have, we settled on 7.5%, it has gone up to 15% over the years. What you as a committee and we as legislators need to weigh on this is, do we want to waive the casability of filling out our tax forms for our citizens now, or do we want to cater to the people from outside our state, who don't seem to understand what the percentage of our tax liability means. They want to read something else into it. That is the same story we have been getting every time this bill comes forth, the preception people have about our taxes. Are we changing because the citizens of North Dakota are complaining about our high taxes, or the way the form is, or what the percentage is; or are we changing because somebody says the perception of us is really bad because we have this high tax.

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Don't we normally change the law because some citizen of North Dakota thinks the law should be changed. I think that is what we need to look at.

REP. DROYDAL. How do you respond to proponents of this legislation, that by leaving it coupled with federal, it would be an automatic increase or decrease without the legislature taking effect.

REP. TIMM That has happened over the years. The federal tax liability has gone down over the years, so our tax liability has gone down, so actually the citizens of North Dakota have been getting a small tax break. It is unfortunate that we lose several million dollars per biennium because of that. My response to that is, if we want to make up the income, we raise our percentage in another session of the legislature. If you have an employee and you take out income tax out of his wages, like I have, and you look at the tax table from the year before, it goes down a couple bucks, it is called indexing. We are indexing for our citizens.

REP. SCHMIDT You said the people of North Dakota should have a voice on it. Do you think this should be on an initiated ballot, so the people of North Dakota could vote on it.

REP. TIMM No, I didn't say the people don't have a voice in it. I said the people haven't expressed any dissatisfaction with our present system. I have never had anybody come up to me and say "My God can't you change our income tax system in this state". I have never had anybody say that, I think it is pretty simple for them to figure out their income tax.

JOE WESTBY, NORTH DAKOTA EDUCATION ASSN. Testified in support of the bill.

I am for simplicity, I like the way we do it now. But, I have a concern, if the federal government reduces the federal income tax for all of us, then the revenue to the state of North Dakota will be reduced. We seem constantly to struggle to keep the revenue up to support the programs the state

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desires to have. If we don't fix it before the federal government reduces the federal income tax, then we have a problem. Or, if the federal government does reduce the federal income tax, then do we have enough time to come back to the next legislative session and make this change. We need to protect the revenue flow we have now.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-19-01, TAPE #1, SIDE A, METER # 4390

REP, DROVDAL Made a motion for a DO PASS

REP. LLOYD Second the motion. MOTION CARRIED.

8 YES 7 NO 0 ABSENT

REP. WINRICH Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council 03/12/2001

REVISION

Bill/Resolution No.:

HB 1055

Amendment to:

1A. 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.

	1999-200	Blennlum	2001-200	3 Blennlum	2003-2006 Blennlum		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
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Expenditures		miteriorista (1900 metrica del Republicación (1900), qui instituir del	\$472,GU0	and the base of material programmers of the constraint of	enderstad produce dataly physicing street as scales.	er er regi nersk-verskel er i kan be derikte till - de i di i r bi i trisken i	
Appropriations			\$472,000	and the second s	an e Michaele que mile, abum que me habro abum para de para yanan, aga agu a	eranti dell'accioni della con accioni di colore di	

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

	1999-2001 Blennium			200	1-2003 Bleni	nlum	2003-2005 Biennium			
!	Countles	Cities	School Districts	Countles	Cities	School Districts	Countles	Cities	School Districts	
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2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

HB 1055 creates a new "short form" that utilizies rates and brackets that are approximately revenue neutral with current law.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
 - A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
 - B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.
 - C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

The Tax Department estimates additional administrative costs (operating expenses) totaling \$472,000 for the 01-03 biennium would be incurred.

Name:	Kathryn L. Strombeck	Agency: Tax Department
Phone Number:	328-3402	Date Prepared: 03/12/2001

FISCAL NOTE

Requested by Legislative Council 12/14/2000

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HB 1055

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues	Programmed registering development of the stational Profession of the	***************************************					
Expenditures							
Appropriations			\$240,000		A CONTRACTOR OF CONTRACTOR STATE AND ASSESSMENT OF STATE ASSESSMEN		

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1999-2001 Blennlum			200	1-2003 Bleni	nlum	2003-2006 Blennium			
Countles	Cities	School Districts	Countles	Cities	School Districts	Countles	Cities	School Districts	

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Name:	Kathryn L. Strombeck	Agency:	Tax Department
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Phone Number:

328-3402

Date Prepared: 01/15/2001

Date: 2- | 9- 0 | Roll Call Vote #: |

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. HB 1055

House FINANCE & TAXAT	ION			Com	mittee
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Legislative Council Amendment Nu	ımber			despiraçãos Mandre Surgaryo de Laboração y La	- The state of replical is any consequent
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Motion Made By Rep. Dro	vdal		econded By Reg - Lloya	<u> </u>	hapan kalanda kalanda ka asaraba ka
Representatives	Yes	No	Representatives	Yes	No
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DROVDAL, DAVID, V-CHAIR	V		RENNER, DENNIS	V	
BRANDENBURG, MICHAEL			RENNERFELDT, EARL	L	ļ
CLARK, BYRON		K	SCHMIDT, ARLO	K	
GROSZ, MICHAEL		1	WIKENHEISER, RAY	-	
HERBEL, GIL			WINRICH, LONNY	1	
KELSH, SCOT	1	·		·	
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LLOYD, EDWARD					
Total (Yes)		No	7		*
Absent	0				******
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f the vote is on an amendment brief	v indicat	e inten	t.		

REPORT OF STANDING COMMITTEE (410) February 19, 2001 11:24 a.m.

Module No: HR-30-3845 Carrier: Winrich Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1055; Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS (8 YEAS, 7 NAYS, 0 ABSENT AND NOT VOTING). HB 1055 was placed on the Eleventh order on the calendar.

2001 SENATE FINANCE AND TAXATION
HB 1055

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1055

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 3/12/01

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Minutes:

Senator Urlacher: Opened the hearing on HB 1055, relating to individual income tax determination under the simplified optional method of computing state income taxes. Senators Nichols and Kroeplin absent.

Representative Andy Maragos: Co-sponsored the bill, testified in support. I have supported the idea of changing the way we pay our state income tax ever since I've been in the process. As the co-sponsor of the decoupling bill in 1997, I was very appreciate of the Senate's understanding and wisdom they passed it, and I was very disappointed when the House did not. I introduced this bill this way for five very important reasons: 1. To remove any potential for the destabilization of our projected revenues because of the lowering of the Federal income tax rate. We can not allow our income stream after setting our budget to be interrupted. 2. We hope to destroy the image of ND as a high income tax state. Provides handouts(attached) of articles that

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businesses look at for ND's image. The image is contradictory to what the reality is. This image has hurt ND significantly and has been used against us in trying to attract company owners to come to this state. 3. It will be revenue neutral. 4. Not one taxpayer in ND would have their tax liability changed as a result of decoupling. 5. This bill will probably avoid any possibility of being referred because it does nothing except change the method of how we calculate state income tax. It is a proper and appropriate bill.

Senator Wardner: You would take the taxable income off the federal return, is that correct?

Representative Andy Maragos: That's correct.

Senator Wardner: Would you foresee the state developing tables so that people would just go and find it like we do it on the federal?

Representative Andy Maragos: Yes. That would be the ideal thing. I think the table could be printed right on the short-form because there's only five different brackets.

Senator Wardner: Under our current system, it's simplicity. If the state develops tables, it would be simple. They would just find out what their taxable amount was and go right to a table.

Representative Andy Maragos: I don't know how else you could do and maintain a consistency without putting them into these five categories.

Rick Clayburgh: State Tax Commissioner and Co-Chair of the Tax Study, testified in support. This last year, the Tax Study spent some time talking about ND's income tax system and the problems associated with the current system. From the standpoint of economic development, we do have a perception that North Dakotans are subject to a high income tax because of our 14% tied to the Federal liability. Studies and newspapers outside the state look at and write articles dealing with the different tax rates across the country and inevitably people talk about the people in ND who are subject to a 14% income tax. Every time, we do write letters in responses to that,

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but it is a perception that ND has to del with. It's not always the companies that we're dealing with, in many cases we're dealing with head hunter organizations that will be looking as a slight selection for companies that want to come to a state. A lot of times, they will do a quick analysis and not get into the details. That's one of the reasons I support the idea to decouple. Secondly, I don't think the ND budget and ND tax liability needs to flow with Congress. The tax liability that North Dakotans pay to the state of ND, should be the responsibility of the ND Legislature. And it's the legislature that should stand accountable for the dollars that are taxed and levied in the state of ND. And for the most part they are, except for the case when it comes to individual income tax. Those two reasons are why I support this bill. This bill is revenue neutral down to the individual taxpayer. There are some issues that the department needs to deal with as far as the rate and tables. I think this system will simple. We believe that we can take the decoupled bill and create as simple as a form as we're dealing with now, if not more simple. About the tables, the easiest way to solve all that is electronic filing. If taxpayers file electronically, they're not going to have to worry about any of this, it will walk them through the process. As far as the fiscal note, we believe we would be under the \$472,000, but we do have to work with ITD and rewrite our system. I believe we're somewhere in the range of \$300,000 to \$450,000 that we would need for both this bill and 1399, 1055 does not address all of the issues that we believe would need to be addressed. We can explain those in more detail later. There are some specific technical issues that would need to be resolved in the bill to simplify it further for the taxpayers. Senator Wardner: In your opinion, this is just as simple as the current system? Rick Clayburgh: I believe so. By having taxpayers make a mathematical computation, we do run into a lot of errors on tax returns every year. Going into a table eliminates that. I believe we would reduce the amount of error that occurs.

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Senator Wardner: As far as someone doing their income taxes themselves, you would envision that they would go to a tax table, is that correct?

Rick Clayburgh: At this point I would. The bill does give authority to form tables.

Senator Christmann: What's the impact on long-form filers or any of the deductions that we allow on the short-form as it currently exists?

Rick Clayburgh: There is no effect on long-form filers.

Senator Christmann: Does this leave the current exemptions in place?

Rick Clayburgh: Yes it does.

Schator Stenehjem: Are a lot of the problems with tax filers is the fact that they have to take their Federal income tax liability multiply it by the 14% to come up with their state liability and that under this new system it's going to be easier?

Rick Clayburgh: There are a number of errors that occur on the tax form, that is one of them. In all honesty, our current form is not that simple. By creating a form that starts out without having to worry about federal liability is, we can make a system that is simpler.

Senator Stenehjem: As I see the table in this bill, we have five different types of calculations. It seems more complicated.

Rick Clayburgh: That's why we support the tax table, not the rate calculations.

Nancy Sand: NDEA, testified in support.

Joe Becker: State Tax Dept. With respect to Senator Stenehjem's questions about huge tables, we would an envision an approach similar to what the Federal government put out. If you look at their tables, the table is condensed down because they do an averaging process over a \$50 income range. They only do that up to \$100,000. Beyond that, you do have to go in and use the rate schedule.

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Senator Urlacher: Closed the hearing.

Discussion held 3/19/01.

Discussion held on 1399 meter number 4-51.5.

Then discussion held on 1055 meter number 52.7-end, Side A & 0-13.2, Side B.

Donnita Wald: State Tax Dept., provided amendment numbered 10215.tax2 and a handout.

Explained the amendments so the committee could see the difference between the two bills. The committee should look at three things in both bills to simplify: Long-term capital gains, Farming income averaging, the Kiddy tax. The other thing we could look at is Category one, this bill makes adjustments for those items in category one exactly like we do now. Another difference between the two bills, is Category two. 1399 removes those provisions completely.

Senator Nichols: When you're talking about minimal impact to the state, yet if we do away with many of these categories it could be quite an impact on individuals.

Donnita Wald: With Category 2, you add those back so it would be beneficial to some taxpayers.

Senator Nichols: So you're not talking about Category one?

Donnita Wald: No. just Category two.

Rick Clayburgh: Gives numbers on average incomes and rates.

Committee waiting for more numbers from Tax Dept.

Discussion held on both bills 3/21/01. Meter number 10-end, Side A & 0-17.2, Side B.

Joe Becker: Handed out more charts and explained them.

Senator Kroeplin: Would like to see more than two rates to make it more smooth. Would like another chart to show that.

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Senator Christmann: The question is do we want to do the five brackets like we used to have or make it smooth in 1399.

Senator Stenehjem: Number of questions on the chart for Joe.

Rick Clayburgh: Explained more on the charts and rates.

Senator Christmann: Number of questions for Rick.

Discussion on property tax credit.

Donnita Wald: Clarified what numbers the committee wants to run.

Committee wants more charts to see different rates-leave bottom rate at 2.8 and move top rate to 4.8.

Discussion held on both bills 3/26/01. Meter number 0-43.2. Senator Nichols was absent.

Senator Christmann: Gave another chart, with 2.8% for the bottom one and 4.8% on the top one, and explained it. This cuts out the little humps that are caused by our current structure which is based on the Federal rates, this levels them out. For single people, it doesn't come out quite as nicely but I have a solution for that. Explained that the property tax credit the same for singles and couples.

Senator Wardner: Then would you propose that we make \$250 for everybody?

Senator Christmann: My proposal would be to make it the same. I don't know what the exact number will be.

Senator Kroeplin: 1399 still doesn't address capital gains or income averaging.

Senator Christmann: I think Joe and Donnita are working on it. I recommended they work on capital gains, income averaging would be the next step. The rest are pretty small.

Discussion on capital gains and a way to make it revenue neutral. Meter number 11,5-24.

Senator Wardner: I think we should get rid of 1055 and concentrate on 1399.

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Senator Kroeplin: Is there any way we can write in a trigger of some sort to raise the percentage of what we're doing now to stay revenue neutral and study this for the interim. I think there's a certain amount of uncertainty, even with the Tax Dept.

Senator Christmann: I'm not sure that we can do that constitutionally.

Senator Kroeplin: Will look into it.

Discussion on keeping 1055 alive or killing it. Meter number 30.6-34.8.

COMMITTEE ACTION:

Motion made by <u>Senator Wardner</u> for a DO NOT PASS, Seconded by <u>Senator Christmann</u>. Vote was 4 yeas, 2 nays, 0 absent and not voting. Bill carrier was <u>Senator Wardner</u>.

Discussion followed on fiscal impact.

Date: 3/26/01

Roll Call Vote #: \

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 1055

Senate Finance and Taxation		· · · · · · · · · · · · · · · · · · ·		<u> </u>	_ Com	mittee
Subcommittee on or Conference Committee						***************************************
Legislative Council Amendment Nur	nber			والمراسية والمراسات والمرا		_14111
Action Taken 60 NOTO	485	11-4				
Action Taken <u>60 NOTOR</u> Motion Made By Wardher		Sec By	conded	Christin	an	<u>~</u>
Senators	Yes	No		Senators	Yes	No
Senator Urlacher-Chairman Senator Wardner-Vice Chairman Senator Christmann Senator Stenehjem Senator Kroeplin Senator Nichols						
Total (Yes) 4 Absent 0 Toor Assignment WWMW		No	2			

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

REPORT OF STANDING COMMITTEE (410) March 26, 2001 3:34 p.m.

Module No: SR-52-6785 Carrier: Wardner Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1055: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1055 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1055

Items built into the federal income tax liability under current law that are not accounted for under House Bill 1399, as amended

If House Bill 1399 (as amended by the House) is passed without further change, the following items will cause a positive or negative fiscal impact as shown.

Fiscal effect of

De	escription of item	not accounting for item under HB1399
1.	Long-term capital gains	Positive
2.	Federal income averaging rules for farmers	Positive
3.	Lump-sum distribution from pension plan (but only if the federal 5- or 10-year income averaging rules are used)	Negative
4.	Federal alternative minimum tax	Negative
5.	Credit for prior year (alternative) minimum tax	Positive
6.	Additional federal income taxes on: a. Early distributions from qualified pension plans, IRAs, annuities, etc. b. Excess contributions to qualified pension plans, IRAs, annuities, etc. c. Excess accumulations in qualified pension plans, IRAs, annuities, etc. d. Excess distributions from qualified pension plans, IRAs, annuities, etc. e. Accumulation distribution from a trust. f. Excess benefits tax (under IRC section 72(m)(5).	Negative Negative Negative Negative Negative Negative
7.	Additional federal income tax on excess investment income of a dependent under age 14.	Negative
8.	Alternative federal income tax calculation for parents who elect to report on their return the excess investment income of a dependent under age 14.	Negative

North Dakota Resident Filing Status 37-S Filers, 1999

Filingistatus	Number of returns filed
Short Short	125,768
is and a distribution of the second	122,059
Victorial line server (1)	3,683
ite of out to mentals	18,139
Cualifying WidoW	187

Resident Returns Filed By Tax Bracket (Single) 37-S Filers, 1999

Taxable income by bracket	Number of returns filed
4 0 ibru 26,250	111, 413
26/251 uni 63/550	12,395
63.551 thru 132,600	1,446
132,601 thru 288,350	307
######################################	116

Resident Returns Filed By Tax Bracket (Married Joint) 37-S Filers, 1999

Taxable income by bracket	Number of returns filed
3 3 3 0 ibn 43 850	86,868
43.851 the 105.950	29,472
105031100161450	2,921
60 25 (10 28 ESSO)	1,765
GV= (2934.60)	981

Prepared by Donnita Wald Office of state tax commissioner March 22, 2001

Taxable **Current law tax** income tax Adjusted gross HET DOST THE N. Dakota **Income** Federal ncome 15,000 1,174 7,800 桑 菜 25,00C 17,800 2674 374 374 27,250 20,050 3,011 22 \$ 30,000 22,800 3,424 479 479 27,800 35,000 4,379 613 36,400 29,200 4,771 8 10,000 32,800 5,779 88 86 37,800 45,000 7,179 1,005 1,005 42,800 50,000 8,579 1203 1,201 47,800 55,000 1,379 9,979 57,800 65,000 12,779 1,789 1,789 67,800 75,000 15,707 2199 2,199 18,807 77,800 85,000 2,633 2,633 100,000 105,000 110,000 120,000 200,000 500,000 92,800 23,457 3,284 3,284 25,007 97,800 102,800 112,800 194,424 496,000 3,501 3,501 26,549 3,717 3,717 29,649 4,151 4,151 58,044 174,086 8,126 8,126

Assumptions used for federal tax calculations:

Difference

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23

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HB1399 tax 1

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1,118

1,338

1,778

2,218

2,658

3,318

3,538

3,758

4,198

7,790

21,039

24,372

24,372

ND Office of State Tax Commissioner Prepared by Joseph Becker March 21, 2001

Standard deduction of \$4,400.

Personal exemption of \$2,800; phaseout at \$128,950 applied, if applicable

No dependents.

²⁰⁰⁰ tax rates used.

Calculation of HB 1399 tax includes a credit of \$125 allowed for (1) property tax, (2) mobile home tax and lot rent, or (3) rent paid on property used as primary residence.

^{*} Federal taxable income

Federal																		
djested gross scome	20,000	30,000	40,000	50,000	55,000	58,500	60,000	SZ,500	54,000	83,090	70,000	80,000	90,000 90,000	100,000 110,000 120,000 130,000 140,000	110.000	120,000	130.000	140,000
	Š	11 45	21 450	45	r Š		A1 A50							3	2			
	ē	17,400	27,450		36,450	39,950	41,450	43,950	45,450		51,450	61,450		81,450	91,450	91,450 101,450 111,450	111,450	121,450
acome tax	219	1,721	3,221	4,721	5,471	5,996	5,221	6,613	7,033	7,313	8,713	8,713 11,513 14,313		17,113	19,913	19,913 22,706 25,671 28,771	25,671	28,771
N. Dakota	₩																	
Correct law tax	٠ ي	74	\$53	85	768	æ	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
18518C5 tax	굨	22	<u>5</u>	<u>8</u>	766	සූ	871	938	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
151355 tax 2	0	Ħ	8	<u> </u>	Ħ	88	911	8	1,023	1,051	1,191	1,471	1,751	2,054	2.494	2,934	3,374	3,814
	3	H		3	n	3	·)	n n	3	}	}			,		A Page		
	. (C)		(300)	(32)	. .	පු	8	8	88	27	[28]	(140)	(140) (253)	(342)	(294)	(294) (245) (220)	(220)	(214)

Adjusted gross 150,000 160,000 170,000 175,000 180,000 190,000 200,000 250,000 500,000

131,450 H1,450 151,450 155,450 161,450 171,450 182,122 236,602 492,650 31,871 34,971 38,071 38,621 41,171 44,771 48,612 68,225 167,757

R. Dakota

Contract Tow the 4.402 135 100 100 125 125 121 234 257 6014 6,483 **A ***288 5.330 5,330 5,547 5557 5764 5,764 6,268 6.268 6,806 908'5 3,880 20,147 9,552 9.552 23,486

4.400

(1923) (1923) B (67Z) (3.33g)

282

(1887) (1887)

Assumptions used for federal tax calculations: (2000 tax year amounts)

Standard deduction of \$7,350.

Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable

2 children claimed as dependents.

2000 tax rates used.

Calculation of HB 1399 tex includes the credit of \$250 allowed for (1) property tax, (2) mobile home tax and lot rent, or (3) rent paid on property used as primary residence.

Federal taxable income.

March 21, 2001 ND Office of State Tax Commissioner Prepared by Joseph Becker

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Difference	HB1399 tax 1	NL Darkota Current law tax	Income tax	Taxable lecome	Adjusted gross income
72	* \$	₩ 2 22	1,174	7,800	## TX,000
3	374	374	2674	17,800	25,000
a	8 8	\$		20,050	27,250
3	5 5 3	479		ZZ 800	30,000
<i>∳</i> &	9 93	613		27,800	35,000
ಡ	68 68	8		29,200	36,400
(Z)	787	86		3Z,800	40,000
(27)	1,005 326	1,005		37,800	45,000
3	1,201 1,124	1,201	8,579	4 7,800	50,000
(10)	1,379 1,369	1,379		47,800	55,000
70	1,789 1,359	1,780		<i>57</i> ,800	65,000
150	2,199 2,349	2199		67,800	75,000
206	2,633 2,839	2,633	18,807	77,800	85,000
ક્કુ. છ ુંુ ક	3,284 3,574	3,284	23,457	92,800	190,000
318	3,501 3,819	3,501	25,007	97,800	105,000
347	3,717 4,064	3,717	26,549	102,800	110,000
403	4,151 4,554	4,151		112,800	120,000
428	8,126 8,554	8,126		194,424	200,000
(1,041)	8,126 24,372 8,554 23,331	24,372	174,086	4 96,000	500,000

^{*} Federal tarable income



replices used for federal tax calculations:

Standard deduction of \$4,400.

Personal eventation of \$2,800; phaseout at \$128,950 applied, if applicable.

²⁰⁰⁸ tax rates used.

Calculation of HB 1359 tax includes a credit of \$125 allowed for (1) properly tax, (2) mobile home. tax and lot rend, or (3) each paid on properly used as primary residence.

278% an first \$80,0007/2

Difference	H81399 tax ²	N. Dakota Current law tax	Tarable fricans fricans fricans	Adjusted gross income
3	9	ਲ ਲ	1. 45 0 219	20,000
(173)	241 68	241	11,450 1,721	30,000
(165)	346	<i>4</i> 51	21,450 3,221	40,000
(3 <i>y</i>)	\$ 84	85	31,450 4,721	50,000
ගු	785 783	766	36,450 5,471	55,000
8	85 83	æ	39,950 5,996	58,500
<u>육</u>	902	871	41,450 6,221	50,000
\$	926 972	926	43.950 6.613	62,500
28	985 1,014	985	45,450 7.033	64,000
17	1,024 1,041	1,024	46,450 7,313	65,000
(40)	1,220 1,180	1,220	51,450 8,713	70,000
(154)	1,612 1,458	1,612	61,450 11,513	80,000
(268)	2,004 1,736	2,004) 71,450 3 14,313	90,000
(619)	2,396 2,045	2,396	81,450 17,113	100,000
(253)	2,788 2,539	2,788		110,000
<u>८ ७२</u> (154)	3,179 5 3,025	3,179	91,450 101,450 111,450 19,913 22,706 25,671	120,000
(79)	3,594 3,515	3,594		100,000 110,000 120,000 130,000 140,000
(23)	4 ,028 4,005	4,028	121,450 28,77 i	140,000

Federal

idjusted gross 150,000 160,000 170,000 175,000 180,000 190,000 200,000 250,000 500,000

Tarable ncome tax 131,450 141,450 151,450 156,450 161,450 171,450 182,122 236,602 492,650 31,871 34,971 38,071 39,621 41,171 44,771 48,612 68,225 167,757

N. Dakota

FECTOR 12 2 Current law tax 4,452 1,000 1,900 5,475 ***** 4,896 1,895 5,330 5,330 5,720 5,965 6,455 6,978 5,547 5,547 5,764 5,764 6,268 6,268 6,806 5,806 9,647 22,194 9,552 9,552 23,486 23,486

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Assumptions used for federal tax calculations: (2000 tax year amounts)

- Standard deduction of \$7,350.
- Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable.
- 2 children claimed as dependents.
- 2000 tax rates used.
- Calculation of HB 1399 tax includes the credit of \$250 allowed for (1) property tax, (2) mobile home tax and lot rent, or (3) rent paid on property used as primary residence.

Federal taxable income.

ND Office of State Tax Commissioner Prepared by Joseph Becker

Single indiv

Federal

Adjusted gross income	15,000	25,000	27,250	30,000	35,000	36,400	40,000	45,000	50,000	55,000	65,000	75,000	85,000 100,000 105,000 110,000 120,000 200,000	100,000	105,000	110,000	120,000	200,000	00 500,000
Tacable	7 225		3					3605			ير	35		4	4,34%		132	2 800 288 350 5 04% 5 5.54%	5.54%
	7.000		21,050	22,800	27,800	29,200	32,800	37,800	42,800	47,800	57,800	67,800	77,800	92,800	97,800	102,800	112,800	92,800 97,800 102,800 112,800 194,424 496,000	496,000
Income (ax	1,174	2674	3,011	3,424	4.379	4,771	5,779	7,179	8,579	9,979	12,779	15,707	18,807	23,457 25,007	25,007	26,549	29,649	58,044 174,086	174,086
N. Dakota		#	31309 ; 2	A of s	110 1309: 2.8° of first \$49,000 of FTF	in so exist	₽					HBS	HB 1390: 4.6% of FTI over \$40,000	S OF TYP.	gyer SAG	000			
Convent Saw tax	亞	374	Ê	479	613	6 6	808	1,005	1,201	1,379	1.789	2199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB105512x	Ž.	374	B	479	613	66	808	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
% of AGI	<u></u>	ដ	£	1.6	128	150	20	22	24	2.5	28	2.9	<u>3</u>	3.3	3.3	w	3.5	<u> </u>	4.9
HB1399 tax *	Ħ	373	&	513	නී	83	793	933	1,129	1,369	1,849	2,329	2,809	3,529	3,769	4.109	4,489	8,507	4,489 8,507 22,983
SA DA	<u> </u>	ij	1.6	117	1.9	61	2.0	21	23	25	2.8	ند خ	32	ယ္	.	37	37	ಪಿ	5
Difference	3	3	4	3 2	8	83	(16)	(72)	(72)	(10)	නි	130	176	245	268	392	338	381	(1,389)

ND Office of Scale Tax Commissioner
New TE 750 President by Essect Sector

numptions used for federal tax calculations:

Standard declucion of \$4,400.

Personal exemption of \$2.800; phaseout at \$128,950 applied, if applicable.

No dependents.

²⁰⁰⁰ has rates used

Calculation of HB 1339 tax for a single individual includes a credit of 25% of the tax, up to a manimum of \$125.

Federal tarable income.

Short fo ethod for individuals (Form 37-S):

ouse Bills 1055
4

Adjusted gross Federal

icicome	20,000	30,000	40,000	50,000	55,000	58,500	60,000	900 62,500	64,000	65,000	70,000	80,000	90,000	65,000 70,000 80,000 90,000 163,000 110,000 120,000 130,000 140,000	110,000	120,000	130,090	140,000
income:	.;. \$50	11,450	21,450	31,450	35. 125.	39,950	41,450	43,950	45,450	あ 45 8	51,450	3.50% 61,450	71,450	81.450	91.450	101 450	91.450 101.450 111.450 121.450	121 450
income tax	219	1,721	3,221	4,721	5,471	5,996	5,221	5,613	7,033	7,313	8,713	11,513 14,313	14.313	17.113	19913	22,706	17.113 19.913 22.706 25.671 28.771	28 771
											,	•	•			1	10,01	• 0,00
N. Dakota					#313	27: 23:	of thos	1154507: 218" of the Statem of Fr	N: 11					1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	399: 4.7	ાં કે જિલ્લો	NET 1988: 4.0% of § TI over Sention	(1017)
Contest law lax	H	241	<i>\$</i> 51	83	766	සු	871	926	28	1,024	1,220	1,612	2,004	2,396	2.788	3.179	3.594	4 028
H81855 tax	끜	241	<u>\$</u>	<u>8</u> 3	त्र	77	871	2	<u>8</u>	3	3	2	3	ာ ၁ ၈	3 700	ני	3	
*	3) }						,		,	į	i]	1,000	1,00	ر, ، ،	0,000	4,020
* or AG	.16	8	11	ដ	1,4	1.4	ដ	ដ	15	1.6	1.7	2.0	22	24	25	2.6	28	29
H81369 tax 2	监	241	451	83	771	869	9	987	1,023	1,051	1,191	1,471	1,751	, ,	0 T	3000	3.500	3 85 3
% of AG	8	8	<u></u>	ದ		in in	.h	- 1	<u>ــــــــــــــــــــــــــــــــــــ</u>	<u>ـــــ</u> ک	47	.	Э		3			
						į	į	į	i	į	Ē	ë	į	1	63	2	1	.02
Officence	0	0	0	0	رن د	33	4	ઇક	88	27	(29)	(140)	(253)	(336) (36)	(248)	(159)	94)	(48)
Federal						!	į	<u> </u>	į	1) 			to the second second				

% of AG	HISTORYS LTAX	Contract law tax	N. Dakota	Income tax		Adjusted gross
36	4.462	A 4.452	ST .	31,87	131,450	150,000
: : 22	4.896	4,896		34,971	141,450 151,450 156,450 161,450 171,450 182,122 236,602 492,650	150,000 160,000 170,000 175,000 180,000 190,000
2	5,330	5,330	:2253	38,071	151,450	170,000
Z	5,547	5,547	1349: 4.8% of FII over \$50,000	39,621	1 55,450	175,000
22	5,764	5,764	3 FT 1	41,171	161,450	180,000 19
33	6,268	6,268	wex \$50.	44.771	171,450	190,000
3.4	6,806	6.806	090	48,612	50mg	200,000
38	9,552	9,552		68,225 167,757	236,602	250,000 50
4.7	23,486	23,486		167,757	\$ 5477 492,650	500,000

March 22, 2001 ND Office of State Tax Commissioner Prepared by Joseph Becker

Difference

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181399 tax 2

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4,940 5,428 5,660 5,900 6,380 6,892 9,507

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² Assumptions used for federal tax calculations: (2000 tax year amounts)

Standard deduction of \$7,350.

Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable.

² children claimed as dependents.

²⁰⁰⁰ tax rates used

Calculation of HB 1399 tax for married persons filing jointly includes a credit of 25% of the tax, up to a maximum of \$250.

Federal taxable income.

Short form method for individuals (Form 37-S):

Comparison of tax liability under current law with House Bills 1055 and 1399

Single individual! 2.7% up to \$55,000* / 3.7% for \$55,000+* Credit up to \$120

Federal

Difference	S OR AGO	MELECTION.	S OF A C	HE CONTRA	Current law tax	N. Dakotz	income lax	MCOme	Tacable	income	Adjusted gross
(73)	.01	•		, di		ğ	1,174	7.800		15,000	ğ
(13)	ī.	<u> 원</u>	: ::				2674			25,000	
(3)	5	; ₺	ដ	ä	Ŕ		3,011		•	27,250	
17	ij	\$	1.6	479	479		3,424			30,000	,
≅	5	ੜ	. .	613	613		4,379	27.800	•	35,000	
0	<u></u>	83	1.8	83	5 68		4,771	29,200		35,400	
(43)	ij	766	20	809	908		5,779	32,800		4 0,000	
(104)	20	903	z	1,005	1.005		7,179	37,800		45,000	
(226)	21	1,169	2.5	1,385	1,395		9,965	47,750		54,900	
252	30	1,649	2.5	1,379	1.379		9,979	47,800		55,000	
230	21	2,019	2.8	1.789	1,789		12779	57,800 67,800	 	65.000 75.000	
190	32	2,389	2.9	2,199	2,199		15,707			75.000	
126	3.2	2,759	ည	2633	2,633		18,807	77,800		85,000	į.
30	33	3,314	3.3	3,284	3,284		23,457 24,883	92,800 97,400		100,000	
0	3.3	3,484	33	3,484	3,484		24,883	97,400	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	104 600	1
(2)	<u>ယ</u> ယ	3,499	<u>3</u> 3	3,501	3,501		25,007	97,800	00,000	105 000	
(33)		3,684	3.4	3,717	3,717	,	26,549	102,800	10,000	110 000	
(97)	3.4	4,054	<u> </u>	4,151	4,151	1	29.649 58.044	112,800	935.5 000 ⁶ 041	85,000 100,000 104,600 105,000 110,000 120,000 200,000	
(97) (1,052)	3.54	7,074	4.1	8,126	8,126	:	58.044	97,800 102,800 112,800 194,424 5 549	00 268,350	200 000	

Federal adjusted cross income.



^{*} Assumptions used for federal tax calculations:

Standard deduction of \$4,400.

Personal evempsion of \$2,800; phaseout at \$128,950 applied, if applicable

No dependents

²⁰⁰⁰ tax rates used

Calculation of HB 1399 has includes the credit of \$120 allowed for (1) property has, (2) mobile home law and lot rent, or (3) rent paid on property used as primary residence.

Comparison of tax liability under current law with House Bills 1055 and 1399 method for individuals (Form 37-S):

Married individuals filing jointly 2

2.7% up to \$110,000* / 3.7% for \$1,10,000+* / Credit up to \$240

1 446141									•								₹		
Adjusted gross																		The second secon	
MICORNE	20,000	30,000	40,000	50,000	55,000	58,500	60,000	62,500	64,000	65,000	70,000	80,000	90,000	100 000 109,950 110,000 120,000 130,000 140,000	109,950	110,000	120.000	130.000	140 000
Taxable	†	1		: : : !		-				}						1	198-981	හි ද	14,000
ELLOSSE	1,450	11.450	21,450	31,450	36,450	39,950	41,450	43,950	45,450	46,450	51,450	61,450	71.450	81 450	91 400	91 450	91 450 101 450 111 450 91 450 101 450	111 450	101 450
income tax	279	1,721	3.221	1771	5471	20 20 21	3	ກກາ	7 022	7 243	0 743	1))				3 1 3	,	1, 100
					,	;		9	.,000		ç		֝֞֝֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓	17,110	13,033	13,513	22,700 23,571		28,//1
M. Descora																			
Current law tax	앜	241	55.	83	766	833	871	926	985	1,024	1,220	1,612	2,004	2,396	2,786	2.788	3.179	3.594	4 028
HBHBS tax	33	241	<i>t</i> 51	861	756	839	871	926	985	1.024	1,220	1,612	2,004	2,396	2786	2.788	3 179	3 504	4 028
% of AG	. 16	28		13	1.4	1.4	1.5	15	1.5	1.6	1.7	20	22	2.4	2.5	25	2.6	28	29
HB1399 tax 2	0	83	88	900	744	æ	879	947	987	1,014	1,149	1,419	1 ,689	1,959	2,228	3,144	3,514	3.884 4	4.254
% of AG	0	벎	8	な	#	14	i 5	15	15	1.6	1.6	- 1	<u>;</u>	20	2.0	29	2.9	3.0	3.0
	₹		23.2	j	})	,	?	1										
	101	(211)	(7.11)	E	1		. ~	27	2	(10)	(71)	(193)	(315)	(437)	(558)	356	335	290	226

Federal

N. Dakota	income tax	SICOME	Taxable	TACOURS.	Adjusted gross
Ŋ	31,871	131,450	-	150,000	"
	31.871 34.971 38.071 39.621 41,171 44,771 48.612 68.225 167,757	131,450 141,450 151,450 156,450 161,450 171,450 182,122 236,602 492,650		150,000 160,000 170,000 175,000 180,000 1 90,000 200,000 250,000 500,000	
	38,077	151,450		170,000	
	39,627	156,450		175,000	
	41,171	161,450	11.45	180,000	
	# <u>,77</u> 1	177,450	(5)	190,000	
	38,612	182,122		200,000	
	68.225	236,602	5,5,5	250,000	
	167,757	492,650	3	500,000	

Difference	% of AGI	HB1399 tax 2	% of AG	HB1955 tax	Current law tax
	21	4,624	3.0	4.数	為
88	31	4,994	31	4.896	4,896
ಜ್ಞ	R	5,364	3.1	5,330	5,330
2	z	5,549	22	5,547	5,547
(30)	32	5,734	ä	5.764	5,764

6,104

5,498

7,514

17,988

6,268 6,268

23,486

9.552 9.552

23,486 **4.7**

properly used as primary residence.

Prepared by Joseph Becker ND Office of State Tax Commissioner March 22 2001

(164) (1.307) (2,038) (5,49

² Assumptions used for federal tax calculations: (2000 tax year amounts)

Standard deduction of \$7,350.

Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable.

 ² children claimed as dependents.

 ²⁰⁰⁰ tax rates used.

Calculation of HB 1399 tax includes the credit of \$240 allowed for
 (1) properly tax, (2) mobile home tax and lot rent, or (3) rent paid on

Federal adjusted gross income.

Single individual 1. 2.78% on first \$40,000" / 4.9% over \$40,000" / 50% credit up to

Federal

Difference	% of AGI	HB1399 Tax	% Of Alga	HE SECOND	Current law tax	N. Dakota	income tax	sicone	Adjusted gross
(56)	Z.	88	y et	, ž	55 Đ	ğ	1.174	7,800	15,000
Œ	ij	370	1.5	374	374		2.574	17,800	25,000
10	i.6	æ	1.5	#3	å	.;	3,011	20,050	27,250
ಹ	17	509	1.6	479	479	,	3,424	22,800	30,000
35	1.9	6 <u>4</u> 8	1.8	613	613		4,379	27,800	35,000
क	1.9	83	1.8	82	668		4,771	29,200	36,400
(2)	20	787	20	809	806		5,779	32,800	40,000
(79)	21	926	23	1,005	1,005		7,179	37,800	45,000
(7)	22	1,124	24	1,201	1,201		8,579	42,800	50,000
(10)	2.5	1,369	2.5	1,379	1,379		9,979	47,800	55,000
70	2.9	1,859	2.8	1,789	1,789		12,779	57,800 67,800	65,000 75,000
150	31	2,349	2.9	2,199	2,199		15,707 18,807	67,800	
206	33	2,839	<u>u</u>	2,633	2,633	998748 And 11.19 of the Section		77,800	85,000
290	3.6	3,574	<u>ي</u> د.د	3,284	3,284	08 5.25	23,457 25,007 26,549	92,800	100,000
318	3.6	3,819	3.3	3,501	3,501	nger Se	25,007	97,800	105,000
347	3.7	4,064		3,717	3,717	9961	26,549	102,800	110,000
403	3.8 8	4,554	3.5	4,151	4,151			92,800 97,800 102,800 112,800 194,424 496,000	100,000 105,000 110,000 120,000 200,000 500,000
428	4.3	~		8,126	8,126		29,649 58,044 174,086	194,424	200,000
(1,041)	4.7	23,331	4.9	24,372	24,372		174,086	94,424 496,000	500,000

おはないけい かんさかします

The state of the s

^{*} Assumptions used for federal tax calculations:

Standard deduction of \$4,400.

Personal exemption of \$2,800; phaseout at \$128,950 applied, if applicable

the dependents

²⁰⁰⁰ tax rates used

Calculation of HB 1309 tax for a single individual includes a credit of 50% of the tax, up to a manners of \$125

Federal lavable income.

Short fo Comparison of tax liability under current law with House Bills 1055 and 1399 method for individuals (Form 37-S):

Married individuals filing jointly 2

2.78% on first \$80,000* / 4.9% over \$80,000* / 50% credit, up to \$250

Federal

H89905512ax 31 241 451 561 766 839 871 926 985 1,024 1,22 % of AG3 .16 .80 1.1 1.3 1.4 1.4 1.5 1.5 1.5 1.5 1.6 1 H8133912ax² .20 159 .346 624 .763 .861 .902 .972 1,014 1,041 1,18 % of AG3 .19 .53 .37 1.2 1.4 1.5 1.5 1.6 1.6 1 % of AG3 .19 .23 .37 .12 .1.4 .1.5 .1.5 .1.6 .1.6 .1 % of AG3 .19 .23 .37 .1.2 .1.4 .1.5 .1.5 .1.5 .1.6 .1.6 .1 % of AG3 .19 .23 .37 .10 .1.3 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5 .1.5	Adjusted gross income Tarable income tax No. Darkota Current law tax	20,000 1,450 219	39,000 11,450 1,721 241	40,000 21,450 3,221	<u>, a</u> g	<u>ي</u> پي پي	5 33 33	66 41 60	o &	54.000 45.450 7.033	. 0	70,000 51,450 8,713	, m. m	90,000 71,450 14,313 2,004		8 3 5 8	00 110,000 50 91,450 13 19,913 15 12 96 2,788	00 110,000 120,000 00 91,450 101,450 13 19,913 22,706 13 19,913 22,706 20 20 20 20 20 20 20 20 20 20 20 20 20 2	1
31 241 451 561 766 839 871 926 985 1,024 31 241 451 561 766 839 871 926 985 1,024 16 80 1.1 1.3 1.4 1.4 1.5 1.5 1.5 20 159 346 624 763 861 902 972 1,014 1,041 16 18 38 38 38 38 38 38 38 38 38 38 38 38 38		1.450 219	11,450 1,721	21,450 3.221					-4	_	46,450 7,313			61,450 11,513		71,450 14,313	71,450 81,450 14,313 17,113	71,450 81,450 14,313 17,113	71,450 81,450 91,450 101,450 111,450 14,313 17,113 19,913 22,706 25,671
31 241 451 561 766 839 871 926 985 1,024 31 241 451 561 766 839 871 926 985 1,024 46 80 1,11 1,3 1,4 1,4 1,5 1,5 1,5 1,5 1,6 20 159 346 624 763 861 902 972 1,014 1,041 40 450 337 1,2 1,4 1,5 1,5 1,5 1,6 401 450 336 327 1,2 1,4 1,5 1,5 1,5 1,6 401 450 337 1,3 1,5 1,5 1,5 1,5 1,5 1,5 1,5 401 450 337 1,3 1,2 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 1,5 <	N. Dakota	W							- 20 - 10 - 11	•									\$10 × 96 \$11 4 291 \$85,864
31 241 451 561 766 839 871 926 985 1,024 16 16 80 1.1 13 1.4 1.4 1.5 1.5 1.5 1.6 20 159 346 624 763 861 902 972 1,014 1,041 10 160 53 87 12 1.4 1.5 1.5 1.6 1.6 (11) (82) (105) (37) (3) 22 31 46 29 17	Current law lax		241	£i,										1,612	1,612 2,004	2,004	2,004 2,396	2,004 2,396 2,788	2,004 2,396 2,788 3,179
.16 .80 1.1 1.3 1.4 1.4 1.5 1.5 1.5 1.5 1.6 20 159 346 624 763 861 902 972 1,014 1,041 .19 .53 .87 1.2 1.4 1.5 1.5 1.6 1.6 1.6 (11) (82) (105) (37) (3) 22 31 46 29 17	HB1855 Lax	31	241	₫.								1,220		1,612	1,612 2,004	2,004	2,004 2,396	2,004 2,396 2,788	2,004 2,396
20 159 346 624 763 861 902 972 1,014 1,041 .19 .53 .87 1.2 1.4 1.5 1.5 1.6 1.6 1.6 (11) (82) (105) (37) (3) 22 31 46 29 17	of AG	.16	2 8									1.7		20	20 22	22		22 24	22 24 25
. 10 . 53 . 37 1.2 1.4 1.5 1.5 1.6 1.6 1.6 (1.7) (82) (105) (37) (3) 22 31 46 29 17	H81369 tax ?	8	#									1,180		1,458	1,458 1,736	1,736		1,736 2,045 2,535	1,736 2,045
(17) (82) (105) (37) (3) 22 31 46 29 17	% of AG	•	ಜ		•		·			1.6	1.6	1.7		. <u>1</u> .8	1.8 1.9	÷.		1.9 20	1.9 20 23
	Difference	3	[<u>8</u> 2]									(45)		(154)	(154) (268)	(268)	(268) (619)	(268) (619) (253)	(268) (619)

Federal

N. Dakota	income tax	income	Adjusted gross income
Î	31,871	131,450	150,000
	34,971	141,450	160,000
	31.871 34.971 38.071 39.621 41,171 44,771 48,612 68,225 167,757	131,450 141,450 151,450 156,450 161,450 171,450 182,122 236,602 492,650	150,000 160,000 170,000 175,000 180,000 190,000 200,000 250,000 500,000
かり / 文 (V) (1)	33,627	156,450	175,000
in the second se	41,171	±61,450	182,000
	44,771	171,450	190,000
	48,612	182,122 182,122	200,060
	68,225	236,602	250,000
	167,757	492,650	500,000

Difference	% of AG	HB1399 tax ²	S of AG	HB 1855 tax	Current law tax	
	3.0	4.495	3.0	+462	4.80	
88	31	4,985	31	. 4 ,88	4.896	
菇	z	5,475	<u> </u>	5.330	5,330	
173	33	5,726	H	5.547	5,547	
291	ಜ	5,965	ä	5,764	5,764	
187	3.4	6,455	33	6,268	6,268	
172	35	6,978	34	6,806	6,806	
S,	3.9	9,647	3.8	9,552	9,552	
(1.7	4.4	22,194	4.7	23,486	23,486	

² Assumptions used for federal tax calculations: (2000 tax year amounts)

- Standard deduction of \$7,350.
- Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable.
- 2 children claimed as dependents.
- 2000 tax rates used.

 Calcutation of HB 1399 tax for married persons filing jointly includes a credit of 50% of tax, up to a maximum of \$250...
- Federal taxable income.

Precared by Joseph Becker

ND Office of State Tax Commissioner 1007 12 the sea

Short form method for individuals (Form 37-S):

Comparison of tax liability under current law with House Bills 1055 and 1399

Single individual 1 2.8% on first \$40,000" / 4.4% over \$40,000" / 25% credit, up to \$125

Federal

Difference	% of AG	HB1399 Tax	% of AG	HB1055 tax	Correct law tax	N. Dakota	income tax	Taxable income	Adjusted gross income
Ξ	1.10	123		164	io:	Ĭ	1,174	7,800	SS 15,000
(i)	15	373	ಚ	374	374		2,674	17,800	25,000
4	16	\$	1.5	#22	2 2		3,011	20,050	27,250
¥	17	513	1.6	479	479		3,424	22,800	30,000
a	1.9	83	1.8	613	ថ្ម		4,379	27,800	35,000
Ŋ	1.9	器	.	6 6	66	1	4,771	29,200	36,400
(16)	20	357	2.0	809	809	, in the second	5,779	32,800	40,000
23	21	933	22	1.005	1.005		7,179	37,800	45,000
සි	23	1,118	2.4	1,201	1.201		8,579	42,800	50,000
(41)	24	1,338	2.5	1,379	1,379		9,979	47,800	55,000
<u> </u>	21	1,778	2.8	1,789	1,789		12779	57,800	65,000
ත්	3.0	2,218	2.9	2,199	2,199	* 12 * 1 * 4 * 1 *	15,707 18,807	67,800	65,000 75,000 85,000
23	<u> </u>	2,658	μ	2,633	2,633			77,800	85,000
జ	သ	3,318	္အ	3.284	3,284	100 1 190 3 200 of 571 over \$48,000	23,457	92,800	100,000
37	3.4	3,538	33	3,501	3,501	over 340	25,007	0 97,800	105,000
4	3.4	3,758	3,4	3,717	3,717	โดยจ	23,457 25,007 26,549	102,800	110,000
47	3.5	4,198	3.5	4,151	4,151		29,649	92,800 97,800 102,800 112,800 194,424 496,000	100,000 105,000 110,000 120,000 200,000 500,000
(336)	3.9	7,790	4	8,126	8,126		58,044 174,086	5 04% 1 94,424	200,000
(336) (3.313)	42	21,059	4.9	24,372	24,372		174,086	496,000	500,000

の語の対象にはついる。

^{*} Assumptions used for federal tax calculations:

Standard deduction of \$4,400.

Personal exemption of \$2,800; phaseout at \$128,950 applied, if applicable

No dependents

²⁰⁰⁰ tax rates used

Calculation of HB 1339 tax for a single instributed includes a credit of 25% of the tax, up to a Cis purumen

[·] Federal tarable income

Short to Comparison of tax liability under current law with House Bills 1055 and 1399 method for individuals (Form 37-S):

Married individuals filing, wintly 2

2.8% on first \$80,000* / 4.4% over \$80,000* / 25% credit, up to \$250

Federal	

Difference 0	% of AGI .20	H81399 tax 2 31	% of AG2 .16	HB1055 tax 31	Current law tax 31	N. Dakota	Income tax 219	income 1,450	Adjusted gross income 20,000
c	8	241		241	241		1,721	11,450	30,000
0	7	5		5	5		3,221	21,450	40,000
0	13	83	13	83	89		4.721	31,450	50,000
Çı	<u></u>	771	1.4	85	786	72 53 44	5,471	36,450	55,000
ಜ	1.5	86		සූ	සූ	**************************************	5,996	39,950	58,500
ŧ	1 5	911	1.5	871	871	3, 34	6,221	41,450	60,000
क्ष	1.6	<u>88</u>	1.5	926	926	300000	6,613	43,950	62 500
ಜ್ಞ	1.6	1,023	15	985	985	5 M	7,033	45,450	64,000
27	1.6	1,051	1.6	1,024	1,024		7,313	46,450	65,000
(29)	1.7	5,191	1.7	1,220	1,220		8,713	51,450	70,000
(140)	 	1,471	20	1,612	1,612		11,513	61,450	80,000
(253)	1.9	1,751	22	2,004	2,004		14,313	71,450	90,000
(342)	20	2,054	2.4	2,396	2,396	181	17,113	81,450	100,000 110,000 120,000 130,000 140,000
(294)	23	2,494	2.5	2788	2,788	1131393: 4.4% of FTI over \$80,000	17,113 19,913 22,706 25,671 28,771	91,450	110,000
(245)	24	2,934	26	3,179	3,179	े लंगा	22,706	91,450 101,450 111,450 121,450	120,000
(220)	26	3,374	2.8	3,594	3,594	over Sa	25,671	111,450	130,000
(214)	2.7	3,814	2.9	4,028	4,028	0,000	28,771	121,450	140,000

Federal

Adjusted gross

become tax 31.871 34.971 38.071 39.621 41.171 44.771 48.612 68.225 167.757	income 131,450 141,450 151,450 156,450 161,450 171,450 182,122 236,602 492,650	income 150,000 160,000 170,000 175,000 180,000 190,000 200,000 250,000 500,000
3.071 39,621 41,171 44,771 48,6	51,450	,000
39,621	156,450	175,000
41,171	161,450	180,000
44,771	171,450	190,000
48,612	182,122	200,000
68,225	236,602	250,000
167,757	492,650	500,000

(0.01)5,574 32 E E 5,014 6,483 8,880 (672) (3,3° 20,147

Difference

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HB1399 tax 2

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> 5,806 9,308 308

9,552

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Prepared by Joseph Secker

ND Office of State Tax Commissioner March 22, 2001

² Assumptions used for federal tax calculations: (2000 tax year amounts)

Standard deduction of \$7,350.

Personal exemption of \$2,800; phaseout at \$193,400 applied, if applicable.

² children claimed as dependents.

²⁰⁰⁰ tax rates used.

Calculation of HB 1399 tax for married persons filing jointly includes a credit of 25% of the tax, up to a maximum of \$250.

Federal taxable income.

Options for simplifying the administration of House Bill 1055

- Remove the language recognizing the federal long-term capital gains provisions. As an alternative:
 - -- Tax long-term capital gains at the same tax rate that is applied to all other income.
 - -- Establish a separate state long-term gain policy. For example, either (1) provide for a deduction from federal taxable income equal to some percentage of the net long-term capital gain or (2) set a lower state tax rate on net long-term capital gains.
- Remove the language recognizing the federal income averaging method for farmers. (To substitute a
 state income averaging method doesn't simplify administration.)
- Remove the language recognizing the so-called federal "kiddle tax" on dependents with investment income. (Is this a policy that state wante?)
- Remove the language regarding the adjustment for the various separate federal taxes.
 - -- Federal tax on lump-sum distributions is being phased out under current law. An alternative to simply dropping this item would be to create an addback adjustment to federal taxable income.
 - -- Federal alternative minimum tax is generally offset by credit for prior year minimum tax.
 - -- Other than federal tax on early distributions from qualified pension plans, IRAs, etc., the various "penalty" taxes that apply to improper actions with respect to pension plans, IRAs, annuities, etc., do not apply in most taxpayers' cases.
- Replace the methodology for handling adjustments for U.S. obligation interest, etc., (proration based on AGI) with the method used in House Bill 1399 (deduction from federal taxable income.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1055

Page 1, line 1, replace "section" with "sections", after "57-38-30.3" insert "and 57-38-31.1"

Page 1, line 3, after "taxes" insert "and the filing of composite returns by partnerships; to repeal section 57-38-34.1 of the North Dakota Century Code, relating to an optional card income tax return"

Page 3, line 3, remove "the applicable table in"

Page 3, line 5, remove "the table in"

Page 4, line 11, replace "shall publish the" with "may prescribe" and replace "under this subsection in the" with "to be used in lieu of the tables in subdivisions a through e. In the tables so prescribed, the amounts of the tax shall be computed on the basis of the rates set forth in subdivisions a though e. When prescribed by the tax commissioner, these tables must be followed by every individual, estate, or trust electing to determine a tax under this section."

Page 4, remove lines 12 through 13

Page 5, line 7, after "amended" Insert "through December 31, 2000"

Page 5, line 13, after "amended" insert "through December 31, 2000"

Page 5, line 16, remove "under age fourteen"

Page 5, line 17, replace "may not exceed the lesser" with "is the greater"

Page 5, line 20, after "amended" Insert "through December 31, 2000"

Page 8, line 10, after "by" insert "subdivisions a through e and increased by subdivision f of this subsection"

Page 8, after line 21, insert:

- "e. Income passed through to an individual, estate, or trust owner by a partnership, subchapter S corporation, limited liability company, or other pass-through entity subject to chapter 57-35.3, not to exceed the owner's share of the amount of income apportioned and allocated to this state that is taxed under chapter 57-35.3.
- f. Loss passed through to an individual, estate, or trust owner by a partnership, subchapter S corporation, limited liability company, or other pass-through entity subject to chapter 57-35.3, not to exceed the owner's share of the amount of loss apportioned and allocated to this state that is deductible under chapter 57-35.3."

Page 10, after line 2, insert:

"SECTION 2. AMENDMENT, Section 57-38-31.1 of the North Dakota Century Code is amended and reenacted as follows:

67-38-31.1. Composite returns. Partnerships and subchapter S corporations may file a composite return on behalf of nonresident individual partners or shareholders in the manner prescribed by the tax commissioner. Any amount of tax paid by the partnership or subchapter S corporation on the composite return on behalf of a nonresident partner or shareholder constitutes a credit on the North Dakota return of the nonresident individual on whose behalf the tax was paid by the partnership or subchapter S corporation. Any return filed by a partnership or subchapter S corporation under this section is considered as the return of the nonresident individual partner or shareholder on whose behalf the return is filed. The tax under this section must be computed by multiplying the aggregate of the shares of North Dakota taxable income reportable to North Dakota by the partners or shareholders included in the composite return by the highest federal tax rate for individuals times the tax rate imposed under section 57 38 30-3 five and fifty-four hundredths percent.

SECTION 3. REPEAL. Section 57-38-34.1 of the North Dakota Century Code is repealed."

Renumber accordingly



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Recent Income Tax Cut Could Help Job Recruitment

Apple a Day Saves Companies Pay

From the June 2, 2000 print edition

In Depth: Staffing & Human Resources

Recent Income Tax Cut Could Help Job Recruitment

But experts contend the state's quality of life is the real draw

Kathy Stone Contributing Writer

Minnesota business groups have long lamented the state's high income tax, claiming the rate hurts the ability of state businesses to compete and attract top talent from out of state.

At the end of the latest state legislative session, income tax rates were lowered across the board. The rate on those in the highest bracket was reduced from 8 percent to 7.85 percent. The legislation also reduced the middle grouping's tax rate from 7.25 percent to 7.05 and the lowest tax rate went from 5.5 percent to 5.35 percent.

Bill Blazar, senior vice president of public policy and government affairs for the Minnesota Chamber of Commerce, said the Legislature's and governor's deal to divide the \$550 million budget surplus was the best the Chamber could get this year. The compromise resulted in an income tax cut sponsored by the House of Representatives, reductions in license plate fees by Gov. Jesse Ventura, and new spending through Senate initiatives. Still, Blazar said the chamber worked hard for deeper income tax cuts.

While it is too early to know exactly where Minnesota will stack up compared to other states, the Minnesota Taxpayers Association expects Minnesota will retain its ranking in the top 10 highest in income taxes, behind North Dakota, Montana, the District of Columbia, California, Oregon, Iowa, Hawaii and Idaho.

Lynn Reed, research director for the St. Paul-based Minnesota Taxpayers Association, said Minnesota is holding its leading spot, in part, because 30 states have lowered income tax rates over the last five years and some dealt with it again this year. "We're not gaining any ground; at best we're

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http://www.bizjournals.com/twincities/stories/2000/06/05/focus2.html

THE O SUN San Bernardino, California

Comments

From San Bernardino Sun Feature Column
'YOUR TAXES' for Sunday, May 2, 1999.
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California taxpayers are subject to one of the highest state income tax rates in the nation. A single taxpayer reaches the highest California tax rate of 9.3% at taxable income of \$33,673. Many high bracket California taxpayers are inspired to consider other states with lower income tax rates especially at retirement or just prior to a major sale of stock.

There are seven states that impose no state income tax - Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. Thus, the over 37 million residents of these seven states or 14% of U. S. Taxpayers pay no state income tax. In addition, New Hampshire and Tennessee have a limited state income tax generally taxing only interest and dividends.

Other high income tax jurisdictions include the District of Columbia, Hawaii, Massachusetts, Montana, North Dakota and Oregon with the highest tax brackets ranging from 9% to 12%. Minimizing state income tax is often achieved by taking up residency in a state with a lower tax rate than California with special emphasis on those states with no income tax. For example, a California resident might be inspired to move to Nevada in order to avoid state income taxes altogether. However, the question of residency can be complicated. The California Franchise Tax Board examines numerous factors to determine if you have abandoned your California residency and established a new residency in another state.

To distribute to the decouple and: