

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, line 3, after the semicolon insert "to create and enact a new section to chapter 54-11 and a new section to chapter 54-27 of the North Dakota Century Code, relating to an income tax rate reduction fund and the transfer of legacy fund earnings;"

Page 1, line 4, replace "and" with "to provide a continuing appropriation;"

Page 1, line 4, after "transfer" insert "; and to provide an effective date"

Page 1, replace lines 15 through 22 with:

"Salaries and wages	\$21,724,004	\$880,914	\$22,604,918
Operating expenses	6,749,295	363,165	7,112,460
Capital assets	6,000	0	6,000
Homestead tax credit	14,800,000	1,000,000	15,800,000
Disabled veterans' tax credit	<u>8,110,200</u>	<u>300,000</u>	<u>8,410,200</u>
Total all funds	\$51,389,499	\$2,544,079	\$53,933,578
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$51,264,499	\$2,544,079	\$53,808,578"

Page 2, after line 11, insert:

"**SECTION 4.** A new section to chapter 54-11 of the North Dakota Century Code is created and enacted as follows:

Legacy income tax rate reduction fund - State treasurer - Tax commissioner - Income tax rate adjustment - Transfers to the general fund - Continuing appropriation.

1. There is created in the state treasury the legacy income tax rate reduction fund. The fund consists of all moneys deposited in the fund pursuant to section 5 of this Act. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of providing transfers to the general fund to reduce the individual income tax imposed under section 57-38-30.3 and the corporate income tax imposed under section 57-38-30.
2. If money is transferred into the fund pursuant to section 5 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.

- b. Any reductions to the individual income tax rates and the corporate income tax rates apply to tax years after December 31, 2021.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.
 - d. The reductions to the individual income tax rates and the corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
3. If no money is transferred to the fund pursuant to section 5 of this Act, the tax commissioner may not reduce the individual and corporate income tax rates currently in effect.
4. a. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
- b. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
5. In April of each year, the state treasurer shall transfer the amounts certified by the tax commissioner from the legacy fund income tax reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
6. For purposes of this section:
- a. "Base funding amount" means the total amount transferred from the legacy income tax rate reduction fund to the general fund in the preceding biennium.
 - b. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
 - c. "Rate reduction amount" means one-third of any legacy fund earnings deposited in the legacy income tax rate reduction fund exceeding the base funding amount.

SECTION 5. A new section to chapter 54-27 of the North Dakota Century Code is created and enacted as follows:

Transfer of legacy fund earnings - Limitations.

Fifty percent of any legacy fund earnings transferred to the general fund at the end of each biennium in accordance with section 26 of article X of the Constitution of North Dakota must be transferred immediately by the state treasurer to the legacy income tax rate reduction fund. The state treasurer may not transfer legacy fund earnings to the income tax rate reduction fund if the amount of legacy fund earnings to be transferred to the legacy income tax rate reduction fund is less than fifty million dollars."

Page 2, line 18, replace "one hundred twenty thousand six hundred" with "one hundred twenty thousand fourteen"

Page 2, after line 18, insert:

"SECTION 7. EFFECTIVE DATE. Sections 4 and 5 of this Act become effective on June 1, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$21,724,004	\$22,938,184	(\$333,266)	\$22,604,918
Operating expenses	6,749,295	7,112,460		7,112,460
Capital assets	6,000	6,000		6,000
Homestead tax credit	14,800,000	15,800,000		15,800,000
Disabled veterans' credit	8,110,200	8,410,200		8,410,200
Total all funds	\$51,389,499	\$54,266,844	(\$333,266)	\$53,933,578
Less estimated income	125,000	125,000	0	125,000
General fund	\$51,264,499	\$54,141,844	(\$333,266)	\$53,808,578
FTE	133.00	123.00	0.00	123.00

Department 127 - State Tax Commissioner - Detail of House Changes

	Adjusts Funding for Salary Increases ¹	Reduces Funding for Temporary Employees ²	Total House Changes
Salaries and wages	\$57,520	(\$390,786)	(\$333,266)
Operating expenses			
Capital assets			
Homestead tax credit			
Disabled veterans' credit			
Total all funds	\$57,520	(\$390,786)	(\$333,266)
Less estimated income	0	0	0
General fund	\$57,520	(\$390,786)	(\$333,266)
FTE	0.00	0.00	0.00

¹ Funding is adjusted to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and a 2.5 percent salary increase on July 1, 2020. The Senate provided funding for salary increases of 2 percent on July 1, 2019, and 3 percent on July 1, 2020.

² Funding for temporary employees is reduced by \$390,786 to provide total funding of \$258,534. The Senate provided \$649,320.

This amendment also:

- Adds three new sections to create a legacy income tax rate reduction fund; to transfer 50 percent of the legacy fund earnings at the end of the biennium to the newly created fund; and to provide an effective date of June 1, 2021. The Senate did not include these provisions. The transfer of legacy fund earnings to the legacy income tax rate reduction fund will reduce general fund revenues in the 2019-21 biennium.
- Includes a section to provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$114,791 to \$117,087 (2 percent) in fiscal year 2020 and to \$120,014 (2.5 percent) in fiscal year 2021. The Senate included statutory changes necessary to increase the Tax Commissioner's salary by 2 percent in fiscal year 2020 and by 3 percent in fiscal year 2021.