

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1339

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(48,500,000)			
Expenditures			\$5,200,000		\$5,200,000	
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

This bill excludes Social Security from the definition of income for purposes of determining eligibility for the homestead tax credit. This bill also excludes Social Security and retirement income from government pensions from the calculation of gross income for individual income tax.

- 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 the bill amends the definition of income for determining eligibility for the homestead tax credit program. By excluding Social Security benefits, those who currently qualify will be moved to lower income categories which provide for a higher percentage reduction in taxable value. In addition, individuals who don't currently qualify will become eligible due to the exclusion of Social Security benefits. The estimated fiscal impact of this change is \$5.2 million for the 2015-17 biennium.

Section 2 primarily provides definitional clarification and consistency and does not have a measurable fiscal impact.

Section 3 of the bill excludes social security benefits and city, state, and federal retirement benefits from North Dakota taxable income. The bill does not define the scope of federal retirements benefits, and it has been assumed for purposes of this fiscal note that military retirement pay is considered to be a federal retirement benefit.

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, Section 3 of HB 1339 is expected to reduce state general fund revenues by an estimated \$48.5 million in the 2015-17 biennium. The exclusion of social security benefits is expected to total -\$28.8 million. The exclusion of city, state, and federal retirement benefits is expected to total -\$19.7 million, of which -\$4.3 million is attributable to military retirement benefits.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The homestead tax credit program, as proposed in this bill, is estimated to cost \$27.2 million for the 2015-17 biennium, an increase of \$5.2 million over the cost to continue the program with no change. The executive budget includes \$30 million for the homestead tax credit program in the recommended budget for the Tax Department (SB 2006).

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Date Prepared: 01/31/2015