

**FISCAL NOTE**  
**HOUSE BILL NO. 1176**  
**LC# 25.1003.01000**  
**01/21/2025**  
**Revised - 01/21/2025**

## 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.*

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$584,345,514			
Appropriations			\$310,001,793	\$173,398,207		

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

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

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 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 1176 increases the primary residence property tax credit from \$500 to \$1,550 annually, including changing the base amount from \$500 to \$1,000 and utilizing legacy fund earning for an additional \$550 in relief. HB 1776 also expands the homestead property tax credit and renter refund programs.

## 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 5 of HB 1176 expands the homestead property tax credit by increasing income level maximums to determine eligibility, from \$40,000 to \$50,000 and from \$70,000 to \$80,000. The taxable valuation level maximum is also increased from \$200,000 to \$250,000.

The amount of the credit is based on the following schedule: An eligible person with an income of not more than \$50,000 is entitled to a reduction of 100 percent in the taxable value of the person's homestead, up to a maximum reduction of \$11,250. An eligible person with an income of more than \$50,000 but not more than \$80,000 may receive a 50 percent reduction in the taxable value of the person's homestead, up to a maximum reduction of \$5,625.

Section 6 of HB 1176 expands the current renter's refund program by increasing the maximum benefit a qualified individual can receive from a maximum refund amount of \$400 to \$600 annually.

Section 7 of HB 1176 expands and extends the primary residence credit program including increasing the maximum credit of up to \$500 to a maximum credit of up to \$1,550 against the consolidated tax due for the person's primary residence, not to exceed the amount of property tax due. Further, HB 1176 expands eligibility criteria to include qualified trusts.

The primary residence credit program is effective for the taxable years beginning after December 31, 2024.

## 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.*

## 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 5 of HB 1176 is expected to provide \$28.85M in new, homestead property tax relief in the 2025-2027 biennium. This figure is prorated and not based on maximum disbursement, for eligible individuals claiming all or a portion of the homestead property tax credit available to them.

If enacted, section 6 of HB 1176 expands the maximum credit amount for the renter refund program and is expected to provide \$1M in new, additional relief for renters in the 2025-2027 biennium.

If enacted, section 7 of HB 1176 is expected to provide \$504.995M, in total, in primary residence property tax relief in the 2025-2027 biennium. An additional appropriation of \$1.5M is requested to administer the primary residence credit program.

In total, HB 1176 is projected to generate an additional \$534,845,514 in relief in the 2025-2027 biennium. This amount is in addition to the \$48M proposed in our agency's 25-27 budget to fund existing homestead tax credit and renter refund programs. These amounts do not include funding for the disabled veteran property tax credit program.

## 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.*

Section 2 states a new section to chapter 54-27 of the North Dakota Century Code is created and enacted as follows: Legacy earnings fund - State treasurer - Legacy fund distribution – Allocations in summary:

1. There is created in the state treasury the legacy earnings fund. The fund consists of all moneys distributed by the state treasurer from the legacy fund pursuant to section 26 of article X of the Constitution of North Dakota. The distribution from the legacy fund on July first of each odd-numbered year must be equal to seven percent of the five-year average value of the legacy fund balance as reported by the state investment board. The average value of the legacy fund balance must be calculated using the fund balance at the end of each fiscal year for the five-year period ending with the most recently completed even-numbered fiscal year.

The first one hundred two million six hundred twenty-four thousand dollars or an amount equal to the amount appropriated from the legacy sinking and interest fund for debt service payments for a biennium, whichever is less, to the legacy sinking and interest fund under section 6-09.4-10.1.

The next two hundred twenty-five million dollars to the general fund to provide support for tax relief initiatives approved by the legislative assembly.

The next one hundred million dollars to the legacy earnings highway distribution fund for allocations under section 54-27-19.3.

The remaining amount to the legacy property tax relief fund under section 3 of this Act.

Section 3 states: A new section to chapter 54-27 of the North Dakota Century Code is created and enacted as follows: Legacy property tax relief fund –

Intent. 1. There is created in the state treasury the legacy property tax relief fund. The fund consists of all moneys allocated to the fund under section 2 of this Act and all moneys transferred to the fund by the legislative assembly.

Intent 2. It is the intent of the legislative assembly that: a. The primary residence credit under section 57-02-08.9 be increased each biennium to provide additional property tax relief using only increased funding available from the legacy earnings fund allocation under section 2 of this Act. b. After the amount of the primary residence credit under section 57-02-08.9 exceeds two thousand dollars; future legislative assemblies use additional funding available from the legacy earnings fund allocation under section 2 of this Act in future biennial budgets to replace a portion or all the funding transferred from the general fund or other sources to the legacy property tax relief fund for the primary residence credit.

Intent 3. It is further the intent of the legislative assembly that after providing the amount needed for the maximum property tax relief of all eligible taxpayers under the primary residence credit under section 57-02-08.9, future legislative assemblies use any excess funding available from the legacy earnings fund allocation under section 2 of this Act in future biennial budgets to replace a portion or all of the funding from the general fund, oil and gas tax revenues, or other sources for the state reimbursement of the homestead credit under section 57-02-08.1; the state reimbursement of the disabled veterans' credit under section 57-02-08.8; state-funded human services under chapter 50–35, and the portion of state aid for payments to school districts under chapter 15.1-27 attributable to property tax relief.

Baseline numbers for the 2023-2025 biennium for the affected property tax relief programs for the North Dakota Office of State Tax Commissioner are as follows: \$72.4M for the homestead property tax and renter refund credit programs and \$103,225,000 for the primary residence property tax credit program.

In addition to baseline amounts stated, an additional \$408,720,514 is requested to effectively support and fund program changes for HB 1176 (see attached spreadsheet).

## Contact Information

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	<b>Funding Requirement</b>	<b>Baseline Appropriation</b>	<b>Fiscal Requirement Beyond Baseline</b>
\$1550 fiscal requirement	\$504,995,444	\$103,225,000	\$401,770,444
Incremental homestead credit under new plan	\$28,850,070	\$0	\$0
Estimated amounts needed to fund current HPT	\$48,000,000	\$72,400,000	\$4,450,070
Renters Refund (est.)	\$1,000,000	\$0	\$1,000,000
Administrative and marketing expense	\$1,500,000	\$0	\$1,500,000
<b>Total</b>	<b>\$584,345,514</b>	<b>\$175,625,000</b>	<b>\$408,720,514</b>