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DESCRIPTION

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*Deanne Hall*  
Operator's Signature

10/17/03  
Date

2003 SENATE FINANCE AND TAXATION

SB 2172

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10/17/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2172

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 20, 2003

Tape Number	Side A	Side B	Meter #
1	X		35
Committee Clerk Signature <i>Margaret L. Lanning</i>			

Minutes:

Senator Urlacher - opened the hearing on SB2172. All committee members are present. SB2172 relates to an income tax deduction under the simplified method of computing tax for military retirement pay and military active duty or national guard pay.

Senator Thomas L. Trenbeath (mtr #80) - Is the prime sponsor of this bill. At this time the long-form filers get the deduction in this bill but the short-form filers do not. This bill will change the short-form language to match the long-form language. This bill acknowledges what active military and early retirement members have done for our country. Urge you to support this bill.

Senator Nichols (mtr #420) - Line 17 & 18. With regard to field grade officers. Why are they singled out?

Senator Trenbeath (mtr # 475) - People thought that those people made enough money and should pay the tax.

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*10/17/03*  
Date

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2172

Hearing Date January 20, 2003

Senator Wardner (mtr #500) - This is for state income tax of 5000.00?

Senator Trenbeath (mtr #530) - It is not \$5000 in tax, it is \$5000 in income.

Senator Syverson (mtr #545) - What is the number of people involved in this exemption?

Senator Trenbeath (mtr #600) - Do not have that number at this time, I can get that for the committee.

Senator Syverson (mtr #640) - Looking for that information to try to figure, in my own mind, what that fiscal note could be.

Joe Becker, State Tax Department (mtr# 675) - Some clarification on the gaps in the fiscal note.

Fiscal note has three components to it. 1st of all, we have the \$1000 exclusion for active duty military regardless of where they are stationed. According to our 2001 database we had 3300 returns with military designation. That gives us 3.3 million in income reduction. We don't know without doing a thorough analysis of the data base and recalculate those numbers to see how it effected the 2001 return. The 2nd component, contacted National Military Office as well as the local Guard Office, received a number of approximately 8500 military and national guard members. Again, would be entitled for the full \$1000. our number of \$33,000.00 per year is an estimate at best. Then the overseas active duty pay exclusion, that is \$300 per month, we do not who is overseas and who could be called up to go overseas, could not determine a fiscal number. 3rd component military retirement pay exclusion, is up to \$5000 per year, but reduced by social security benefits, could not get an handle on the amount of social security benefits being received, so not sure of that number.

Senator Tollefson (mtr #930) - What is the effect on the short-form?

Mr. Becker (mtr #960) - The tax rate difference between the two methods is significant.

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10/17/03

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2172

Hearing Date January 20, 2003

Senator Urlacher (nitr# 1085) - Closed hearing on SB2172

Senator Urlacher - opened SB2172 to general discussion by committee.

Senator Wardner (mtr #1125) - Budget is tight, but also know the sacrifices the military personnel make for our country.

Senator Urlacher (mtr #1170) - Will not act on the bill right now because the fiscal note just came out today and there might be changes. End discussion on SB2172.

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10/17/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2172

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 21, 2003

Tape Number	Side A	Side B	Meter #
1	X		1,600
Committee Clerk Signature <i>Mary Kay Leland</i>			

Minutes: Senator Urlacher opened the hearing on SB2172. All committee members present.

Senator Wardner (mtr #1610) - Amendment for this bill has been passed out. As a sponsor I would present to committee. See written amendment attached. Not sure how that will effect the fiscal note.

Senator Wardner - Motion to add amendment. Second by Senator Tollefson.

Senator Seymour - Amendment takes out the National Guard. These are ND people

Senator Wardner - Yes, to reduce the fiscal note.

Senator Tollefson - Feel strongly about this bill. Current members of military have chosen that option, is a career choice. Do they need a better break on taxes?

Senator Wardner - Still stand on motion for amendment to make it a better bill.

Senator Seymour - Is it a better bill?

Senator Wardner - Important to put it in the best form for the floor.

Roll call vote on Amendment. 5 yea, 1 nay, 0 absent. Amendment has been adopted.

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*10/17/03*  
Date

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2172

Hearing Date January 21, 2003

Senator Wardner - Motion for Do Not Pass due to amount of fiscal note. 2nd by Senator

Tollefson. Roll call vote 6 yea, 0 nay, 0 absent. Carrier is Senator Syverson.

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Operator's Signature

10/17/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2172

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 22, 2003

Tape Number	Side A	Side B	Meter #
1	X		3,550
Committee Clerk Signature <i>Mary Kay Lusk</i>			

Minutes:

Senator Urlacher opened the hearing on SB2172. All committee members are present. This bill relates to an income tax deduction under the simplified method of computing tax for military retirement pay and military active duty or national guard pay.

Senator Urlacher - We acted on the bill before we had an updated fiscal note. I am going to ask the sponsor to clarify the fiscal impact. Will pull the bill back into the committee. We didn't have a fiscal note on the amendment.

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*Deanne Hall*  
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10/17/03  
Date



2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2172

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
1		X	3599-end
2	X		-1
Committee Clerk Signature <i>Maureen Hall</i>			

Minutes:

Senator Urlacher opened the hearing on SB2172. All committee members are present. Had voted in committee as Amended and Do Not Pass, but did not have an update on the fiscal effect. Asked Senator Trenbeath to speak about the amendment for clarification.

Senator Tom Trenbeath (mtr #3700) - My understanding as to break down on fiscal note, the portion that had to do with loss of revenue to the state because of the use of the tax deduction by retired military personnel, was slightly less than \$200,000 per biennium. With the amendment in place the bill impacts the retired veteran only.

Senator Urlacher (mtr #3868) - Do you have an idea of what those people get in retirement?

Senator Trenbeath - I don't know that.

Senator Nichols (mtr #3890) - Does the provision apply if they file the long form?

Senator Trenbeath - The entire bill as it was presented to you was an exact mirror of the provisions in the long form.

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*Maureen Hall*  
Operator's Signature

10/17/03  
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2172

Hearing Date January 28, 2003

Senator Trenbeath - People that file the long form are the officers. The junior grade, non commissioned officers file the short form.

Senator Tollefson (mtr #4069) - It is more expensive to file the long form.

Senator Trenbeath (mtr #4100) - The long form is an empty opportunity for most people

Senator Syverson (mtr #4122) - I have been led to believe you lose some deductions using the long form, but also gain others.

Senator Trenbeath (mtr #4200) - Really what is the exemption, what are you exempting, \$1000.00?

Senator Tollefson - The long form is not for everyone, the rate is higher.

Senator Nichols (mtr #4266) - With regard to the fiscal note, how did they figure that?

Senator Trenbeath (mtr #4295) - I am not sure how they figured the fiscal note, presumed the maximum number of deductions.

Senator Urlacher (mtr #4482) - Well we have clarification and we had voted on this bill. Would need a motion to bring back for consideration if we want to change the vote.

Senator Nichols (mtr #4590) - Give a lot of credit to the military. But retirees do get many nice benefits.

Senator Tollefson (mtr #4730) - If we open up, may not be a good bill.

Senator Urlacher - I am not pushing a change in vote, just wanted to get all the information.

Senator Wardner - Retired military do have nice benefits.

Senator Syverson - Full-time guard members making much more than they will now that they have been called to active duty. Families will take pretty good hit.

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*Deanne Tollefson*  
Operator's Signature

10/17/03  
Date

Page 3

Senate Finance and Taxation Committee

Bill/Resolution Number SB2172

Hearing Date January 28, 2003

Senator Urlacher (mtr #5467) - Will not reconsider. Will go to desk as a Amended and Do Not Pass.

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10/17/03  
Date

**FISCAL NOTE**  
Requested by Legislative Council  
01/09/2003

Bill/Resolution No.: SB 2172

**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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,120,000)			
Expenditures						
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.

SB 2172 provides an income tax deduction for certain military pay and military retirement benefits on the state's "short form" similar to the deductions provided under the "long form" method.

**3. State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

**A. Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

If enacted, SB 2172 is expected to reduce state general fund revenues by \$560,000 per year. This estimate is based on current counts of retirees, reservists, and active duty military personnel. The provision of the bill that grants a \$300 per month deduction for active duty outside the US could result in a greater negative fiscal impact should the US enter into a lengthy war.

**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.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/17/2003

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Date

30338.0101  
Title.0200

Adopted by the Finance and Taxation  
Committee

January 21, 2003

*JB*  
1-21-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2172

Page 2, line 12, remove "Reduced by any amount, up to a maximum of one thousand dollars,  
received"

Page 2, remove lines 13 through 22

Page 2, line 23, remove "h."

Renumber accordingly

Page No. 1

30338.0101

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*Deanne G. Hall*  
Operator's Signature

*10/17/03*  
Date

Date: 1.21.03  
Roll Call Vote #: 1

**2003 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2173**

<b>Senate</b>	<b>Finance and Taxation</b>	<b>Committee</b>
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☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Comment added

Motion Made By Senator Waddins Seconded By Senator Tolleson

[illegible]

Total (Yes) 5 No 1

Absent \_\_\_\_\_

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

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

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Deanne Bell  
Operator's Signature

10/17/03  
date

Date: 12.1.03  
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2172

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do not pass

Motion Made By Sen. Wardner Seconded By Sen. Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	✓		Senator Nichols	✓	
Senator Wardner - Vice Chairman	✓		Senator Seymour	✓	
Senator Syverson	✓				
Senator Tollefson	✓				

Total (Yes) 2 No 0

Absent \_\_\_\_\_

Floor Assignment Senator Syverson

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

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12/17/03  
Date

REPORT OF STANDING COMMITTEE (410)  
January 28, 2003 4:15 p.m.

Module No: SR-16-1231  
Carrier: Syverson  
Insert LC: 30338.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**SB 2172: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2172 was placed on the Sixth order on the calendar.**

Page 2, line 12, remove "Reduced by any amount, up to a maximum of one thousand dollars, received"

Page 2, remove lines 13 through 22

Page 2, line 23, remove "h."

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

SR-16-1231

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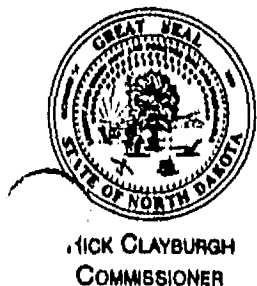
2003 TESTIMONY

SB 2172

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10/17/03  
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STATE OF NORTH DAKOTA

**OFFICE OF STATE TAX COMMISSIONER**

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT. 127, BISMARCK, NORTH DAKOTA 58505-0509

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Hearing/Speech Impaired 800-366-6888 (TTY Relay North Dakota)

<http://www.ndtaxdepartment.com>

MICK CLAYBURGH  
COMMISSIONER

**MEMORANDUM**

TO: Senator Urlacher  
FR: Kathryn Strombeck *KLS*  
RE: Proposed amendments to SB 2172  
DT: January 23, 2003

I received a copy of proposed amendments to SB 2172 that removes the portion of the bill relating to an income tax deduction for military reservists. The amendments leave intact the portion of the bill relating to an income tax deduction for certain military retirement pay.

If enacted with proposed amendments (number 30338.0101 Title.0200), SB 2172 will reduce state general fund revenues by an estimated -\$196,000 in the 2003-05 biennium.

Please let me know if you have any questions or comments. I can be reached at 328-3402

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*10/17/03*  
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