FISCAL NOTE
Requested by Legislative Council
12/24/2012

Bill/Resolution No.: HB 1105

1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **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 1105 will provide for the continuance of a state dividend exclusion for individuals in a tax year in which the special tax treatment of qualified dividends under federal tax law is repealed. Currently, the state exclusion is dependent on the special treatment under federal tax law.

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.*

Section 1 of HB 1105 amends the provision allowing North Dakota resident individuals an income tax deduction equal to 30% of qualified dividends as defined under federal income tax law. Under federal law, qualified dividends generally consist of dividends from U.S. domestic corporations and certain foreign corporations, which are taxed at the lower tax rate applicable to a long-term capital gain. The special treatment of qualified dividends under federal law was set to expire at the end of 2012. HB 1105 was introduced to preserve the state dividend exclusion in the event Congress did not extend the special treatment of qualified dividends beyond 2012. However, to address administrative concerns associated with the proper separation of qualified dividends from nonqualified dividends for state purposes only, the 30% exclusion rate would be reduced to 20% but would be allowed against all taxable dividends reported for federal income tax purposes. With the indefinite extension of the special tax treatment of qualified dividends under federal tax law by the recently enacted American Taxpayer Relief Act, the current state exclusion equal to 30% of qualified dividends also is indefinitely extended. Therefore, if enacted, HB 1105 is expected to have no fiscal impact for the 2013-15 biennium. Note: If enacted, and if the special tax treatment of qualified dividends under federal tax law is repealed or made ineffective for any tax year, the 20% exclusion calculation provided in HB 1105 is expected to result in an exclusion amount for all taxpayers that is estimated to be similar to that under current law. There will be variances among individual taxpayers.

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.*

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