13.0382.04000

FISCAL NOTE
Requested by Legislative Council
04/04/2013

Amendment to: HB 1250

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			$(193,850,000)	$11,590,000		
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 1250 with Senate Amendments reduces individual and corporation tax rates, repeals the financial institution tax, increases capital gain and dividend income exclusion, creates income tax credits for employer-provided child care and rural leadership scholarships, and tightens angel fund limits.

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 10 and 11 of the bill create an income tax credit for an employer equal to 50% of the cost of providing and operating its own child care facility or contracting with a third part child care facility. Section 13 creates a corporation income tax credit equal to 50% of contributions to the Rural Leadership Participation Tuition Scholarship Program through the NDSU Extension Service. Section 14 lowers the corporation income tax rates by approximately 9.5% in each bracket. Section 15 lowers the individual income tax rates by approximately 15% in each bracket. (Note: There appears to be a drafting error relative to the income tax rates for estates and trusts, which historically have been the same as for individuals; however, in the current version of the bill, the income tax rates for estates and trusts are lowered by a greater amount than those for individuals.) Section 16 increases the long-term capital gain and qualified dividend income exclusion for individuals from 30% to 40%. Sections 7, 12, and 17 through 21, repeal the financial institution tax and subject the entities to the income tax. Section 12 allows a financial institution consisting of an S corporation to elect to be taxed like a regular corporation for the limited purpose of utilizing unused financial institution losses and tax credits. The repeal of the financial institution tax will affect both the general fund and the financial institution tax distribution fund, the latter of which provides funding to the counties and their political subdivisions. Section 20 increases the portion of the sales and use, gross receipts, and motor vehicle excise tax collections deposited into the state aid distribution fund from 40% to 43.5% for the purpose of replacing the decrease in revenues to the counties and their political subdivisions resulting from the repeal of the financial institution tax.

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.*

   If enacted, HB 1250 with Senate Amendments is expected to decrease state general fund revenues by an estimated net $193.850 million for the 2013-15 biennium. This net amount consists of a decrease in individual income tax of $150 million due to lower tax rates; decrease in corporation income tax of $40 million due to lower tax rates; decrease in individual income tax of $8.26 million due to increase in long-term capital gain and qualified dividend income exclusion; increase in income tax of $23.3 million due to repeal of financial institution tax and subjecting financial institutions to the income tax; decrease in state general fund portion of financial institution tax of $7.3 million due to repeal of financial institution tax; and a decrease of $11.59 million due to the additional amount transferred to the state aid distribution fund. The estimates of the changes to long-term capital gain and dividend income exclusion and the transfer from financial institutions tax to corporation income tax reflect the rate relief also contained in this bill. (Note: The 10/13ths portion of the financial institution tax revenue for the 2012 tax year due on January 15, 2014, is unaffected by this bill, and will be the last deposit into the financial institution tax distribution fund for distribution to the counties and their political subdivisions in March of 2014. IT IS ASSUMED THAT THE EFFECTIVE DATE of this bill is corrected or expanded so that, beginning in FY 15 (August of 2014), counties and cities will receive the expanded state aid distribution fund distributions each quarter to replace their annual financial institution tax distributions they previously received each March.) The employer-provided child care income tax credit and the Rural Leadership Participation Tuition Scholarship Program credit may reduce state general fund revenue for the 2013-15 biennium, but the amount of the reduction cannot be determined because the potential participation by employers and contributors is unknown.

   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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Date Prepared: 04/07/2013