

FISCAL NOTE
HOUSE BILL NO. 1549
LC# 23.1201.02000
10/24/2023

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 | | | \$(45,802,876) | | | |
| Expenditures | | | | | | |
| 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).

HB 1549 modifies the income tax brackets 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 HB 1549 modifies the income tax brackets for individuals, estates, and trusts. It increases the amount of North Dakota taxable income that is subject to the 0% tax rate.

The bracket amounts for individuals by filing type are as follows:

For single, other than head of household or qualifying widow(er) filers, the amount of North Dakota taxable income

subject to the 0% individual income tax rate increases from \$44,725 to \$60,000. North Dakota taxable income over \$60,000 and not over \$225,975 is subject to a 1.95% rate. North Dakota taxable income over \$225,975 is subject to a 2.5% rate.

For married filing jointly and qualifying widow(er) filers, the amount of North Dakota taxable income subject to the 0% individual income tax rate increases from \$74,750 to \$100,000. North Dakota taxable income over \$100,000 and not over \$275,100 is subject to a 1.95% rate. North Dakota taxable income over \$275,100 is subject to a 2.5% rate.

For married filing separately filers, the amount of North Dakota taxable income subject to the 0% individual income tax rate increases from \$37,375 to \$50,000. North Dakota taxable income over \$50,000 and not over \$137,550 is subject to a 1.95% rate. North Dakota taxable income over \$137,550 is subject to a 2.5% rate.

For head of household filers, the amount of North Dakota taxable income subject to the 0% individual income tax rate increases from \$59,950 to \$80,000. North Dakota taxable income over \$80,000 and not over \$250,550 is subject to a 1.95% rate. North Dakota taxable income over \$250,550 is subject to a 2.5% rate.

The bracket amounts for estates and trusts are as follows:

For Estates and Trusts, the amount of North Dakota taxable income subject to the 0% tax rate increases from \$3,000 to \$4,000. North Dakota taxable income over \$4,000 and not over \$10,750 is subject to a 1.95% rate. North Dakota taxable income over \$10,750 is subject to a 2.5% rate.

Please note that the North Dakota taxable income amounts do not reflect the Federal Standard Deduction and differ from Federal Adjusted Gross Income (AGI). To reach a rough approximation of a Federal Adjusted Gross Income (AGI) equivalent, add the appropriate Federal Standard Deduction to the North Dakota taxable income amounts listed above. For tax year 2023, the Federal Standard Deduction amounts are as follows:

Single and married filing separately \$13,850
Married filing jointly and qualifying widow(er) \$27,700
Head of household \$20,800

Section 2 of HB 1549 sets the effective date for taxable years beginning after December 31, 2023. This effective date will only impact Fiscal Year 2025 of the current 2023-2025 biennium.

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 1 of HB 1549 is expected to reduce the state general fund revenue by an estimated amount of \$45,802,876 in the 2023-2025 biennium.

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.

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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Date Prepared: 10/24/2023

| Estimated Financial Impact | |
|--|--|
| \$0 Bracket Level Increases - \$60,000 Single and \$100,000 Joint (ND Taxable Income) - Fiscal Year 2025 Only | |
| 10/23/2023 | |

| 2023 HB 1158 Estimated Biennium Impact Per Plan | |
|--|---------------|
| 3-Tier Rate Plan: 0%, 1.95%, and 2.5% (No Credit) | \$358,297,204 |
| \$500 Primary Residence Credit (206,412 Owner Units) (Fiscal Year 2025 Only) | \$103,206,000 |
| Homestead Property Credit (\$0-\$40K @ 100%, \$40K-\$70K @ 50%) | \$53,500,000 |
| Total | \$515,003,204 |

| Special Session Estimated Biennium Impact Per Plan | |
|---|---------------------|
| 3-Tier Rates: 0%, 1.95%, & 2.50% with \$60,000 Single & \$100,000 Joint (Fiscal Year 2025 Only) | \$404,100,080 |
| \$500 Primary Residence Credit (206,412 Owner Units) (Fiscal Year 2025 Only) | \$103,206,000 |
| Homestead Property Credit (\$0-\$40K @ 100%, \$40K-\$70K @ 50%) | \$53,500,000 |
| Total | \$560,806,080 |
| Net Change | \$45,802,876 |

| Individual Income Tax Bracket Overview | | | | | |
|--|-----------------------------|------------------------------------|-------------------------------------|--|---------------------|
| Bracket Level | HB 1158 Single Income Level | HB 1158 Married Joint Income Level | Special Session Single Income Level | Special Session Married Joint Income Level | Return Count Change |
| 1 | \$0 - \$44,725 | \$0 - \$74,750 | \$0 - \$60,000 | \$0 - \$100,000 | 49,370 |
| 2 | \$44,725-\$225,975 | \$74,750-\$275,100 | \$60,000-\$225,975 | \$100,000-\$275,100 | -49,370 |
| 3 | > \$225,975 | > \$275,100 | > \$225,975 | > \$275,100 | 0 |
| TOTAL | | | | | 0 |

| Individual Income Tax - Bracket Level Comparison | | | | | | |
|--|---------------------------|------------------------------|---------------------|--------------------------------|-----------------------------------|----------------------------|
| \$0 Bracket Level Increases - \$60,000 Single and \$100,000 Joint (ND Taxable Income) - Fiscal Year 2025 Only | | | | | | |
| Bracket Level | 2023 HB 1158 Return Count | Special Session Return Count | Return Count Change | 2023 HB 1158 Net Tax Liability | Special Session Net Tax Liability | Estimated Taxpayer Savings |
| 1 | 558,394 | 607,764 | 49,370 | \$0 | \$0 | \$40,096,211 |
| 2 | 301,725 | 252,355 | -49,370 | \$209,255,567 | \$169,159,356 | \$5,706,665 |
| 3 | 55,997 | 55,997 | 0 | \$391,550,085 | \$385,843,420 | \$5,706,665 |
| TOTAL | 916,116 | 916,116 | 0 | \$600,805,652 | \$555,002,776 | \$45,802,876 |