

Sixty-sixth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2006

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax  
2 commissioner and for payment of state reimbursement under the homestead tax credit and  
3 disabled veterans' credit; to create and enact a new section to chapter 54-11 and a new section  
4 to chapter 54-27 of the North Dakota Century Code, relating to an income tax rate reduction  
5 fund and the transfer of legacy fund earnings; to amend and reenact section 57-01-04 of the  
6 North Dakota Century Code, relating to the salary of the state tax commissioner; and to provide  
7 a continuing appropriation; to provide for a transfer; and to provide an effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
10 as may be necessary, are appropriated out of any moneys in the general fund in the state  
11 treasury, not otherwise appropriated, and from special funds derived from federal funds and  
12 other income, to the tax commissioner for the purpose of defraying the expenses of the tax  
13 commissioner and paying the state reimbursement under the homestead tax credit and disabled  
14 veterans' tax credit for the biennium beginning July 1, 2019, and ending June 30, 2021, as  
15 follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
18 <del>Salaries and wages</del>	<del>\$21,724,004</del>	<del>\$1,214,180</del>	<del>\$22,938,184</del>
19 <del>Operating expenses</del>	<del>6,749,295</del>	<del>363,165</del>	<del>7,112,460</del>
20 <del>Capital assets</del>	<del>6,000</del>	<del>0</del>	<del>6,000</del>
21 <del>Homestead tax credit</del>	<del>14,800,000</del>	<del>1,000,000</del>	<del>15,800,000</del>
22 <del>Disabled veterans' tax credit</del>	<del>8,110,200</del>	<del>300,000</del>	<del>8,410,200</del>
23 <del>Total all funds</del>	<del>\$51,389,499</del>	<del>\$2,877,345</del>	<del>\$54,266,844</del>
24 <del>Less estimated income</del>	<del>125,000</del>	<del>0</del>	<del>125,000</del>

1	<del>Total general fund</del>	<del>\$51,264,499</del>	<del>\$2,877,345</del>	<del>\$54,141,844</del>
2	Salaries and wages	\$21,724,004	\$880,914	\$22,604,918
3	Operating expenses	6,749,295	363,165	7,112,460
4	Capital assets	6,000	0	6,000
5	Homestead tax credit	14,800,000	1,000,000	15,800,000
6	Disabled veterans' tax credit	8,110,200	300,000	8,410,200
7	Total all funds	\$51,389,499	\$2,544,079	\$53,933,578
8	Less estimated income	125,000	0	125,000
9	Total general fund	\$51,264,499	\$2,544,079	\$53,808,578
10	Full-time equivalent positions	133.00	(10.00)	123.00

11       **SECTION 2. LINE ITEM TRANSFERS.** The state tax commissioner may transfer funds  
 12 between the homestead tax credit and disabled veterans' tax credit line items in section 1 of this  
 13 Act if one line item does not have sufficient funds available for state reimbursement of eligible  
 14 tax credits. The state tax commissioner shall notify the office of management and budget and  
 15 the legislative council of any transfers made pursuant to this section.

16       **SECTION 3. MOTOR VEHICLE FUEL TAX REVENUE TRANSFER.** There is transferred to  
 17 the general fund in the state treasury out of motor vehicle fuel tax revenue collected pursuant to  
 18 section 57-43.1-02, the sum of \$1,991,024 for the purpose of reimbursing the general fund for  
 19 expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the  
 20 administration of these taxes for the biennium beginning July 1, 2019, and ending June 30,  
 21 2021.

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

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

26       1. There is created in the state treasury the legacy income tax rate reduction fund. The  
 27 fund consists of all moneys deposited in the fund pursuant to section 5 of this Act. All  
 28 moneys in the fund are appropriated to the state treasurer on a continuing basis for  
 29 the purpose of providing transfers to the general fund to reduce the individual income  
 30 tax imposed under section 57-38-30.3 and the corporate income tax imposed under  
 31 section 57-38-30.

1       2.   If money is transferred into the fund pursuant to section 5 of this Act, the tax  
2       commissioner shall publish reduced individual and corporate income tax rates and  
3       notify taxpayers of the reduced rates by November first of the first fiscal year of the  
4       biennium. The tax commissioner may determine the form and manner for publishing  
5       the reduced rates and notifying taxpayers, including any notification that taxpayers are  
6       not required to file returns or pay taxes. The tax commissioner shall reduce the  
7       individual income tax rates and the corporate income tax rates based on the following:

8       a.   The percentage reduction to the individual and corporate income tax rates is  
9       equal to the rate reduction amount divided by the total estimated tax collections,  
10       including both the individual tax collections and corporate income tax collections,  
11       for the second year of the biennium.

12       b.   Any reductions to the individual income tax rates and the corporate income tax  
13       rates apply to tax years after December 31, 2021.

14       c.   The reductions to the individual income tax rates and the corporate income tax  
15       rates must be proportional to the estimated tax collections for each tax relative to  
16       the combined total estimated tax collections for both taxes.

17       d.   The reductions to the individual income tax rates and the corporate income tax  
18       rates must be applied equally to all tax brackets for each tax.

19       e.   The reduced individual income tax rates and corporate income tax rates must be  
20       rounded to the nearest one-hundredth of a percent.

21       3.   If no money is transferred to the fund pursuant to section 5 of this Act, the tax  
22       commissioner may not reduce the individual and corporate income tax rates currently  
23       in effect.

24       4.   a.   If the income tax rate reduction results in a disproportionate amount of tax to be  
25       deducted and withheld under section 57-38-59, the tax commissioner may adjust  
26       the percentage that, when withheld, will as closely as possible pay the income  
27       tax liability imposed.

28       b.   This section does not limit or suspend any provision in chapter 57-38 which is not  
29       in conflict with this section, including provisions for assessment and refund under  
30       sections 57-38-34.4, 57-38-38, and 57-38-40.

1 5. In April of each year, the state treasurer shall transfer the amounts certified by the tax  
2 commissioner from the legacy fund income tax reduction fund to the general fund. The  
3 amount transferred to the general fund each year may not be less than the rate  
4 reduction amount determined for the current biennium plus the rate reduction amount  
5 determined for each preceding biennium.

6 6. For purposes of this section:

7 a. "Base funding amount" means the total amount transferred from the legacy  
8 income tax rate reduction fund to the general fund in the preceding biennium.

9 b. "Estimated tax collections" means the income tax collection amounts included in  
10 the revenue forecast of the current biennial state budget as approved by the most  
11 recently adjourned special or regular session of the legislative assembly.

12 c. "Rate reduction amount" means one-third of any legacy fund earnings deposited  
13 in the legacy income tax rate reduction fund exceeding the base funding amount.

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

16 **Transfer of legacy fund earnings - Limitations.**

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

23 **SECTION 6. AMENDMENT.** Section 57-01-04 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25 **57-01-04. Salary.**

26 The annual salary of the state tax commissioner is ~~one hundred eleven thousand four~~  
27 ~~hundred forty eight dollars through June 30, 2016, and one hundred fourteen thousand seven~~  
28 ~~hundred ninety one dollars thereafter~~ one hundred seventeen thousand eighty-seven dollars  
29 through June 30, 2020, and ~~one hundred twenty thousand six hundred~~ one hundred twenty  
30 thousand fourteen dollars thereafter.

1       **SECTION 7. EFFECTIVE DATE.** Sections 4 and 5 of this Act become effective on June 1,  
2 2021.