

2011 HOUSE FINANCE AND TAXATION

HB 1400

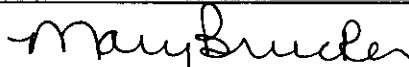
# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1400  
February 1, 2011  
#13782

☐ Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual income tax deduction for the amount of increase in property taxes against the individual's homestead; and to provide an effective date.

### Minutes:

*No attachments.*

**Representative Maragos:** Sponsor. Support. It is a bill I put in as another vehicle to help property tax owners in the state in a certain category. I've been informed that there needs to be reconciliation between the title of the act and what the actual bill does. I would like to strike the words "increase in" in the title so it conforms to what the actual bill does. What this bill will do is if you're a taxpayer and a homeowner but you take the standard deduction rather than itemized deductions this will allow you to take the property tax that you paid and directly deduct it off your state income tax liability. I wanted a discussion of this concept so maybe down the road we can figure out how to use that vehicle in some other fashions in addressing the issue of trying to help the property taxpayers of the state rather than what we've been doing. We've seen the continual large amounts that we've committed to in property tax reduction. You notice that there was a fiscal note of approximately \$7 million reduction to the state general fund. It's not large but I believe it is a step in the right direction. I would hope that this committee would pass this bill.

**Chairman Wesley R. Belter:** Why did you put the provision in there "have not claimed it as an itemized deduction"?

**Representative Maragos:** I just felt that if you didn't claim it as an itemized deduction and got the money back through that form that there was another vehicle with which to get a rebate on your property taxes.

**Vice Chairman Craig Headland:** Your intent on this bill was not to just have a tax credit for the increase in property tax it was to have a tax credit for the full amount?

**Representative Maragos:** That is quite correct. We just decided when I looked I was worried and wasn't sure where the fiscal note would come in on that and I see that it isn't a severe fiscal note. That would really create quite a few more problems so I decided to ask that the whole amount be credited against your state income tax liability. I thought we would use a base year, say 2005, and then the whole increase in property tax is to hold you

harmless from the base year from all of the increases in property value and things to use just the difference. It really didn't amount to much so it wasn't going to accomplish that much so I just thought we'd do the whole property tax liability that you pay and deduct that against your state income tax liability.

**Representative Dave Weiler:** When you started out by saying a little work needs to be done, are you talking about just striking the words on line 3 "increase in"?

**Representative Maragos:** That is correct.

**Representative Dave Weiler:** It is my understanding that the title of these bills has nothing to do with the actual bill so I don't think there are any changes that need to be made, is that correct?

**Representative Maragos:** My understanding is if there is some reason that this would end up as a case then that language does come into play; the increase and what the intent of the bill was. The Tax Department suggested to me to reconcile it so there was no question on what the intent of the bill was.

**Representative Glen Froseth:** On line 7 "reduced by the amount of property or mobile home taxes", I think a true mobile home pays a license fee rather than property tax unless it is located on the piece of real estate.

**Representative Maragos:** I believe the reason mobile homes are in there is because it takes in everything property tax should be paid on it and I think there are some mobile homes that are on the real estate that have property taxes paid on it.

**Representative Mark S. Owens:** When I first read this I thought the purpose of this bill was the following: people who itemize get to deduct their property tax from their income to determine their property tax income and you were seeking the people who did not itemize the opportunity to deduct their property tax from their income to derive their taxable income, is that true?

**Representative Maragos:** Not quite. Since we take a standard deduction on the federal income tax I was looking for a way for those property taxes to find a way to allow the people that just take the standard deduction some rebate on their property taxes they pay by being to deduct off only their state income liability. If you don't itemize it doesn't come off of the federal.

**Representative Mark S. Owens:** I understand that but I was talking about the state side. When we itemize on the federal then you transfer to the state you still were in a better position than the other.

**Representative Maragos:** You are correct.

**Representative Lonny B. Winrich:** In computing your federal taxable income you have the option of the standard deduction or itemizing. It is my understanding that the standard deduction is sort of a statistical average of various things that might be claimed as

deductions against federal income tax that just make it easier for people who don't wish to itemize or don't have enough specific items or something like that and it kind of tries to average those things. Do you know if there is some consideration given to homestead property and so on in computing that standard deduction for various levels?

**Nathan Bergman, ND Tax Department:** I do not know what goes into that computation. I do know that it is changing from year to year but I don't know what makes it up.

**Representative Lonny B. Winrich:** Is it possible to find that out? Are we doing this twice regardless of whether we itemize or not?

**Nathan Bergman:** I can research that and find out.

**Representative Glen Froseth:** We eliminated the long form where most of these deductions were itemized and carried before and all we have is a North Dakota short form, how is this going to fit into filing tax deductions on our so-called short forms?

**Nathan Bergman:** I would foresee it to be another line as another one of the deductions we currently offer on the ND1.

**Chairman Wesley R. Belter:** No further testimony. Closed hearing on HB 1400.

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1400  
February 1, 2011  
#13815

☐ Conference Committee

Committee Clerk Signature

*Mary Bruckner*

### Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual income tax deduction for the amount of increase in property taxes against the individual's homestead; and to provide an effective date.

### Minutes:

*No attachments*

**Representative Mark S. Owens:** Made a motion for a DO NOT PASS. I appreciate what he's trying to do but I just don't think it will work.

**Vice Chairman Craig Headland:** Seconded.

**Representative Shirley Meyer:** Do we want to move the amendment in the event that it would pass on the floor?

**Chairman Wesley R. Belter:** I don't think it is necessary but if you want to do it we can.

**Representative Mark S. Owens:** I will withdraw my motion.

**Vice Chairman Craig Headland:** Also withdrew.

**Representative Shirley Meyer:** I would move the amendment on line 3 removing "increase in".

**Representative Steven L. Zaiser:** Seconded.

**Voice vote: MOTION CARRIES to MOVE AMENDMENTS.**

**Representative Lonny B. Winrich:** I don't know how confident people are about the do not pass but I guess I would like the information that I asked Nathan about and if he could get that regarding the federal itemization of property taxes and how that might affect the state.

**Chairman Wesley R. Belter:** We will hold this then.

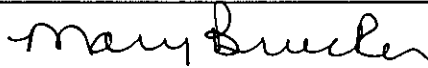
# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1400  
February 2, 2011  
#13886

☐ Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual income tax deduction for the amount of increase in property taxes against the individual's homestead; and to provide an effective date.

*See attached letter from Office of State Tax Commissioner.*

## Minutes:

**Representative Lonny B. Winrich:** Distributed letter from Nathan Bergman, Office of State Tax Commissioner, and reviewed. See attached letter.

**Representative Bette Grande:** Made a motion for a DO NOT PASS.

**Vice Chairman Craig Headland:** Seconded.

A roll call vote was taken: YES: 13 NO: 0 ABSENT: 1  
MOTION CARRIED—DO NOT PASS.

**Representative Lonny B. Winrich** will carry HB 1400.

## FISCAL NOTE

Requested by Legislative Council  
01/19/2011

Bill/Resolution No.: HB 1400

**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			(\$7,752,000)			
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 1400 creates an individual income tax deduction for property taxes paid on personal residences, provided the taxes were not claimed as itemized deductions.

**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.*

If enacted, HB 1400 is expected to reduce state general fund revenues by an estimated \$7.752 million in the 2011-13 biennium.

**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:	01/31/2011

11.0622.01001  
Title.02000

Adopted by the Finance and Taxation  
Committee

February 3, 2011

VR  
2/3/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1400

Page 1, line 3, remove "increase in"

Renumber accordingly



Date: 2-1-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1400

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. Owens Seconded By Rep. Headland

WITHDREW MOTION

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					
Mark S. Owens					
Roscoe Streytle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

Date: 2-1-11  
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1400

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 Meyer Seconded By Zaiser

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					
Mark S. Owens					
Roscoe Streytle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

13 AYE

NAY

MOTION CARRIED

Date: 2-2-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1400

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. Grande Seconded By Rep. Headland

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	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trotter	✓				
Dave Weiler	✓				
Dwight Wrangham	AB				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Winrich

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

**REPORT OF STANDING COMMITTEE**

**HB 1400: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1400 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "increase in"

Renumber accordingly

**2011 TESTIMONY**

**HB 1400**



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

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## Memorandum

**To:** Representative Lonny Winrich  
House Finance and Taxation Committee

**CC:** Representative Andrew Maragos

**From:** Nathan Bergman  
Supervisor, Individual Income Tax & Withholding Section

**Date:** February 2, 2011

**Subject:** House Bill 1400  
Individual Income Tax Deduction for Property Taxes

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During yesterday's hearing on House Bill 1400, you requested information on the federal standard deduction. Specifically, you asked if part of the federal income tax standard deduction was to account for property tax expense a taxpayer might incur.

We located very little information that clarified the federal basis for the standard deduction amount allowed. A 1960 publication by C. Harry Kahn, entitled Personal Deductions in the Federal Income Tax, does provide this historical background:

When the federal income tax became a mass tax in the early 1940's, the ever-present demand for simplification of the tax return, for the benefit of both the majority of taxpayers and the auditing authorities, became more insistent. The first serious attempt at simplification was made in 1941. Through it, the majority of taxpayers with gross incomes of \$3,000 or less could choose to compute their taxes with itemized deductions or to determine the amounts from a simple table, in which the tax due at each income level had been computed, allowing for varying personal exemptions and for a minimum personal deduction in the form of a 10 percent tax reduction.

The publication also offers these propositions:

The Treasury saves a great amount of auditing and litigation as long as a large number of persons can be induced to use the minimum allowance.

The proposition that the standard deduction would help solve the Treasury's audit problem is probably a major reason for its enactment.

It appears, then, that the genesis of the federal standard deduction, which is indexed each year for inflation, may well have arisen simply from an attempt to limit the resources needed to complete, process, and audit tax returns.

(continued on back)

It may be of interest also to note that, for the 2009 tax year only, the federal standard deduction could be increased by the amount of state and local real estate taxes paid during 2009, up to a maximum of \$500 (\$1,000 if married filing jointly).

If there is any further information I can provide, please let me know.

Phone: 328-1296

E-mail: [nwbergman@nd.gov](mailto:nwbergman@nd.gov)