

Department 127 - Tax Commissioner
Senate Bill No. 2006

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 Executive Budget	\$71,417,694	\$125,000	\$71,542,694
2023-25 Base Level	64,241,316	125,000	64,366,316
Increase (Decrease)	\$7,176,378	\$0	\$7,176,378

Selected Budget Changes Recommended in the Executive Budget

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$1,484,574 is for salary increases and \$540,120 is for health insurance increases	\$2,024,694	\$0	\$2,024,694
2. Increases funding for GenTax support services to provide total funding of \$4.4 million	\$400,000	\$0	\$400,000
3. Adds funding for a new Capitol space rent model	\$614,654	\$0	\$614,654
4. Increases funding for the homestead tax credit program to provide total funding of \$18 million	\$900,000	\$0	\$900,000
5. Increases funding for the disabled veterans' tax credit program to provide total funding of \$18,745,000	\$2,445,000	\$0	\$2,445,000
6. Adds one-time funding for GenTax support enhancements	\$500,000	\$0	\$500,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Line item transfers - Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.

Motor vehicle fuel tax revenue transfer - Section 4 would provide for a transfer of \$1,844,424 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.

Salary of Tax Commissioner - Section 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

Continuing Appropriations

Multistate tax audit fund - North Dakota Century Code Section 57-01-20 - Collections from the Multistate Tax Commission and Nexus program.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2021-22 interim identified an opportunity to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

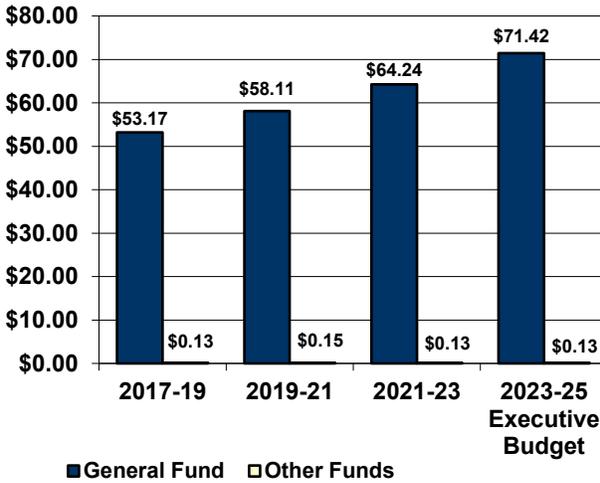
Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

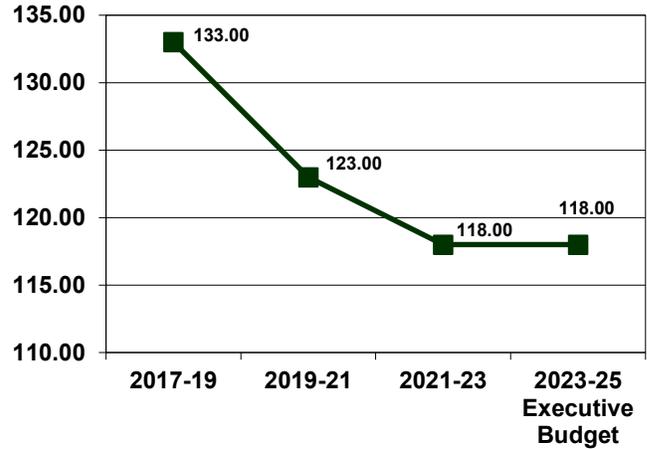
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$54,912,488	\$51,264,499	\$54,071,616	\$64,241,316	\$70,917,694
Increase (decrease) from previous biennium	N/A	(\$3,647,989)	\$2,807,117	\$10,169,700	\$6,676,378
Percentage increase (decrease) from previous biennium	N/A	(6.6%)	5.5%	18.8%	10.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(6.6%)	(1.5%)	17.0%	29.1%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

1. Reduced funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture (\$878,967)
2. Reduced funding for the homestead tax credit program (\$3.89 million) and increased funding for the disabled veterans' tax credit program (\$935,109) (\$2,954,891)

2019-21 Biennium

1. Removed 10 FTE unfunded vacant positions, including 2 office assistants, 1 account technician, 2 auditors, and 5 unspecified positions and underfunded FTE positions (\$772,252)
2. Reduced funding for salaries and wages for anticipated savings from vacant positions and turnover (\$900,000)
3. Added funding for GenTax information technology (IT) software support \$300,589
4. Increased funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium

1. Removed 5 undesignated unfunded FTE vacant positions and reduced funding for salaries and wages for anticipated savings from vacant positions and employee turnover (\$1,074,515)
2. Increased funding for GenTax IT software support \$294,339
3. Increased funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$7,889,800) \$10,089,800

2023-25 Biennium (Executive Budget Recommendation)

1. Increases funding for GenTax support to provide total funding of \$4.4 million \$400,000
2. Adds funding for a new Capitol space rent model \$614,654
3. Increases funding for the homestead tax credit program to provide total funding of \$18 million \$900,000

4. Increases funding for the disabled veterans' tax credit program to provide total funding of \$2,445,000
 \$18,745,000

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$8,000	\$1,910,000	\$4,040,000	\$0	\$500,000

Major One-Time General Fund Appropriations

2017-19 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1,212,000) and the disabled veterans' tax credit program (\$698,000) \$1,910,000

2019-21 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million) \$4,040,000

2021-23 Biennium

1. None \$0

2023-25 Biennium (Executive Budget Recommendation)

1. Adds one-time funding for GenTax support enhancements \$500,000

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE	General	Other	Total
	Positions	Fund	Funds	
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes				
Cost to continue salary increases		\$159,434		\$159,434
Salary increase		1,484,574		1,484,574
Health insurance increase		540,120		540,120
Increase in ITD rates		36,596		36,596
Increases funding for GenTax support		400,000		400,000
Increases funding for IT data processing		96,000		96,000
Adds funding for a new Capitol space rent model		614,654		614,654
Increases funding for the homestead tax credit		900,000		900,000
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378
One-time funding items				
Adds one-time funding for GenTax support		\$500,000		\$500,000
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694
<i>Federal funds included in other funds</i>			\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.
Salary of Tax Commissioner	Section 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

SENATE BILL NO. 2006
(Governor’s Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans’ tax credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the salary of the state tax commissioner; to provide an exemption; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the tax commissioner for the purpose of defraying the expenses of the tax commissioner and paying the state reimbursement under the homestead tax credit and disabled veterans’ tax credit, for the biennium beginning July 1, 2023 and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,594,196	\$2,184,128	\$24,778,324
Operating Expenses	7,466,120	1,647,250	9,113,370
Capital Assets	6,000	0	6,000
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total All Funds	\$64,366,316	\$7,176,378	\$71,542,694
Less Estimated Income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total General Fund	\$64,241,316	\$7,176,378	\$71,417,694
Full-time Equivalent Positions	118.00	0.00	118.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
GenTax Service Consultant	<u>\$0</u>	<u>\$500,000</u>
Total General Fund	\$0	\$500,000

SECTION 3. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the state tax commissioner may transfer funds between the homestead tax credit and disabled veterans’ tax credit line items in section 1 of this Act if one line item does not have sufficient funds available for state reimbursement of eligible tax credits. The state tax commissioner shall notify the office of management and budget of any transfers made pursuant to this section.

SECTION 4. MOTOR VEHICLE FUEL TAX REVENUE TRANSFER. There is transferred to the general fund in the state treasury out of motor vehicle fuel tax revenue collected pursuant to section 57-43.1-02, the sum of \$1,844,424 for the purpose of reimbursing the general fund for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the administration of these taxes for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 5. AMENDMENT. Section 57-01-04 of the North Dakota Century Code is amended and reenacted as follows:

57-01-04. Salary. The annual salary of the state tax commissioner is ~~one hundred twenty one thousand eight hundred fourteen dollars through June 30, 2022, and one hundred twenty four thousand two hundred fifty dollars~~ one hundred thirty-one thousand seven hundred five dollars through June 30, 2024, and one hundred thirty-six thousand nine hundred seventy-three dollars thereafter.