



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

August 29, 2008

John Walstad
North Dakota Legislative Council
State Capitol
Bismarck, ND 58505

AUG 29 2008

Dear Mr. Walstad;

You asked for the assistance of the Office of Tax Commissioner in determining the estimated fiscal impact of an initiated measure that reduces individual income tax rates by fifty percent, and corporation income tax rates by fifteen percent.

We have completed our analysis, and have determined that the rate reduction provisions of the initiated measure can be expected to reduce state general fund revenues by an estimated \$414,237,000 in the 2009-2011 biennium. This estimate is based upon the Preliminary Forecast of State General Fund Revenues that was released earlier this month by the Office of Management and Budget.

Additionally, there are three individual income tax brackets in the petition that appear to contain an error. Two of these brackets list what appears to be an incorrect dollar threshold upon which that bracket's rate is applied. The third error appears to use an incorrect rate that is not consistent with the overall fifty percent rate reduction shown throughout the rest of the petition.

We have identified approximately 325 taxpayers that may be affected by these errors, provided their filing status does not change and their income levels in 2009 and 2010 remain approximately equal to recent years' levels. Two of these bracket errors benefit the taxpayer and potentially result in additional fiscal losses to the state. The third bracket error increases the tax liability of affected taxpayers, and, therefore, potentially increases state revenue. A consideration of the offsetting fiscal impact of the three bracket errors results in an additional estimated net reduction of state general fund revenues of \$425,000 for the 2009-2011 biennium.

We conclude that the fiscal impact of this initiated measure, should it be enacted by the voters of this state and the errors addressed by the 2009 Legislative Assembly, will result in an estimated reduction of state general fund revenues of \$414,237,000 for the 2009-2011 biennium.

Please contact Commissioner Fong or me if you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathryn L. Strombeck".

Kathryn L. Strombeck
Director of Research and Education