

2011 HOUSE FINANCE AND TAXATION

HB 1072

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB1072
January 10, 2011
12683 and 12754

☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax deduction to remove the marriage penalty contained in the federal standard deduction for married persons filing jointly; and to provide an effective date.

Minutes:

Representative Nathe: Sponsor, support. See attached testimony (#1).

Chairman Wesley R. Belter: Just so we're both on the same page here; it's my understanding that this bill was to offset the proposed Obama Tax Increases. Is that correct?

Representative Nathe: Correct. If these tax cuts are allowed to expire the federal rate would go up. This bill would offset that increase.

Vice Chairman Craig Headland: So essentially this bill would protect married couples from any future federal tax increases?

Representative Nathe: If these tax cuts were allowed to expire then yes.

Cory Fong, State Tax Commissioner: See attached testimony (#2).

Chairman Wesley R. Belter: No further testimony. HB1072 closed.

Committee met on January 11, 2011 to discuss this bill further.

Chairman Wesley R. Belter: What are your wishes on HB1072?

Representative Patrick Hatlestad: Recommendation for do pass on 1072.

Representative Roscoe Streytle: Seconded the motion.

Chairman Wesley R. Belter: Any discussion?

Representative Shirley Meyer: Just one question, say it hadn't happened and this would have been implemented; did Commissioner Fong ever give us an amount? What was the total amount? He listed the total of what they would be. Did he ever mention what the whole amount would be?

Representative Roscoe Streyle: 6.7 million

Chairman Wesley R. Belter: Roll call votes taken. We have a 12-0 do pass on this. Who would like to carry it to the floor?

Representative Patrick Hatlestad: I will.

12-0

DO PASS

CARRIER: REP. HATLESTAD

FISCAL NOTE

Requested by Legislative Council
12/22/2010

Bill/Resolution No.: HB 1072

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 1072 allows a deduction for married joint filers to potentially prevent an increase in state income tax revenues associated with a "marriage penalty" contained within the federal standard deduction.

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.*

During most of the last decade, the federal standard deduction for married joint filers was twice that of single filers, so there was no "marriage penalty" contained within the standard deduction. That component of federal tax code originally had an expiration date in 2011 and it appeared possible that a marriage penalty was again going to apply to the federal standard deduction. The effect of this marriage penalty would be an increase in taxable income for both federal and state income tax purposes, resulting in increased tax liabilities for married taxpayers.

This bill would reduce the taxable income of married joint filers for state purposes by the amount of the marriage penalty and reduce state tax liabilities accordingly.

Last month, the federal provisions were extended temporarily, so HB 1072 currently would have no fiscal impact. If enacted, HB 1072 would insure that in the future there would be no state income tax windfall associated with a federal marriage penalty component in the standard deduction, should the current federal extension be allowed to expire.

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:	01/05/2011

Date: 1-11-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1072

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hatlestad Seconded By Rep. Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh	✓	
Vice Chair. Craig Headland	✓		Shirley Meyer	✓	
Glen Froseth	✓		Lonny B. Winrich	✓	
Bette Grande	✓		Steven L. Zaiser	✓	
Patrick Hatlestad	J				
Mark S. Owens	AB				
Roscoe Streyle	✓				
Wayne Trotter	✓				
Dave Weiler	✓				
Dwight Wrangham	AB				

Total (Yes) 12 No 0

Absent 0

Floor Assignment Rep. Hatlestad

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

REPORT OF STANDING COMMITTEE

HB 1072: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1072 was placed on the Eleventh order on the calendar.

2011 SENATE POLITICAL SUBDIVISIONS

HB 1072

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee

Lewis and Clark Room, State Capitol

HB 1072

3/9/2011

Job Number 15139

☐ Conference Committee

A. R. Miller

Explanation or reason for introduction of bill/resolution:

Relating to an income tax deduction to remove the marriage penalty contained in the federal standard deduction for married persons filing jointly

Minutes:

Written Testimony Attached

Chairman Cook opened the hearing on HB 1072.

Representative Nathe – (See attached testimony A in favor of HB 1072)

Commissioner Cory Fong – (See attached testimony B in favor of HB 1072)

Chairman Cook – This will enable the Tax Department effectively to create another tax form for state income tax that will have one more line.

Commissioner Cory Fong – It's going to be a very simple calculation on the existing form. It is not a new form.

Senator Hogue – We talked about the fiscal impact about \$7 million. Can we assume if we pass some income tax reduction this session that will have a direct corresponding reduction in the fiscal impact of this bill? Meaning, say we lower individual income taxes 15% can we assume there will be a 15% reduction in the fiscal impact of enacting this bill?

Commissioner Cory Fong – We would have to take a look at that but I think there would be a reduction for the fiscal note on this particular bill but keep in mind it doesn't have a fiscal note but going forward assuming there was some rate reduction that would be the case going forward. I also want to point out one of the reasons that we felt this was so important is our largest category of filers at the Tax Department is married filing joint. This is affected 83,000 taxpayers potentially. This is a large sector of taxpayers.

Senator Triplett – Will you have to leave the form the way it is and then change it quickly, add those extra 2 lines if the federal law changes or is there a way you can change it so it works whether or not the federal cuts are in play?

Commissioner Cory Fong – As I understand we would be able to easily put this in place for the tax year. It would be very easy for us to implement.

Chairman Cook asked for testimony opposed to HB 1072. No one came forward.

Chairman Cook asked for neutral testimony for HB 1072. No one came forward.

Chairman Cook closed the hearing on HB 1072.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB 1072
3/22/2011
Job Number 15790

☐ Conference Committee

A. B. Miller

Explanation or reason for introduction of bill/resolution:

Relating to an income tax deduction to remove the marriage penalty contained in the federal standard deduction for married persons filing jointly

Minutes:

Committee Work

Chairman Cook opened discussion on HB 1072.

Senator Triplett – My notes indicate that the Tax Commissioner is comfortable with the form this is in and in fact was put in at his request. I will move a Do Pass.

Seconded by **Vice Chairman Miller**.

Chairman Cook – Ask the clerk to take the roll. (7-0-0)

Carried by **Senator Burckhard**.

FISCAL NOTE
Requested by Legislative Council
12/22/2010

Bill/Resolution No.: HB 1072

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 1072 allows a deduction for married joint filers to potentially prevent an increase in state income tax revenues associated with a "marriage penalty" contained within the federal standard deduction.

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.*

During most of the last decade, the federal standard deduction for married joint filers was twice that of single filers, so there was no "marriage penalty" contained within the standard deduction. That component of federal tax code originally had an expiration date in 2011 and it appeared possible that a marriage penalty was again going to apply to the federal standard deduction. The effect of this marriage penalty would be an increase in taxable income for both federal and state income tax purposes, resulting in increased tax liabilities for married taxpayers.

This bill would reduce the taxable income of married joint filers for state purposes by the amount of the marriage penalty and reduce state tax liabilities accordingly.

Last month, the federal provisions were extended temporarily, so HB 1072 currently would have no fiscal impact. If enacted, HB 1072 would insure that in the future there would be no state income tax windfall associated with a federal marriage penalty component in the standard deduction, should the current federal extension be allowed to expire.

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:	01/05/2011

Date: 3-22-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1072

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Triplett Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman	X		Jim Dotzenrod	X	
Joe Miller - Vice Chairman	X		Connie Triplett	X	
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Burckhard

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

REPORT OF STANDING COMMITTEE

HB 1072: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1072 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

HB 1072

#1072
1-10-11
#1

Mr. Chairman and members of the committee my name is Mike Nathe representative from Dist 30 Bismarck and I am here in support of HB 1072.

This bill will effectively ensure that our state's taxpayers are not subject to additional state income taxes that would result if the Bush tax cuts are ever let to expire.

Currently, the standard deduction for married filers who file a joint return is twice that of the standard deduction for single filers, which creates parity between the two filing categories. This federal provision eliminated some of the penalty associated with filing a married joint return. Had the Bush tax cuts been allowed to expire the standard deduction for married filers would have once again penalize married filers who file a joint return ,thus affecting over 82,000 North Dakota taxpayers.

Married couples would have seen an increase in their state income tax of up to \$94 a year and an increase to the state coffers of approximately 6.7 million per biennium.

Mr. Chairman, as we all know the tax cuts have been extended, but for only 2 years. This bill would protect our taxpayers from any increase in their state taxes in the future if these federal cuts are allowed to expire.

Thank you Mr. Chairman.



#2

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

**HOUSE FINANCE AND TAXATION COMMITTEE
REPRESENTATIVE WES BELTER, CHAIRMAN**

**House Bill 1072
January 10, 2011**

Testimony from Tax Commissioner Cory Fong

I am here in support of House Bill (HB) 1072. The bill ensures North Dakota's married couples will not be penalized and subjected to higher state income taxes if the standard deduction for married couples filing joint returns is reduced in the future.

During most of the last decade, the federal standard deduction for married joint filers was twice that of single filers, so there was no "marriage penalty" contained within the standard deduction. This creates parity between the two filing statuses.

- | | |
|--|----------|
| • Standard Deduction for Single and Married Separate Filers | \$5,700 |
| • Standard Deduction for Married Joint Filers | \$11,400 |

This component of federal tax code originally had an expiration date in 2011 and it appeared possible that marriage penalty was going to apply to the federal standard deduction once again. The effect of this marriage penalty would be an increase in taxable income for both federal and state income tax purposes, resulting in increased federal and state tax liabilities for married taxpayers filing joint returns.

Essentially, HB 1072 reduces the taxable income of married joint filers for state purposes by the amount of the marriage penalty, reducing their state tax liabilities accordingly.

Last month, the federal provisions were extended and the standard deduction for married joint filers remains twice that of the standard deduction for single filers for 2011 and 2012 tax years. This explains why HB 1072 has no fiscal impact for the 2011-13 biennium, as shown by the fiscal note.

However, keep in mind the federal provisions were extended only temporarily, which means the threat of the standard deduction for married joint filers being reduced in the future still remains. HB 1072 has been carefully crafted so that the calculation kicks in only when the standard deduction for married joint filers is reduced at the federal level to something less than the current standard deduction. In other words, the provisions of the bill act like a trigger. If enacted, HB 1072 ensures that married couples filing joint returns would not see an increase in their state income taxes in the future should the current federal extension be allowed to expire and the standard deduction for married joint filers is reduced.

For these reasons I ask the members of the House Finance and Taxation Committee to give HB 1072 a favorable recommendation of "Do Pass" to the full House of Representatives.

Thank you for your consideration.

Mr. Chairman and members of the committee my name is Mike Nathe representative from Dist 30 Bismarck and I am here in support of HB 1072.

This bill will effectively ensure that our state's taxpayers are not subject to additional state income taxes that would result if the Bush tax cuts are ever let to expire.

Currently, the standard deduction for married filers who file a joint return is twice that of the standard deduction for single filers, which creates parity between the two filing categories. This federal provision eliminated some of the penalty associated with filing a married joint return. Had the Bush tax cuts been allowed to expire the standard deduction for married filers would have once again penalize married filers who file a joint return , thus affecting over 82,000 North Dakota taxpayers.

Married couples would have seen an increase in their state income tax of up to \$94 a year and an increase to the state coffers of approximately 6.7 million per biennium.

Mr. Chairman, as we all know the tax cuts have been extended, but for only 2 years. This bill would protect our taxpayers from any increase in their state taxes in the future if these federal cuts are allowed to expire.

Thank you Mr. Chairman.



B

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

SENATE FINANCE AND TAXATION COMMITTEE
SENATOR DWIGHT COOK, CHAIRMAN

House Bill 1072
March 9, 2011

Testimony from Tax Commissioner Cory Fong

I am here in support of House Bill (HB) 1072. The bill ensures North Dakota's married couples will not be penalized and subjected to higher state income taxes if the standard deduction for married couples filing joint returns is reduced in the future.

During most of the last decade, the federal standard deduction for married joint filers was twice that of single filers, so there was no "marriage penalty" contained within the standard deduction. This creates parity between the two filing statuses.

- **Standard Deduction for Single and Married Separate Filers** \$5,700
- **Standard Deduction for Married Joint Filers** \$11,400

This component of federal tax code originally had an expiration date in 2011 and it appeared possible that marriage penalty was going to apply to the federal standard deduction once again. The effect of this marriage penalty would be an increase in taxable income for both federal and state income tax purposes, resulting in increased federal and state tax liabilities for married taxpayers filing joint returns.

Essentially, HB 1072 reduces the taxable income of married joint filers for state purposes by the amount of the marriage penalty, reducing their state tax liabilities accordingly.

In late December, the federal provisions were extended and the standard deduction for married joint filers remains twice that of the standard deduction for single filers for 2011 and 2012 tax years. This explains why HB 1072 has no fiscal impact for the 2011-13 biennium, as shown by the fiscal note.

However, keep in mind the federal provisions were extended only temporarily, which means the threat of the standard deduction for married joint filers being reduced in the future still remains. HB 1072 has been carefully crafted so that the calculation kicks in only when the standard deduction for married joint filers is reduced at the federal level to something less than the current standard deduction. In other words, the provisions of the bill act like a trigger. If enacted, HB 1072 ensures that married couples filing joint returns would not see an increase in their state income taxes in the future should the current federal extension be allowed to expire and the standard deduction for married joint filers is reduced.

For these reasons I ask the members of the House Finance and Taxation Committee to give HB 1072 a favorable recommendation of "Do Pass" to the full House of Representatives.

Thank you for your consideration.