

2009 HOUSE FINANCE AND TAXATION

HB 1563

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1563**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8323

Committee Clerk Signature

Minutes:

Vice Chairman Drovdal: We will open the hearing on HB 1563.

Representative Weiler: HB 1563 looks more complicated than it actually is. It is a long-term plan to remove the corporate income tax in North Dakota and a long-term plan to lessen the individual income tax in North Dakota. Obviously those of us who see the value in not having corporate income tax realize that it is going to bring new businesses and new corporations to North Dakota, which brings more jobs and more people. This, in turn, increases revenue for the State of North Dakota. A long-term plan over the next ten years has some advantages to doing it all at once. It is not as costly to do incrementally as it would be to just eliminate corporate income tax all at once. Corporations that hear about this realize that by moving their business to ND that over the next ten years, they will be paying less corporate income tax and less individual income tax each and every year. Eventually they will end up paying no corporate income tax at all. Let's go to the bill. Section 1 basically reduces North Dakota's income tax rates by 20%. To make up for that so-called loss of revenue, \$50 million will be transferred from the permanent oil trust fund to the general fund. Currently corporate income taxes bring in roughly \$250 million a biennium. If we do this incrementally over a ten year or five biennium period, we will take about \$50 million the first biennium. Section 2 of the bill in

the biennium 2011-2013, we will reduce corporate income tax rates by another 20%. To make up for that so-called loss of revenue, \$100 million will be transferred from the permanent oil trust fund, making it revenue neutral again. Section 3 does the same thing in 2013-2015 biennium—another 20% although this time \$150 million will be transferred from the permanent oil trust fund to make up for that loss. Section 4 comes to the fourth biennium of this ten year plan—another 20% reduction in the rates of corporate income tax and \$200 million will be transferred from the permanent oil trust fund to make up for that loss. Any questions to this point?

Representative Froseth: You say this is a 20% reduction, but all the sections here actually cut the rate in half. How do you calculate it at 20% on page 1, line 13?

Representative Weiler: That's a good question for John Walstad. The intent is to reduce the corporate income tax rates by 20%. Rick Berg, who has done an enormous amount of work on this bill is here. Can he address that? I'll finish.

Representative Drovdal: In the second biennium, you mention a reduction of \$150 million from the permanent oil trust fund in order for another 20% cut, but estimated income for 2009 is only \$112 million total for all corporate taxes. If you double that, it is \$224 million so the reduction is a lot greater than 40% at that point. If you keep taking money out of the permanent oil trust fund, it doesn't look like there will be any money in that fund. What happens if that trust fund runs out?

Representative Weiler: This is not meant to be a dollar for dollar transfer to make up for. It's just not going to work out that way. The idea is to reduce corporate income tax over ten years versus doing it all at once. The first four bienniums from this point on, we are going to reduce the corporate income tax rate by 20% each of those bienniums. To make up for that, we are going to transfer money from the permanent oil trust fund so that basically the State of North

Dakota will see a fairly revenue neutral result. Your second question on money in the permanent oil trust fund, you will keep going. The Governor has stated that they believe this is long-term prosperity for years to come. We believe the Governor and their projections and that there will be money in the oil trust fund.

Representative Drovdal: We have seen numbers on the reduced price of crude oil that the Governor's budget based on \$62 a barrel crude oil; and with the credits he is taking out of it, we won't have any money by the end of the biennium because of the price of crude oil, not because of the lack of activity.

Representative Weiler: So your question is what happens if there isn't money in there? It defers two years until the money is actually in the trust fund.

Representative Kelsh: For each successive 20% reduction, is that based on the previous biennium or is it based on the first biennium that this goes into effect?

Representative Weiler: I believe the intent is whatever is left. Representative Berg, who has done the most work on this bill, might be the best one to answer that. Section 5 is where we get into the individual income tax. As we know, the Governor's plan is to reduce individual income taxes by \$100 million this biennium. This section 5 basically mirrors the Governor's plan on a .42 basis off each tax bracket. Section 6 is where we start in the 2011-2013 biennium to begin to reduce individual income tax over the next four bienniums by \$50 million each biennium. It is different from the corporate. The corporate after ten years will be gone. The individual income tax will remain after ten years, but it will be reduced by roughly close to \$300 million. Section 7 is where we repeal corporate income tax in 2017. The first four bienniums, we reduce it by 20%. Whatever is left in 2017 will be repealed. To make up for that corporate income tax, \$250 million will be transferred from the permanent oil trust fund. I

would also like to add that in Section 6, the reduction in personal income tax is coming from

the general fund. In section 8 (12:42) we are done with our ten year plan. Corporate income tax is gone; individual income tax is greatly reduced. North Dakota is thriving because we have more businesses, we have more corporations, we have more people, more jobs, and more income. Now over the course of the next ten years, from 2017-2027, that is where we begin from the corporate income tax side to wean ourselves off having income from corporate income tax. Subsection 1 of Section 8, we have gotten rid of the last bit of corporate income tax. There is a \$250 million transfer from the permanent oil trust fund to make up for that projected loss. Subsection 2, 3, 4 and 5 indicate that over the next four bienniums is where we begin to wean ourselves off that. There will be a transfer from the permanent oil trust fund in 2019-2021 of \$200 million to the general fund; in 2021-2023 there will be a transfer of \$150 million, the next biennium \$100 million and the next biennium \$50 million. We are weaning ourselves off corporate income tax revenue. Fifteen years ago North Dakota and South Dakota had the same population. South Dakota repealed corporate income tax and removed individual income tax. Fifteen years later, South Dakota has 110,000 more people than North Dakota. We have lost 10,000; they gained 100,000. Whether or not it is all due to the removal of their tax is debatable, but I believe it has a lot to do with that. Finally, in attending an American Legislative Exchange Conference in Washington, D. C.. a year or two ago, I met a gentleman who made a presentation. His last name is Laffer and he is responsible for the Laffer Curve. He told us that if there is one thing that states should be doing with their tax policy it is to get rid of individual and corporate income tax. All the states that have done so have seen great growth. Mr. Chairman, with that I will be happy to answer any questions, but Representative Berg is here as well.

Representative Berg: When we look at this issue, we need to step back and think about where we are, where we have come, and where we want this state to go. Many of you in this

room have been here since the early 1980s, when we had flat growth in North Dakota. We lost 50,000 people in the 1980s. Education never got you what it promised you. One year it was almost a 10% cutback from the last part of the biennium. I would like to roll forward to where we are today. What is going on in North Dakota? How come things are going so well? How come we have 15-20,000 job openings that aren't filled? How come we added \$100 million to education and we are going to do it again? Why have people's incomes gone from about \$25,000 a year up to \$36,000 a year? It is because our economy is moving and things are happening. How we move this forward is up to this session. What we have, in my opinion, is a crisis around the country. We have huge dollars being spent by government. I question whether or not these dollars are going to have the impact we hope they will. In fact, I think what it is going to do is create more burdens across the country. In 2003, we had zero increase in education, zero increase in state employees. Those were tough times. What has happened since then is I think we have had a culture of wanting our businesses to grow and create more jobs. In September North Dakota was picked as the strongest economy in the whole country. How do we keep this going? In my opinion, what is going to happen around the country is we are going to see all these other states beg, borrow or steal to spend more money on some things that won't stimulate our economy. As a result, they are going to have to tax business more. As you look around the country, I think for these corporations that are retooling and looking at where they could relocate, North Dakota is going to be at the top of that chart. Two years ago, we passed a very innovative corporate governance here in ND to give stockholders more power, more influence and more authority. I will guarantee you when this thing starts shaking out and the ownership changes that people are going to be looking to ND as a place to relocate and do their corporate business. In a real simple sense, what this bill does is reduce taxation on corporations by \$250 million. It reduces personal income tax by

\$250 million. Because we are in the situation we are in as a state, we can be creative about it.

First of all, this will have zero impact on this upcoming biennium. Not one nickel is not going to be spent for education or human services because we are going to take \$50 million out of the permanent oil trust fund to offset the \$50 million reduction in corporate income tax. As we move forward beyond this biennium, the impact to the general fund, the savings in taxation will be \$100 million per biennium and the impact to the general fund will only be \$50 million. Now \$50 million sounds like a big number, but \$50 million is less than 5% of our revenue. Our revenue is close to \$3 billion a biennium. We are talking \$50 million in reductions so what this bill does basically is it has a \$50 million impact on our general fund for 20 years. What it is doing to help ease into this is using the permanent oil trust fund for the first ten years (five bienniums) so half of the \$100 million will come out of the permanent oil trust fund and half will be a reduction in the 2011- 2013 biennium. After that ten year period when the permanent oil trust fund is covering that half, every biennium they would cover \$50 million less until there was no further money coming out of the permanent oil trust fund. This is a very safe plan. If it is not working, every session of the legislature can come forward and say they don't want it; but what if it does work? What if it puts ND on track as the only state in the country that is reducing its corporate income tax, the only state in the country that has a strong financial picture, and one of the states in the country that has reversed its trend in population? If it works, I would say that the impact to our state will be far more than a 1.5% reduction in general fund revenue. I have a copy of the most recent projection in revenues. This is obviously published by Legislative Council. So far, year to date, we are over our projections in income tax revenue by \$100 million. We are over our projections on corporate income tax by \$78 million. We have tremendous growth. The most important thing this legislature can do is to make sure this growth continues here in ND. This bill is part of an overall tax package,

which incorporates the \$250 million reduction, the \$100 million the Governor has proposed in other bills here in session. It sends the message loud and clear that ND is not in a negative financial position. Clearly over the last several bienniums, we have learned that by causing more economic activity that our revenues to the state grow. I hear all the time that the only reason we are in this state is because of all the oil revenue. Out of that \$3 billion we are going to spend, do you know how much comes from oil? \$71 million and we are hoping to increase that to \$100 million. What we have been using for general fund revenue is not oil; it has been \$71 million of oil revenue. (24:19) The additional money we use for the oil has been property tax relief. I think as we define other uses for that permanent oil trust fund, property tax relief or tax relief, in general, is one tool that would be very effective. I would encourage you to support this bill. I think it will have a tremendous effect on ND; I think it will generate more revenue for the state, thereby giving us more revenue in funding for education and the other priorities we have.

Representative Winrich: Section 8 of the bill does not amend any section of the century code; it appears to be instructions on how to interpret the rest of the bill. Does this become some kind of post it note in the tax code that says this is what the legislature meant?

Representative Berg: (25:52) As we are using the permanent oil trust fund to offset \$50 million of the \$100 million reduction, at the end of five years, the permanent oil trust fund will have an obligation of \$250 million to the general fund. What this is saying is that we are going to wean the permanent oil trust fund off that obligation. In the tenth year, they put \$250 million in, the next biennium \$200 million, the next biennium \$150, the next biennium \$100 million and down to \$50 million. Over the first ten years, the permanent oil trust fund is really a crutch trying to ease the reduction, which I think will stimulate our economy. The following ten years it is to get the permanent oil trust fund out of the crutch mode and move back down. In

essence, it will reduce general fund spending by \$50 million a biennium over the next ten bienniums.

Representative Winrich: I understand that, but this doesn't seem to go into law anywhere. Section 8 doesn't refer to the century code.

Representative Berg: Legislative Council drafted this with that understanding. It is my understanding that this is not a "post it" note but what would be required.

Representative Winrich: On page 8, lines 13, 14, and 15, it says "transfers from the permanent oil trust fund under this act must be given priority over any transfer or appropriation authorized after the effective date of this act." Isn't that an attempt to restrict the actions of future legislatures? What if the legislature in 2013 says we don't want to do what they did in 2009; we are superseding this.

Representative Berg: By a 50% vote.

Representative Winrich: So that is a meaningless sentence?

Representative Berg: I guess if you think our statutes are meaningless. What I meant here is this is a plan that lays this out over a decade, actually two decades. Any legislative assembly can change this. The intent here is to put a process down. To my knowledge, there is nothing being appropriated out of the permanent oil trust fund by statute. Any time a legislature would come back in and want to do away with this completely, it would just take a simple vote. It is not intended to tie the hands of future legislative assemblies, but actually lay down a plan that can be modified.

Representative Froseth: I like the ingenuity of this bill, but also I hesitate to put so much dependence on one source of income like the permanent oil trust fund. Do you think it would be wise to put a time delay mechanism in here so if there wasn't enough money to sustain the next biennium step, they could put a hold on it?

Representative Berg: I believe in this bill that it says if there isn't money to offset this, it is then deferred two years to the following biennium. I think that is in there, but I would be open to any ideas people would have. When we look to the next biennium (we will have projections coming out on February 9), but according to the last projection, there will be \$800 million. I can't think of a better time to actually use that to try to transition our state to an even stronger economy.

Representative Headland: When you were putting this bill together and when you had conversations with me, we talked about a provision that there may not be a need for transfers if our economy grows like we think it will. Is there a provision where we don't have to transfer the money if we don't need it?

Representative Berg: If we have the kind of growth we have had from our economy, certainly we may not want to take this money out of that fund. We put it in here because any session of the legislature can modify this. I am open to whatever ideas you can come up with to communicate that in statute.

Jeb Oehlke, North Dakota Chamber of Commerce: I have been in here more than once speaking in support of personal and corporate income tax reductions. HB 1563 is good for business and business development. We ask for favorable consideration.

Dustin Gawrylow, North Dakota Taxpayers Association: (Testimony 1).

Chairman Belter: Further testimony in support of 1563? If not, any opposition to 1563?

Greg Burns, North Dakota Education Association: In this session, we are watching everyone trying to find a positive balance between revenue and spending and different ideas on what to do with them. I think what we are all worried about is how we can sustain the economic times we have into the future. This bill causes us concern for a couple of reasons. It will cut revenues at a time when we probably shouldn't be cutting revenues if we want to

sustain programs we have. We are not against cutting revenues across the board. We support the income tax and property tax relief the Governor has in his bill; but this bill is way, way out in the future. I think if we consider cutting revenues that far in the future, it is difficult because it is difficult to project spending that far in the future. I have not seen any bills that purport to spend x amount in 2017 and 2025. Therefore, it seems not to make sense to put revenue cuts that far out in the future. Just a couple of things that came to mind here. Comparing North and South Dakota, there are 110,000 people in South Dakota now, but South Dakota has massive debt. They cut their corporate taxes and there are no income taxes. They are in huge debt so where those 110,000 people came from, I don't know. If cutting corporate taxes are the answer, why don't we think there would be a stampede from businesses from Minnesota (where corporate taxes are higher) into North Dakota? We are against this bill because it seems to tie the state's hands in terms of revenue in the future. We are not here to oppose the income tax portion of it simply because it is in line with the Governor's bill.

Representative Headland: After the first biennium, the bill is revenue neutral so it really doesn't have an impact on some of the spending you talked about. I would like you to take a look at the Alec Laffer study that was done. It shows that in the 15 states that reduced corporate income tax and personal income tax that every one of them, but one, had revenue increases which means more money to spend. Why wouldn't we want to attempt, when we have the ability to do it because basically we have a surplus to cover this biennium and from then on it is revenue neutral, why not try something bold to try to encourage more business and more economic impact, more people, bigger salaries? Why would you be against that?

Greg Burns: We are not against more business. Of course, we support it. As someone famous once said, we all do better when we all do better. It doesn't seem that this is the policy

to see that happen. I would be happy to look at that study, but I don't have to do a study to look at what has happened in South Dakota. I don't have to do a study to know what happened in Minnesota. If Minnesota had the income tax structure they had in 1998, they wouldn't have a deficit right now; they would have a surplus. These things have long-reaching implications. This bill is scary because of its long-reaching effect. I heard Representative Weiler's testimony and he said it is fairly revenue neutral, that there isn't a dollar for dollar exchange in there. I don't know if it is revenue neutral. I also question what the efficacy of this measure is when we look at the permanent oil trust which is supposed to be a rainy day fund. Yet this bill purports to take it down to zero before it stops draining the resources of the rainy day fund. We have questions about it and that is why we oppose it.

Representative Headland: Mr. Burns, with all due respect, you or one of your comrades who work for NDEA have testified against almost every reduction bill we have had in the form of taxation. A bill like this where the impact, if it is not completely neutral, would be fairly minimal, I just don't understand the rationale as to why. I think if you look at Minnesota, you need to ask is it their tax policy that has them in a bind or is it their spending policy?

Greg Burns: I think it is a good question regarding Minnesota. We all read what we read. As far as what we are in here testifying against and what we do support, we do support property tax relief in the Governor's bill, we support the income tax relief; we support the whole thing. That is a package and we can see what that does altogether; but when we look at a bill like this, looking so far forward (inaudible).

Representative Weiler: This is in place of the Governor's income tax bill. It doesn't change the property tax plan; but our concern is the same as your concern. In the future, we want to fund education because it is obviously very important to the legislature and the people of ND, but if we do not continue to grow our economy and grow jobs, how are we ever going to be

able to keep up with the massive increases we have had in education? How can we continue to increase education into the future if we don't continue to grow our economy?

Greg Burns: I don't think that anybody could disagree with the outcomes here. There is nothing we can see that guarantees there is going to be an increase in jobs that stimulate the economy (inaudible). There is research out there that shows that the number one thing that businesses consider when they move is the education system. It is not the corporate tax, it is not tax incentives, it is not personal income tax. The number one thing that makes corporations want to move is to a state is where they have a workforce that is well educated and an education system that is second to none.

Representative Drovdal: Sir, you said that part of your objection to this is to help protect the rainy day trust fund, but yet your organization spent up to half a million dollars to defeat a measure that would put some strength into the rainy day fund. Isn't that speaking on opposite sides of the issue?

Greg Burns: No, it was based on the imbalance that was found in that measure. It was based on flaws that we ought not to put in our constitution. We support the permanent oil trust fund that has a balance, that doesn't tie people's hands so far into the future, that gives legislatures the ability to address the issues on a biennial basis so we don't see any inconsistency there.

Chairman Belter: Any further testimony in opposition to 1563? Any neutral testimony?

Representative Burg: I have a spread sheet **(Attachment 2)** that I can share.

Chairman Belter: If there is no further testimony, I will close the hearing on 1563.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1563

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/04/09

Recorder Job Number: 8635

Committee Clerk Signature *Lori Engelson*

Minutes:

Chairman Belter opened the hearing on HB 1563.

Chairman Belter: 1563 has a fiscal note of \$153,000,000. I see no amendments were offered. We've got 1279 which deals with the same topics so why don't we take a break and we'll come back after session and we'll deal with those two bills. With that we'll adjourn.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1563

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/04/09

Recorder Job Number: 8723

Committee Clerk Signature

Lori Engelson

Minutes:

Chairman Belter opened the hearing on HB 1563.

Chairman Belter: 1563 is before us.

Rep. Weiler: It's a corporate income tax elimination over a ten-year period. This fiscal note is incorrect. It says \$153,000,000 reduction from the general fund. \$50,000,000 of that comes from the oil trust fund to offset the potential loss in revenue. The 20% reduction in corporate income tax in the first biennium. The other \$100,000,000 that is a reduction in general fund money should not be there because the \$100,000,000 is in the governor's budget already. So this is an incorrect fiscal note. The fiscal note on this bill has no impact to the general fund at all.

Vice Chairman Drovdol: Any additional impact is if we did pass the bill we would use up \$80,000,000 of the governor's \$100,000,000. Is that not correct.

Rep. Weiler: Those bills have not passed on the floor yet. This is what I was told, and I questioned it too. I said yeah, but the \$100,000,000 of personal income tax that is a reduction in this bill should still show up. And they said no because it's already in the governor's budget. It shouldn't be an additional \$100,000,000. So this should say zero.

Rep. Winrich: But it's still a reduction in revenue. In the general fund, the money will be replaced by money from the oil fund. But it's still a reduction in revenue that's coming in.

Rep. Weiler: I agree. But that's what I was told.

Vice Chairman Drovdol: Your reduction is on corporate income tax, and the governor's budget, the reduction is on personal income tax. Is that not correct?

Rep. Weiler: No. Of the \$153,000,000 that is on this fiscal note, \$53,000,000 of this is supposed to go towards the first biennium 20% elimination of corporate income tax. But it says in the bill that the first biennium elimination of 20% of the corporate income tax, the money comes from the permanent oil trust fund. So it should not come from the general fund. The other \$100,000,000 is what Rep. Winrich and I agree on, but there are other bills that have come out that show no affect to the general fund even though they cost x amount of dollars because they are in the governor's budget.

Rep. Schmidt: They're not in governor's budget as corporate reductions in income tax, are they?

Rep. Weiler: No.

Chairman Belter: We still have HB 1563 in front of us. What are the committee's wishes?

No amendments.

Rep. Froseth: I'll move a **do not pass**.

Chairman Belter: Rep. Froseth moves a do not pass. Is there a second?

Rep. Schmidt: Second.

Chairman Belter: Second by Rep. Schmidt. Any discussion? Hearing no discussion, I will ask the clerk to read the roll call.

The roll call was read by the clerk.

10 yes, 3 no, 0 absent. Rep. Pinkerton was assigned to carry the bill

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: HB 1563

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$153,000,000)			
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1563 provides individual income tax rate reductions and corporation income tax rate reductions and eventual repeal.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 1 and 5 of HB 1563 provide corporation and individual income tax rate reductions that become effective for tax years 2009 and 2010. If enacted, these sections of HB 1563 are expected to reduce state general fund revenue by an estimated \$153 million in the 2009-11 biennium.

Additional sections provide rate reductions in subsequent biennia, and the eventual elimination of the corporation income tax. The fiscal impact of these sections cannot be determined.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/31/2009

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1563

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Froseth Seconded By Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande		/	Representative Winrich	/	
Representative Headland		/			
Representative Weiler		/			
Representative Wrangham	/				

Total (Yes) ~~10~~ 10 No 3

Absent 0

Floor Assignment Rep Pinkerton

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

REPORT OF STANDING COMMITTEE

HB 1563: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1563 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1563

North Dakota Taxpayers' Association - PAC

Monday, February 2nd, 2009

HB 1563

Mr. Chairman, and Members of the Committee,

House Bill 1563 is a forward thinking approach to drastically improve North Dakota's business tax climate. Specifically, it sets in motion a plan to bring North Dakota into regional competitiveness with South Dakota and Wyoming – neither of which have any corporate or individual income taxes.

There is a saying in economics – corporations don't pay taxes, customers do.

The corporate income tax is a pass-thru cost that is actually paid by customers of the corporation.

As far as the business is concerned, it is an overhead cost of doing business.

So when we are talking about corporate income tax cuts, we are really talking about an indirect sales tax.

HB 1563 also includes the same provisions as Governor Hoeven's individual income tax reduction plan, which will help Subchapter-S corporations, LLCs, and other business classes that are subject to the individual income tax rates.

To achieve long term economic growth, North Dakota must become regionally competitive in the area of taxes. If it does not, all the public funds used for economic development will be neutralized and wasted.

-Dustin Gawrylow, Executive Director (Lobbyist # 198)

North Dakota REV-E-NEWS

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast

2007-09 BIENNIUM
December 2008

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REVENUES AND TRANSFERS	FISCAL MONTH			BIENNIUM TO DATE				
	April 2007 Leg. Forecast	Actual	Variance	Percent	April 2007 Leg. Forecast	Actual	Variance	Percent
Sales Tax	38,631,000	56,450,900	17,819,900	46.1%	677,152,000	792,621,564	115,469,564	17.1%
Motor Vehicle Excise Tax	4,087,000	4,675,999	588,999	14.4%	84,942,000	100,157,089	15,215,089	17.9%
Individual Income Tax	5,497,000	10,493,667	4,996,667	90.9%	334,537,000	435,212,082	100,675,082	30.1%
Corporate Income Tax	11,187,000	21,484,126	10,297,126	92.0%	99,006,000	177,439,478	78,433,478	79.2%
Insurance Premium Tax	913,720	630,662	(283,058)	-31.0%	37,890,886	46,220,530	8,329,644	22.0%
Financial Institutions Tax		48,868	48,868	100.0%	4,700,000	6,150,748	1,450,748	30.9%
Oil & Gas Production Tax*					39,839,000	39,309,315	(529,685)	-1.3%
Oil Extraction Tax*					31,161,000	31,690,685	529,685	1.7%
Gaming Tax	27,597	23,817	(3,780)	-13.7%	14,826,805	14,831,689	4,884	0.0%
Lottery					5,577,500	5,300,000	(277,500)	-5.0%
Cigarette & Tobacco Tax	1,933,000	1,740,318	(192,682)	-10.0%	36,185,000	34,566,450	(1,618,550)	-4.5%
Wholesale Liquor Tax	549,000	507,501	(41,499)	-7.6%	9,602,000	10,574,915	972,915	10.1%
Coal Conversion Tax	2,035,000	2,180,537	145,537	7.2%	36,165,000	36,762,883	597,883	1.7%
Mineral Leasing Fees	(500,000)	2,865,660	3,365,660	673.1%	9,650,000	21,915,704	12,265,704	127.1%
Departmental Collections	1,570,000	1,648,380	78,380	5.0%	39,296,000	43,992,073	4,696,073	12.0%
Interest Income	1,375,000	1,052,942	(322,058)	-23.4%	25,670,000	31,903,373	6,233,373	24.3%
Bank of North Dakota-Transfer	30,000,000	30,000,000		0.0%	30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers		675	675	100.0%	955,542	1,030,988	75,446	7.9%
Total Revenues and Transfers	97,305,317	133,804,054	36,498,737	37.5%	1,632,155,733	1,974,679,566	342,523,833	21.0%

* Oil and gas production and extraction tax collections totaled \$19.4 million in December. Because the \$71.0 million statutory cap for the 2007-09 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through December, oil tax collections totaling \$388.9 have been transferred, or are available for transfer, to the permanent oil tax trust fund and are not reflected on this report.