

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2193

2005 SENATE FINANCE AND TAXATION

SB 2193

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2193

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 24, 2005

Tape Number	Side A	Side B	Meter #
#1		X	0.1 - 3.9
Committee Clerk Signature <i>Sharon Benbow</i>			

Minutes: All members present.

SEN. URLACHER: called the committee to order and opened the hearing on SB 2193.

SEN. TALLACKSON: appeared as prime sponsor of the bill stating this bill is relating income withholding from certain pension plans. He introduced this bill on behalf of a retired telephone employee who wanted his income tax withholding taken out of his pension before he gets. He's very frustrated with this. This bill would permit this process and it is a nonpartisan bill.

SPARB COLLINS: Exec. Director of the NDPERS (PERS) appeared neutral on the bill with written testimony and presented an amendment stating PERS presently does do state withholding but they use a method different then the one required by this bill.

DONNITA WALD: attorney for the Tax Commissioner appeared neutral and on behalf of the Tax Commissioner to ask the committee to hold off on this bill so they can work out some policy issues and some other issues.

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Senate Finance and Taxation Committee

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FAY KOPP: Deputy Director for the Retirement and Investments Office appeared neutral stating we would concur with Sparb Collins on the amendment and ask that the committee positively concerning the amendment.

NO FURTHER TESTIMONY. The hearing was closed.

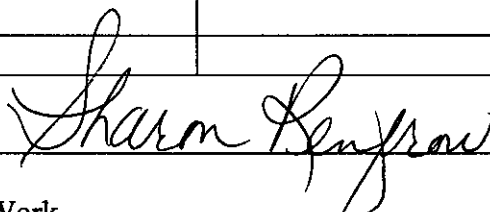
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2193

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 26, 2005

Tape Number	Side A	Side B	Meter #
# 2		X	9.7 - 18.7
Committee Clerk Signature 			

Minutes: Afternoon Committee Work.

DONNITA WALD, Tax Dept. Brought amendments and explained them. Basically these amendments simplify 2193, what it does, it requires the withholding of federal taxes to a ND resident, it does the pension ____ must withhold using a percentage of federal liability method, that addressees Sparb Collins concern with the original bill. He wanted to keep that percentage method because that's what they have been using. We also think its the easier method to use, they can pick which percentage they want, they just have to use that method. We also kept in the option for the recipient of the pension payment we left out the withholding if they do so, we will prescribe forms in the manner in which that must be done. We then clarified the pension payer is subject to our regular withholding. Sen. Tallackson's concern with constituent whose pension payer was out of state, there is nothing that we as a State can do **about that**.

SEN. WARDNER: made a **MOTION TO ADOPT THE AMENDMENTS**, seconded by Sen. Every.

VOICE VOTE: 6-0-0 Motion carries.

SEN. COOK: concerns with out of state getting no help, but what about here.

DONNITA WALD, Tax Dept. The concerns that we've heard had been with ND pension payers, PERS, Teachers Retirement, they are all voluntarily doing it. So with respect to those pension payers, I don't think there's a problem. With respect to other pension payers who are receiving payments from out of state, I don't think we get a lot of them.

SEN. TOLLEFSON: you said this provides an opt out provision.

DONNITA: Yes and Sen. Cook you could make it at the request of a payor or payee, again that won't solve this problem, because I still can't make them withhold.

SEN. WARDNER: So the way this is written now, there going to withhold from the pension unless the individual wants to opt out. Yes.

SEN. EVERY: I think Sen. Tallackson needs to see this because really the bill does nothing that he wants it to do now I don't think, does it.

DONNITA: it didn't when it was introduced, he's been made aware of that. And that there were no amendments that could fix it

SEN. BERCIER: concerns with keeping up with the record keeping.

DONNITA: the original bill required the pension payer to get W-4 and if they didn't give them a W-4, then they were supposed to withhold at the married with 3 exemptions. PERS concern was their already set up using a method that we've prescribed, 21% of federal tax liability. I've addressed that in this.

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Senate Finance and Taxation Committee

Bill/Resolution Number SB 2193

Hearing Date January 26, 2005

SEN. TOLLEFSON: I think your creating a problem rather than solving it, especially with the opt out, so your putting the otis on a person that is satisfied with the program the way it is and

MOTIONED FOR A DO NOT PASS AS AMENDED, seconded by Sen. Every.

ROLL CALL: 6-0-0 Motion carries

Sen. Tollefson will carry the bill.

FISCAL NOTE

Requested by Legislative Council
02/01/2005

Amendment to: SB 2193

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

Engrossed SB 2193 requires income tax withholding from certain pension payments made to North Dakotans.

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.*

Engrossed SB 2193 mandates pension payers withhold state income tax from certain pensions. Recipients themselves can elect to not have withholding. The overall individual income tax liabilities are not altered by Engrossed SB 2193, only the possible timing of the payment of tax. Overall, Engrossed SB 2193 is expected to have a fiscal impact of less than \$5000.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/02/2005

FISCAL NOTE

Requested by Legislative Council
01/12/2005

Bill/Resolution No.: SB 2193

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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 2193 requires income tax withholding from certain pension payments made to North Dakotans.

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.*

While SB 2193 mandates pension-payors withhold state income tax from pensions, recipients themselves can elect to not have withholding. The overall individual income tax liabilities are not altered by SB 2193, only the possible timing of the payment of tax. Overall, SB 2193 is expected to have a fiscal impact of less than \$5000.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/19/2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2193

Page 1, line 7, after the period insert "A pension payer required to withhold federal taxes under Internal Revenue Code section [26 U.S.C. 3405] on a pension payment to a resident of this state must deduct and withhold state income taxes payable on the payment. The pension payer must withhold using the percentage of federal liability method prescribed by the tax commissioner. The recipient of a pension payment may elect not to have taxes withheld under this section. The election must be in the form prescribed by the tax commissioner. A pension payer must comply with section 57-38-60 and is subject to the provisions of 57-38-60.1. This section does not apply to pension payments exempt from state taxation under federal or state law."

Page 1, remove lines 8 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 7

Renumber accordingly

Date: 1-26-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB 2193*

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Adopt Amendments

Motion Made By Wardner Seconded By Evley

[illegible]

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 1-26-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2193

Senate	Finance and Taxation	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DNP as Amended

Motion Made By Tollefson Seconded By Strong

[illegible]

Total (Yes) 10 No 0

Absent 0

Floor Assignment Tollefson

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

REPORT OF STANDING COMMITTEE

SB 2193: 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 2193 was placed on the Sixth order on the calendar.

Page 1, line 7, after the boldfaced period insert "A pension payer required to withhold federal taxes under section 3405 of the Internal Revenue Code [26 U.S.C. 3405] on a pension payment to a resident of this state must deduct and withhold state income taxes payable on the payment. The pension payer shall withhold using the percentage of federal liability method prescribed by the tax commissioner. The recipient of a pension payment may elect not to have taxes withheld under this section. The election must be in the form prescribed by the tax commissioner. A pension payer must comply with section 57-38-60 and is subject to section 57-38-60.1. This section does not apply to pension payments exempt from state taxation under federal or state law."

Page 1, remove lines 8 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 7

Renumber accordingly

2005 TESTIMONY

SB 2193

TESTIMONY OF
SPARB COLLINS
ON
SENATE BILL 2193

Mr. Chairman, members of the committee my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System (PERS). I appear before you today neither in favor or opposed to SB 2193 but rather to offer some technical comments on the bill and offer an amendment.

PERS presently does do state withholding but we use a method different then the one required by this bill. The method we use is the percent of federal withholding method which is one of the methods allowed by the State Tax Commissioner. Pursuant to this method we take 21% of the federal withholding amount as the basis for state withholding. If possible we would like to continue to use this method since it would not require a change to our recordkeeping system. I am offering the attached amendment to the bill that would allow using other withholding methods approved by the State Tax Commissioner.

Mr. Chairman, members of the committee this concludes my testimony.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2193

Page 2, line 6, remove "of periodic payments"

Page 2, line 7, replace "as if the recipient were" with "pursuant to a method approved by the tax commissioner."

Page 2, remove lines 8 through 10

Renumber accordingly