

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1055

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 #
2		x	169
Committee Clerk Signature <i>Janice Stein</i>			

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 remains 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

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 interim, 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?

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 easability 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.

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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House Finance and Taxation Committee
Bill/Resolution Number HB 1055
Hearing Date January 17, 2001

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. DROYDAL 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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$472,000			
Appropriations			\$472,000			

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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 utilizes 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

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$240,000			

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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 utilizes 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 \$240,000 for the 01-03 biennium would be incurred.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
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Phone Number: 328-3402

Date Prepared: 01/16/2001

Date: 2-19-01
Roll Call Vote #: 1

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

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass

Motion Made By Rep. Drovdal Seconded By Rep. Lloyd

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN		✓	NICHOLAS, EUGENE		✓
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL		✓	RENNERFELDT, EARL	✓	
CLARK, BYRON		✓	SCHMIDT, ARLO	✓	
GROSZ, MICHAEL		✓	WIKENHEISER, RAY		✓
HERBEL, GIL		✓	WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 8 No 7

Absent 0

Floor Assignment Rep. Winrich

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

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

Tape Number	Side A	Side B	Meter #
I	x		0-26.1
3/19/01 - 2	x		52.7-end
		x	0-13.2
3/21/01 - 1	x		10-end
		x	0-17.2
3/26//01 - 1	x		0-43.2
Committee Clerk Signature <i>Lynelle Dr. Kraft</i>			

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 settling 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

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,

but it is a perception that ND has to deal 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 be 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.

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.

Senator 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 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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Senate Finance and Taxation Committee
Bill/Resolution Number 1055
Hearing Date 3/12/01

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.

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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Senate Finance and Taxation Committee

Bill/Resolution Number 1055

Hearing Date 3/12/01

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

Discussion followed on fiscal impact.

Date: 3/26/01
Roll Call Vote #: 1

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

Senate Finance and Taxation Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS

Motion Made By Wardner Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin		✓			
Senator Nichols		✓			

Total (Yes) 4 No 2

Absent 0

Floor Assignment Wardner

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.

Description of item	Fiscal effect of 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.	Negative
b. Excess contributions to qualified pension plans, IRAs, annuities, etc.	Negative
c. Excess accumulations in qualified pension plans, IRAs, annuities, etc.	Negative
d. Excess distributions from qualified pension plans, IRAs, annuities, etc.	Negative
e. Accumulation distribution from a trust.	Negative
f. Excess benefits tax (under IRC section 72(m)(5)).	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**

<u>Filing status</u>	<u>Number of returns filed</u>
Single	125,768
Married/Join	122,059
Married/Filing Separately	3,683
Head of Household	18,139
Qualifying Widow	187

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

<u>Taxable income by bracket</u>	<u>Number of returns filed</u>
0 thru 26,250	111,413
26,251 thru 63,550	12,395
63,551 thru 132,600	1,446
132,601 thru 288,350	307
Over 288,350	116

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

<u>Taxable income by bracket</u>	<u>Number of returns filed</u>
0 thru 43,850	86,868
43,851 thru 105,950	29,472
105,951 thru 161,450	2,921
161,451 thru 288,350	1,765
Over 288,350	981

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

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

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	500,000
Taxable income	7,800	17,800	20,050	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	194,424	496,000
Income tax	1,174	2,574	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	26,549	29,649	58,044	174,086

N. Dakota

Current law tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB1055 tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB1399 tax ¹	93	373	436	513	653	693	793	933	1,118	1,338	1,778	2,218	2,658	3,318	3,538	3,758	4,198	7,790	21,069
Difference	(71)	(1)	14	34	40	25	(16)	(72)	(83)	(41)	(11)	19	25	34	37	41	47	(336)	(3,313)

¹ 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 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

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

Individuals filing jointly

2007 tax year, \$90,000 AGI, over \$80,000, 25% credit

Federal																					
Adjusted gross income		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	110,000	120,000	130,000	140,000		
Taxable income		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	91,450	101,450	111,450	121,450		
Income tax		219	1,721	3,221	4,721	5,471	5,996	5,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,913	22,706	25,671	28,771		

N. Dakota																				
Current law tax		31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028	
HB1055 tax		31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028	
HB1399 tax ²		0	71	351	631	771	869	911	981	1,023	1,051	1,191	1,471	1,751	2,054	2,494	2,934	3,374	3,814	
Difference		(31)	(170)	(100)	(30)	5	30	40	55	38	27	(29)	(140)	(253)	(342)	(294)	(245)	(220)	(214)	

Federal										
Adjusted gross income		150,000	160,000	170,000	175,000	180,000	190,000	200,000	250,000	500,000
Taxable income		131,450	141,450	151,450	156,450	161,450	171,450	182,122	236,602	492,650
Income tax		31,871	34,971	38,071	39,621	41,171	44,771	48,612	68,225	167,757
N. Dakota										
Current law tax		4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
HB1055 tax		4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
HB1399 tax ²		4,254	4,694	5,134	5,354	5,574	6,014	6,483	8,890	20,147

4.3%

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 \$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.

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

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	500,000
Taxable income	7,800	17,800	20,050	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	194,424	496,000
Income tax	1,174	2,674	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	26,549	29,649	58,044	174,086

N. Dakota

Current law tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,782	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB1055 tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB1399 tax *	92	370	432	509	648	687	787	926	1,124	1,369	1,359	2,349	2,839	3,574	3,819	4,064	4,554	8,554	23,331

Difference	(72)	(4)	10	30	35	19	(22)	(79)	(77)	(10)	70	150	206	290	318	347	403	428	(1,041)
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* 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.
- 2008 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

UnitedHealth is selling jointly

Adjusted gross income	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	110,000	120,000	130,000	140,000
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Taxable income	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	91,450	101,450	111,450	121,450
Income tax	219	1,721	3,221	4,721	5,471	5,996	6,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,913	22,706	25,671	28,771

Current law tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
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FD-1055 tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
FD-1339 tax ²	0	68	346	624	763	861	902	972	1,014	1,041	1,180	1,458	1,736	2,045	2,535	3,025	3,515	4,005

Distance	(31)	(173)	(105)	(37)	(3)	22	31	46	29	17	(40)	(154)	(268)	(619)	(253)	(154)	(79)	(23)
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Adjusted gross income	150,000	160,000	170,000	175,000	180,000	190,000	200,000	250,000	500,000
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Taxable income	131,450	141,450	151,450	156,450	161,450	171,450	182,122	236,602	492,650
Income tax	31,871	34,971	38,071	39,621	41,171	44,771	48,612	68,225	167,757

Current law tax	4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
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HD1035 bar	4.462	4.896	5.330	5.547	5.764	6.268	6.806	9.552	23.486
HD1300 bar ?	4.465	4.965	5.475	5.720	5.965	6.455	6.978	9.647	22.194

Distance	83	89	145	173	201	187	172	95	(1,297)
					4.936				

- 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 \$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.

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

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

Single individual¹

2.8% on first \$40,000 / 4.8% over \$40,000 / 25% credit up to \$125

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 85,000 100,000 105,000 110,000 120,000 200,000 500,000

Taxable income 7,800 17,800 20,050 22,800 27,800 29,200 32,800 37,800 42,800 47,800 57,800 67,800 77,800 92,800 97,800 102,800 112,800 194,424 496,000

Income tax 1.174 2.674 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 26.549 29.649 58,044 174,086

N. Dakota

HB1339: 2.8% of first \$40,000 of FTI

HB1055: 4.8% of FTI over \$40,000

Current law tax 164 374 422 479 613 668 809 1,005 1,201 1,379 1,789 2,199 2,633 3,284 3,501 3,717 4,151 8,126 24,372

HB1055 tax 164 374 422 479 613 668 809 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 1.1 1.5 1.5 1.6 1.8 1.8 2.0 2.2 2.4 2.5 2.8 2.9 3.1 3.3 3.3 3.4 3.5 4.1 4.9

HB1339 tax¹ 163 373 436 513 663 693 793 933 1,129 1,369 1,849 2,329 2,809 3,529 3,769 4,109 4,489 8,507 22,983

% of AGI 1.1 1.5 1.6 1.7 1.9 1.9 2.0 2.1 2.3 2.5 2.8 3.1 3.3 3.5 3.6 3.7 3.7 4.3 4.6

Difference (1) (1) 14 34 40 25 (16) (72) (72) (10) 60 130 176 245 268 392 338 381 (1,389)

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 individual includes a credit of 25% of the tax, up to a maximum of \$125.

Federal taxable income

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

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

Married individuals filing jointly² 2.8% on first \$80,000 / 4.8% over \$80,000 / 2.5% credit up to \$250

Federal

Adjusted gross income	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	110,000	120,000	130,000	140,000
Taxable income	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	91,450	101,450	111,450	121,450
Income tax	219	1,721	3,221	4,721	5,471	5,996	6,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,913	22,706	25,671	28,771
HB1399 tax ²	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
% of AGI	.16	.80	1.1	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.7	2.0	2.2	2.4	2.5	2.6
HB1399 tax ²	31	241	451	661	771	869	911	981	1,023	1,051	1,191	1,471	1,751	2,060	2,540	3,020	3,500	3,980
% of AGI	.20	.80	1.1	1.3	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.8	1.9	2.1	2.3	2.5	2.7	2.8
Difference	0	0	0	0	5	30	40	55	38	27	(29)	(140)	(253)	(336)	(248)	(159)	(94)	(48)

Federal

Adjusted gross income	150,000	160,000	170,000	175,000	180,000	181,450	190,000	200,000	250,000	500,000
Taxable income	131,450	141,450	151,450	156,450	161,450	171,450	182,122	236,602	492,650	547,100
Income tax	31,871	34,971	38,071	39,621	41,171	44,771	48,612	68,225	167,757	228,350
HB1399 tax ²	4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486	54,547
% of AGI	3.0	3.1	3.1	3.2	3.2	3.3	3.4	3.8	4.7	10.0
HB1399 tax ²	4,460	4,940	5,420	5,688	5,900	6,380	6,892	9,507	21,797	50,000
% of AGI	3.0	3.1	3.2	3.2	3.3	3.4	3.4	3.8	4.4	10.0
Difference	44	90	113	136	112	86	(45)	(1,68)	(1,68)	(1,68)

- 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 individual¹

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

Federal

Adjusted gross income

15,000 25,000 27,250 30,000 35,000 36,400 40,000 45,000 54,900 55,000 65,000 75,000 85,000 100,000 104,600 105,000 110,000 120,000 200,000

Variable income

7,800 17,800 20,050 22,800 27,800 29,200 32,800 37,800 47,750 47,800 57,800 67,800 77,800 92,800 97,400 97,800 102,800 112,800 194,424

Income tax 1.174 2.674 3.011 3.424 4.379 4.771 5.779 7.179 9.965 9.979 12.779 15.707 18.807 23.457 24.883 25.007 26.549 29.649 58.044

N. Dakota

Current law tax 164 374 422 479 613 668 809 1,005 1,395 1,379 1,789 2,199 2,633 3,284 3,484 3,501 3,717 4,151 8,126

HB1055 tax 164 374 422 479 613 668 809 1,005 1,395 1,379 1,789 2,199 2,633 3,284 3,484 3,501 3,717 4,151 8,126

% of AGI 1.1 1.5 1.5 1.6 1.8 1.8 2.0 2.2 2.5 2.5 2.8 2.9 3.1 3.3 3.3 3.3 3.4 3.5 4.1

HB1399 tax¹ 91 361 421 496 631 668 766 901 1,169 1,649 2,019 2,389 2,759 3,314 3,484 3,499 3,684 4,054 7,074

% of AGI .61 1.4 1.5 1.7 1.8 1.8 1.9 2.0 2.1 3.0 3.1 3.2 3.2 3.3 3.3 3.3 3.3 3.4 3.54

Difference (73) (13) (1) 17 18 0 (43) (104) (226) 252 230 190 126 30 0 (2) (33) (97) (1,052)

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 1399 tax includes the credit of \$120 allowed for (1) property tax (2) mobile home tax and for rent, or (3) rent paid on property used as primary residence.
- Federal adjusted gross income

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

Married individuals filing jointly ²

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

Federal

Adjusted gross income	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
Taxable income	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	101,450	111,450	121,450
Income tax	219	1,721	3,221	4,721	5,471	5,996	6,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,899	19,913	22,706	25,671	28,771
N. Dakota																			
Current law tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,786	2,788	3,179	3,594	4,028
HB1055 tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,786	2,788	3,179	3,594	4,028
% of AGI	.16	.80	1.1	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.7	2.0	2.2	2.4	2.5	2.5	2.6	2.8	2.9
HB1399 tax ²	0	69	339	609	744	839	879	947	987	1,014	1,149	1,419	1,689	1,959	2,228	3,144	3,514	3,884	4,254
% of AGI	0	.23	.85	1.2	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.8	1.9	2.0	2.0	2.9	2.9	3.0	3.0
Difference	(31)	(172)	(112)	(52)	(22)	0	8	21	2	(10)	(71)	(193)	(315)	(437)	(558)	356	335	290	226

Federal

Adjusted gross income	150,000	160,000	170,000	175,000	180,000	190,000	200,000	250,000	500,000
Taxable income	131,450	141,450	151,450	156,450	161,450	171,450	182,122	236,602	492,650
Income tax	31,871	34,971	38,071	39,621	41,171	44,771	48,612	68,225	167,757

N. Dakota

Current law tax	4,462	4,896	5,330	5,547	5,764	6,268	6,906	9,552	23,486
HB1055 tax	4,462	4,896	5,330	5,547	5,764	6,268	6,906	9,552	23,486
% of AGI	3.0	3.1	3.1	3.2	3.2	3.3	3.4	3.8	4.7
HB1399 tax ²	4,624	4,994	5,364	5,549	5,734	6,104	5,499	7,514	17,988
% of AGI	3.1	3.1	3.2	3.2	3.2	3.2	2.7	3.0	3.6

Difference

	98	34	2	(30)	(164)	(1,307)	(2,038)	(5,49)	
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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 includes the credit of \$240 allowed for (1) property tax, (2) mobile home tax and lot rent, or (3) rent paid on property used as primary residence.

* Federal adjusted gross income.

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

Single individual¹

2.78% on first \$40,000² / 4.9% over \$40,000² / 50% credit up to \$125

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	500,000
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Taxable

income	7,800	17,800	20,050	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	194,424	496,000
income tax	1,174	2,574	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	26,549	29,649	58,044	174,086

N. Dakota

2015-2016 1.0% of AGI over \$40,000

Current law tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
H81055 tax	164	374	422	479	613	668	809	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	1.1	1.5	1.5	1.6	1.8	1.8	2.0	2.2	2.4	2.5	2.8	2.9	3.1	3.3	3.3	3.4	3.5	4.1	4.9
H81399 tax ³	108	370	432	509	648	687	787	926	1,124	1,369	1,859	2,349	2,839	3,574	3,819	4,064	4,554	8,554	23,331
% of AGI	1.2	1.5	1.6	1.7	1.9	1.9	2.0	2.1	2.2	2.5	2.9	3.1	3.3	3.6	3.6	3.7	3.8	4.3	4.7
Difference	(56)	(4)	10	30	35	19	(22)	(79)	(77)	(10)	70	150	205	290	318	347	403	428	(1,041)

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.
- 2010 tax rates used.
- Calculation of H81399 tax for a single individual includes a credit of 50% of the tax, up to a maximum of \$125.
- Federal taxable income.

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

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

Married individuals filing jointly ²

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

Federal

Adjusted gross income	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	110,000	120,000	130,000	140,000
Taxable income	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	91,450	101,450	111,450	121,450
Income tax	219	1,721	3,221	4,721	5,471	5,996	6,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,913	22,706	25,671	28,771

N. Dakota

Current law tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
HB1055 tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
% of AGI	.16	.80	1.1	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.7	2.0	2.2	2.4	2.5	2.6	2.8	2.9
HB1399 tax ²	20	159	346	624	763	861	902	972	1,014	1,041	1,180	1,458	1,736	2,045	2,535	3,025	3,515	4,005
% of AGI	.10	.53	.87	1.2	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.8	1.9	2.0	2.3	2.5	2.7	2.9
Difference	(11)	(82)	(105)	(37)	(3)	22	31	46	29	17	(40)	(154)	(268)	(619)	(253)	(154)	(79)	(23)

Federal

Adjusted gross income	150,000	160,000	170,000	175,000	180,000	190,000	200,000	250,000	500,000
Taxable income	131,450	141,450	151,450	156,450	161,450	171,450	182,122	236,602	492,650
Income tax	31,871	34,971	38,071	39,621	41,171	44,771	48,612	68,225	167,757

N. Dakota

Current law tax	4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
HB1055 tax	4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
% of AGI	3.0	3.1	3.1	3.2	3.2	3.3	3.4	3.8	4.7
HB1399 tax ²	4,495	4,985	5,475	5,726	5,965	6,455	6,978	9,647	22,194
% of AGI	3.0	3.1	3.2	3.3	3.3	3.4	3.5	3.9	4.4
Difference	33	89	145	173	201	187	172	95	(1,292)

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 50% of 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

2.8% on first \$40,000* / 4.4% over \$40,000* / 25% credit, up to \$125

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	500,000
Taxable income	7,800	17,800	20,050	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	194,424	496,000
Income tax	1,174	2,674	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	26,549	29,649	58,044	174,086

N. Dakota

Current law tax	164	374	422	479	613	668	809	1,005	1,201	1,379	1,789	2,199	2,633	3,284	3,501	3,717	4,151	8,126	24,372
HB1055 tax	164	374	422	479	613	668	809	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	1.1	1.5	1.5	1.6	1.8	1.8	2.0	2.2	2.4	2.5	2.8	2.9	3.1	3.3	3.3	3.4	3.5	4.1	4.9
HB1399 tax	163	373	436	513	653	693	793	933	1,118	1,338	1,778	2,218	2,658	3,318	3,538	3,758	4,198	7,790	21,059
% of AGI	1.10	1.5	1.6	1.7	1.9	1.9	2.0	2.1	2.2	2.4	2.7	3.0	3.1	3.3	3.4	3.4	3.5	3.9	4.2
Difference	(1)	(1)	14	34	40	25	(16)	(72)	(83)	(41)	(11)	19	25	34	37	41	47	(336)	(3,313)

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 1399 tax for a single individual includes a credit of 25% of the tax, up to a maximum of \$125.

* Federal taxable income

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

Married individuals filing jointly²

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

Federal

Adjusted gross

income	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	110,000	120,000	130,000	140,000
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Taxable

income	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	91,450	101,450	111,450	121,450
income tax	219	1,721	3,221	4,721	5,471	5,996	6,221	6,613	7,033	7,313	8,713	11,513	14,313	17,113	19,913	22,706	25,671	28,771

N. Dakota

HB 1399: 2.8% on first \$80,000* / 4.4% over \$80,000*

HB 1399: 4.4% of FTL over \$80,000

Current law tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
HB1055 tax	31	241	451	661	766	839	871	926	985	1,024	1,220	1,612	2,004	2,396	2,788	3,179	3,594	4,028
% of AGI	.16	.30	1.1	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.7	2.0	2.2	2.4	2.5	2.6	2.8	2.9
HB1399 tax ²	31	241	451	661	771	869	911	981	1,023	1,051	1,191	1,471	1,751	2,054	2,494	2,934	3,374	3,814
% of AGI	.20	.80	1.1	1.3	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.8	1.9	2.0	2.3	2.4	2.6	2.7
Difference	0	0	0	0	5	30	40	55	38	27	(29)	(140)	(253)	(342)	(294)	(245)	(220)	(214)

Federal

Adjusted gross

income	150,000	160,000	170,000	175,000	180,000	190,000	200,000	250,000	500,000
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Taxable

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

N. Dakota

Current law tax	4,462	4,896	5,330	5,547	5,764	6,268	6,806	9,552	23,486
HB1055 tax	4,462	4,896	5,336	5,547	5,764	6,268	6,806	9,552	23,486
% of AGI	3.0	3.1	3.1	3.2	3.2	3.3	3.4	3.8	4.7
HB1399 tax ²	4,254	4,694	5,134	5,354	5,574	6,014	6,483	8,880	20,147
% of AGI	2.8	2.9	3.0	3.1	3.1	3.2	3.2	3.6	4.0

Difference

	(202)	(196)	(193)	(190)	(254)	(323)	(672)	(3,336)
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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.

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 wants?)
- 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).

March 19, 2001

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 through 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:

57-38-31.1. 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."

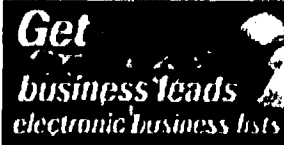
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In Depth: Staffing & Human Resources

From the June 2, 2000 print edition

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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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.

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