

FISCAL NOTE
Requested by Legislative Council
01/20/2021

Amendment to: Engrossed HB 1129

- 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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(5,700,000)		\$(14,600,000)	
Expenditures						
Appropriations						

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

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 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).*

Engrossed HB 1129 will change the existing income tax deduction for an individual who receives social security benefits that are taxed on the individual's federal income tax return.

- 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 makes a technical change to remove language in the income tax law governing the marriage penalty credit for married persons who file a joint return that will eventually be made obsolete by the changes in the rest of the bill. This section has no fiscal impact.

Section 2 of the bill will change existing income tax law governing the deduction allowed to an individual for social security benefits taxed on the individual's federal income tax return. Current law provides that individuals having a federal adjusted gross income of \$50,000 or less, or \$100,000 or less if married filing a joint return, can reduce their North Dakota taxable income by the amount of their social security benefits that are taxed on their federal income tax returns. The change made by Section 2 of the bill will increase the adjusted gross income thresholds to \$75,000 and \$150,000, respectively. This change is effective for the 2021 and 2022 tax years.

Section 3 of the bill is effective for tax year 2023 and after, and removes the federal adjusted gross income limitation, which will allow this deduction to all social security benefit recipients. This change will have an additional fiscal impact in the 2023-25 biennium.

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 2 of engrossed HB 1129 is expected to reduce state general fund revenues by an estimated \$5.7 million in the 2021-23 and 2023-25 biennia. Section 3 is expected to reduce state general fund revenues by an additional \$8.9 million in the 2023-25 biennium.

- 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.*

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