

**FISCAL NOTE**  
**SENATE BILL NO. 2066**  
**LC# 23.0073.06000**  
**04/26/2023**

## 1 - 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.*

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(422,255,064)			
Expenditures			\$103,206,000			
Appropriations						

## 2 - County, City, School District, and Township Fiscal Effect

*Identify the fiscal effect on the appropriate political subdivision.*

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
Counties			
Cities			
School Districts			
Townships			

## 3 - Bill and Fiscal Impact Summary

*Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2066 creates a property tax credit for property used as a primary residence, calculates individual income tax based on general fund revenues, and imposes a flat income tax rate for individuals, estates, and trusts.

## 4 - Fiscal Impact Sections Detail

*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 SB 2066 creates a new primary residence credit. An individual is entitled to a credit of \$500 against the property tax due on the individual's primary residence. The credit may not exceed the amount of property tax due. The credit must be applied to reduce the property tax owed on the individual's primary residence after other exemptions or credits have been applied.

A primary residence is a dwelling in this state owned and occupied by an individual as that individual's primary place of residence. An individual may not have more than one primary residence.

An individual who does not reside in the primary residence in this state is eligible for the credit if the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the primary residence previously occupied by the individual is not rented to another individual.

Only one credit may be applied against the property taxes levied against any primary residence.

An individual whose primary residence is a farm structure exempt from taxation is not eligible for the credit.

The credit may not reduce the liability for special assessments levied upon any property.

Section 2 of SB 2066 states that by June first of each year, the tax commissioner shall certify to the state treasurer for payment to each county the aggregate dollar amount of credits allowed in each county for the preceding year.

Section 3 of SB 2066 will change the individual income tax brackets from the current 5 level bracket system to a single level system for each filing type. North Dakota taxable income amounts below the specified amounts will not be subject to individual income tax. North Dakota taxable income amounts above the specified amounts will be subject to a 1.99% individual income tax rate.

Single, other than head of household or qualifying widow(er) filers are subject to a 1.99% individual income rate on North Dakota taxable income greater than \$44,725.

Married filing jointly and qualifying widow(er) filers are subject to a 1.99% individual income tax rate on North Dakota taxable income greater than \$74,750.

Married filing separately filers are subject to a 1.99% individual income tax rate on North Dakota taxable income greater than \$37,375.

Head of household filers are subject to a 1.99% individual income tax rate on North Dakota taxable income greater than \$59,950.

Estates and Trusts are subject to a 1.99% tax rate on North Dakota taxable income greater than \$3,000.

Section 4 of SB 2066 will reduce the individual income tax rates by one-half percent for the subsequent tax year beginning after December 31st of an even-numbered year if the actual general fund revenues exceed the estimated general fund revenues for the twelve-month period ending June 30th of an even-numbered year by at least 10%.

Any reductions to the rates would apply to tax years beginning after December 31, 2022. The rate reductions must be equally applied to all tax brackets and the reduced rates must be rounded to the nearest one-hundredth of a percent.

## **5 - Revenues Detail**

*For information shown under state fiscal effect in 1 or 2, please 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 SB 2066 is expected to reduce the state general fund revenue by an estimated amount of \$422,255,064 in the 2023-2025 biennium.

If enacted, section 4 of SB 2066 could create a decrease in the state general fund if the actual general fund revenues in Fiscal Year 2024 exceed the estimated general fund revenues by at least 10%. If this were to occur, the individual income tax rates for tax year 2024 would be reduced by one-half percent.

The actual reduction in revenue is based on future state general fund collections as well as future tax filings. Since these factors are unknown, the Office of State Tax Commissioner is unable to provide a reliable estimate for this revenue reduction amount.

## 6 - Expenditures Detail

*For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

If enacted, section 2 of SB 2066 is expected to have an estimated fiscal impact of \$103,206,000 for the second year of the 2023-2025 biennium. These numbers are reflective of all eligible individuals claiming the primary residence credit.

## 7 - Appropriations Detail

*For information shown under state fiscal effect in 1 or 2, please 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.*

## Contact Information

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