

**HB 1006**  
**North Dakota Office of State Tax Commissioner**  
**2025-2027 Budget**

**Senate Appropriations Committee**  
**03-12-2025 10:00 AM – Red River Room**



# Agency Overview

- The mission of the North Dakota Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly, effectively and efficiently.
- The North Dakota Office of State Tax Commissioner is dedicated to fostering trust, transparency, and accountability in the administration of tax law in our state, ensuring the fair and efficient collection of taxes, serving as an important resource to the public and upholding the highest standards of integrity and professionalism.
- Our office is the primary revenue collection agency for the state and statutory authority can be found in NDCC 57-01 and in 5-01, 5-02, 5-03 (administration of alcohol).
- Our objective is to support all taxpayer types with exceptional customer service, clear guidance and by promoting voluntary compliance through education and outreach in a manner that is responsive to the needs of those we serve.

# Agency Overview - Divisions

- Commissioner's Division
- Fiscal Management Division
- Legal Division
- Tax Administration Division
- Property Tax Division
- Information Management & Technology Division

# Audit Findings

- The operational audit for the Office of State Tax Commissioner conducted by the State Auditor's Office during the 2023-2025 interim was favorable and identified no significant findings. The audit contained one recommendation:  
“We recommend the Office of the State Tax Commissioner enhance monitoring procedures to include review of individuals’ eligibility determined by the county for the Homestead Property Tax Credit and the Disabled Veterans Tax Credit.”
- Agency Response:  
“The Office of State Tax Commissioner appreciates the recommendation. While there is no statutory requirement for the Office of the State Tax Commissioner to monitor county-determined eligibility for the Homestead Property Tax Credit and the Disabled Veterans Tax Credit, we are exploring potential mechanisms to apply additional resources to further enhance fraud and risk mitigation in this area as well as others.”

# Agency Accomplishments

## Digital Transformation

- Taxpayer Access Point enhancements (TAP)
- Conversion of 47,000 sales tax account holders from paper to the electronic filing of monthly/quarterly/annual returns
- Unclaimed/Uncashed Checks
  - Created a digital centric process to effectively communicate with taxpayers, including automated reminder letters within 120 days of the check issuance date
  - \$6.2 million directly returned to taxpayers since 2022

*Thank You!*

*I was unable to deposit your first check because [REDACTED] Estate was one of the 2 Payees and the bank had no account with that listing. I'm very impressed by your*

*diligence in pursuing this manner! Good for you! Good for North Dakota! (I shredded the original check!)*

# Agency Accomplishments – cont.

## Effectively administered the Primary Residence Credit Program

- Developed a user-friendly, online application process
- Received and effectively handled over 24,000 calls
- User-friendly software development included ease-of-use features and real-time verification for 138,124 applicants
- Marketing efforts included:
  - Program brochures provided to counties for inclusion in property tax statements
  - Newspaper, TV, radio and social media ad placement
  - Demographic and geographic marketing – tailored approach to effectively reach ND property owners throughout the process
- Received a 99% approval rating from applicants
  - *“Very quick and easy! Thank you!”*
  - *“The application process was very easy to fill out.”*
  - *“very easy process, especially for older homeowners, thank you!”*
  - *“Thank you for making submitting an application for a 2<sup>nd</sup> year so easy!!!!”*

# Agency Challenges and Opportunities

## Employee Recruitment, Retention and Compensation

- The addition of new tax types and increasing administrative responsibilities resulting from legislative action and taxpayer behavior requires an expanded skillset
- Positions remain below the state average compensation rate
- Agency FTE count was reduced from 118 to 117 in 2023-2025 biennium

## Digital Transformation & IT Costs

- 74% of all operating costs consist of IT/technology expenditures
  - 54% GenTax
  - 17% NDIT data & phone
  - 3% software/hardware IT costs

# Agency Challenges and Opportunities – cont.

## Digital Transformation

- Resource constraints from a personnel, training and software development standpoint

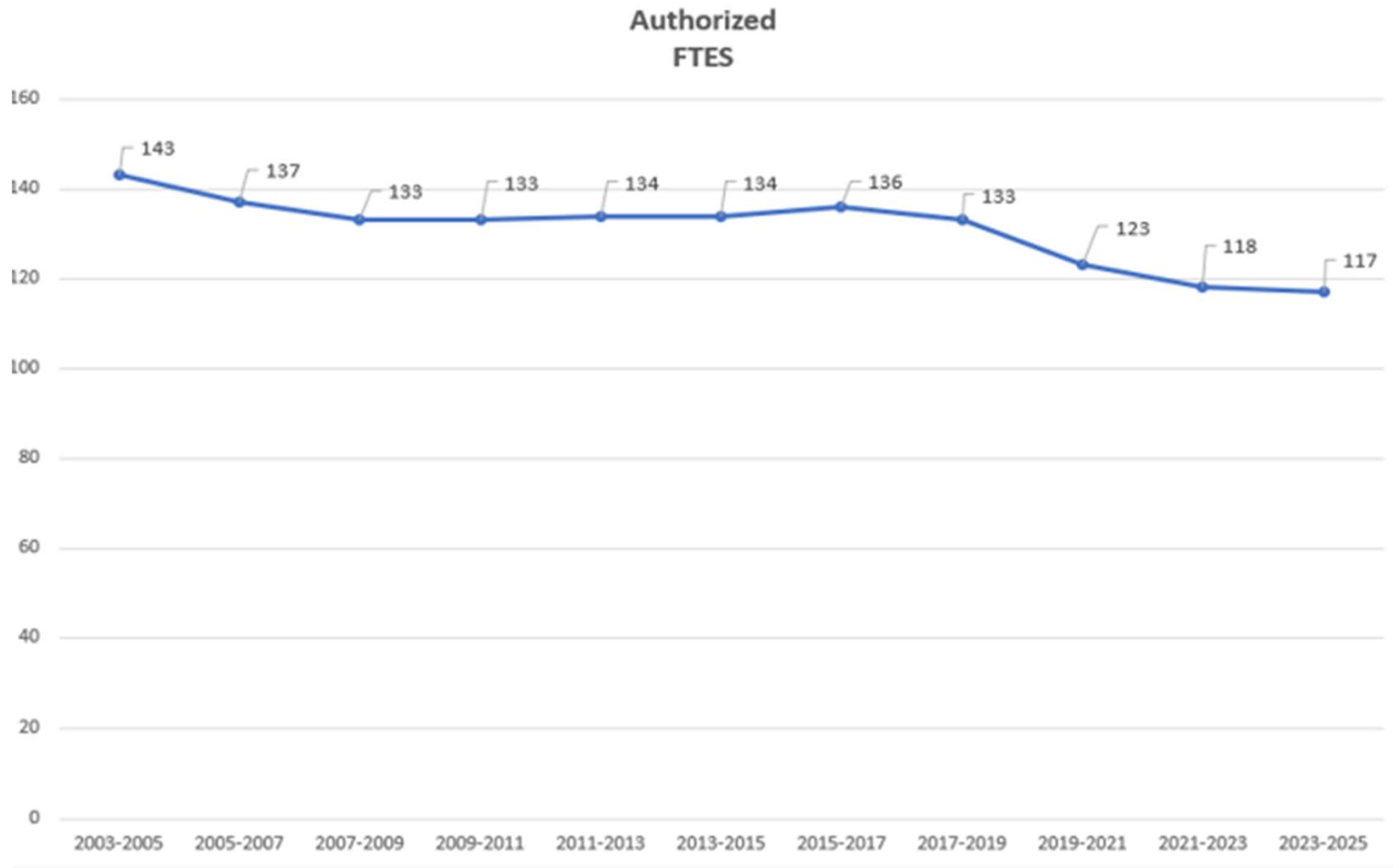
## Safeguarding Data & Fraud Prevention Efforts

- Cyber threats continue to increase underscoring the continued need to adapt and remain proactive
- Staff training needs related to fraud prevention – resources required
- Continuously improving upon existing fraud prevention efforts

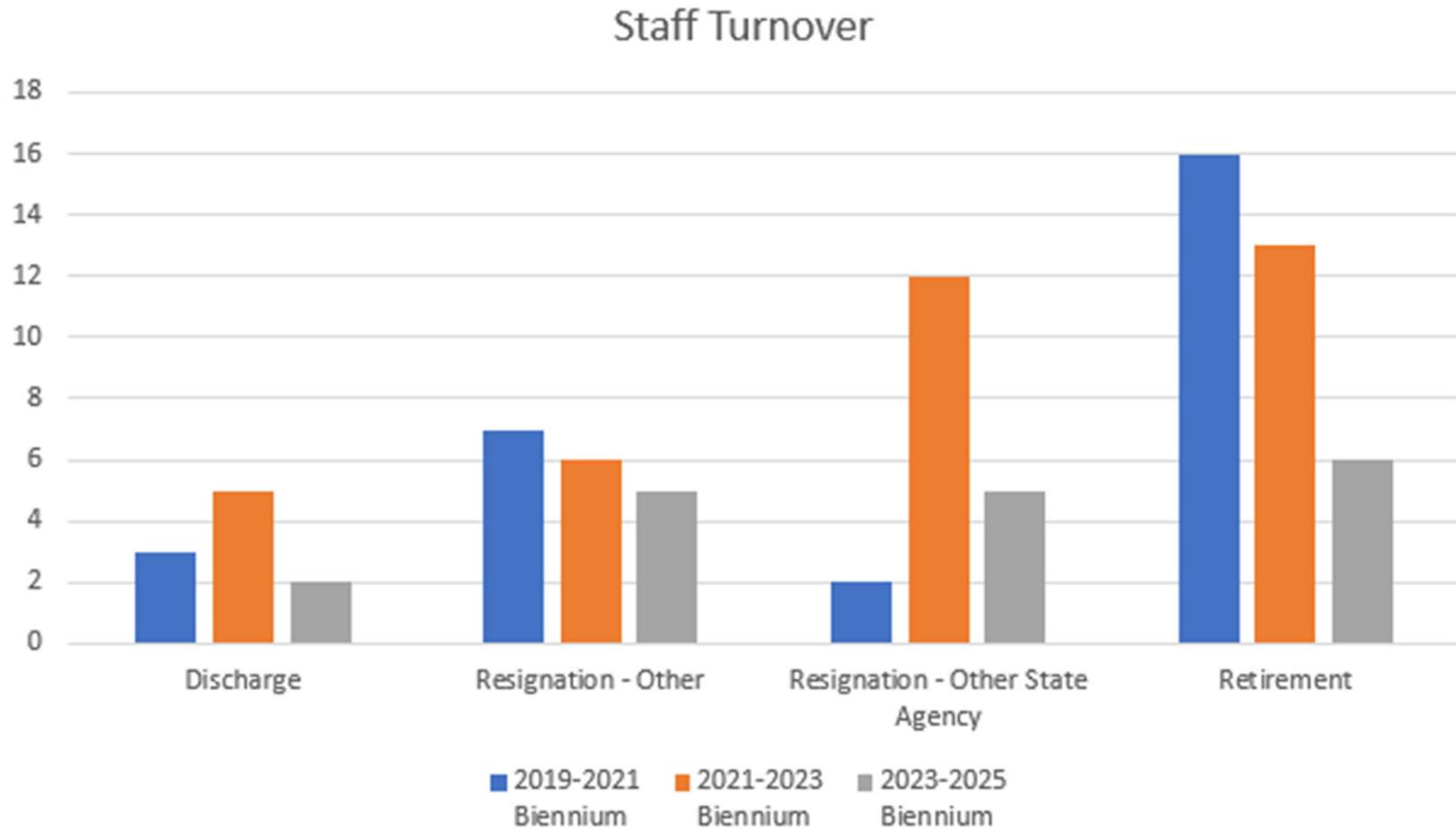
## New and Emerging Tax Types

- Matching staffing needs and expertise necessary with the administration of new and emerging tax types
- Technology enhancements & customizing GenTax

# History of Agency Staffing



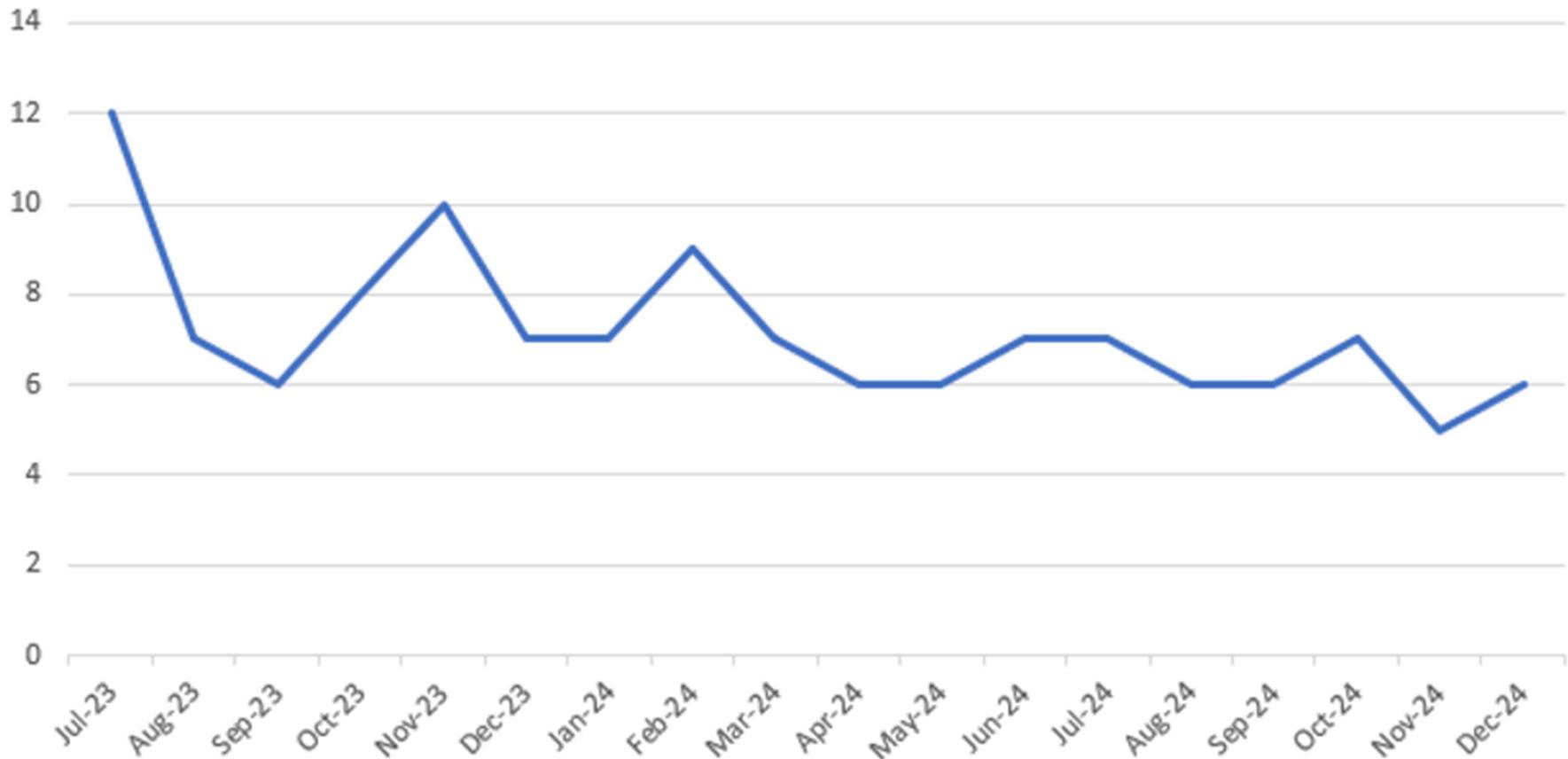
# Agency Staff Turnover



# Agency Vacant Positions

- \$1,285,846 removed from our 23-25 budget appropriation for the vacancy funding pool
- As of 12-1-2024, 6 vacant positions

Vacant Postions



# 2023-2025 One Time Funding Items

## **GenTax Enhancements - \$500,000**

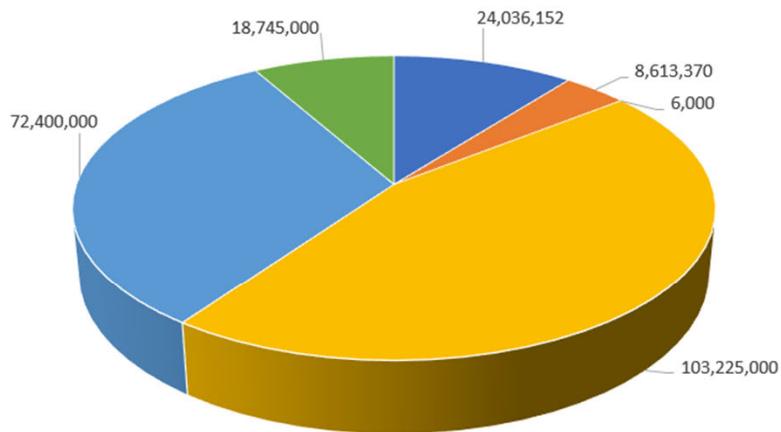
- Enhancing the administration of various tax types
  - City Motor Vehicle Tax, Electric Generation Tax, Coal Tax, Motor Vehicle Excise Tax, Airline Tax, Telecommunications Tax
- SMS (Text) implementation for taxpayer communications

## **Primary Residence Credit Operating Costs - \$1,500,000**

- Approximately \$524,000 in marketing expense to promote PRC to date for 2024 & 2025 property tax credit
- Approximately \$84,000 utilized for technology including initial programming, ongoing enhancements and updates
- Anticipate \$525,000 additional marketing expense to continue promotion for the 2025 credit (year 2, currently underway)

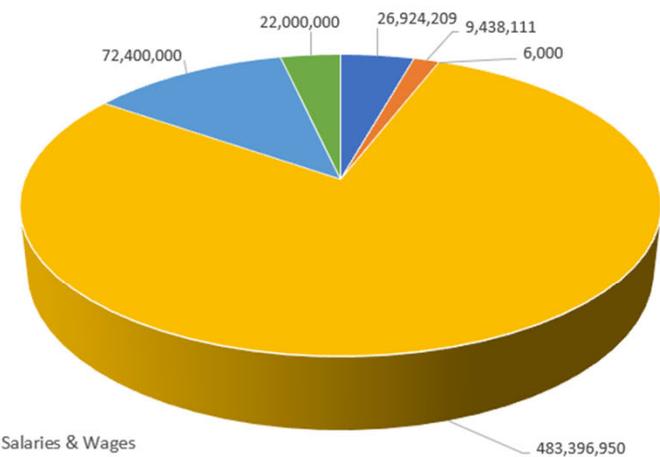
# Agency Budget - Overview

2023 - 2025 Appropriation



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Property Tax Relief
- Homestead Tax Credit
- Disabled Veterans Credit

2025 - 2027 Executive Recommendation



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Property Tax Relief
- Homestead Tax Credit
- Disabled Veterans Credit

# Change in Workload - Calendar Year Return Counts Over the Past Decade

| Tax Type                           | 2014    | 2019    | 2024    | 2014-2024<br>Increase<br>(Decrease) | % Change over<br>past 10 years |
|------------------------------------|---------|---------|---------|-------------------------------------|--------------------------------|
| Sales Tax - Original returns filed | 194,856 | 229,260 | 281,014 | 86,158                              | 44.2%                          |
| Individual income tax withholding  | 148,213 | 153,175 | 181,673 | 33,460                              | 22.6%                          |
| Individual income tax              | 480,903 | 472,742 | 474,650 | (6,253)                             | -1.3%                          |
| Partnership and S Corp             | 38,835  | 43,971  | 48,267  | 9,432                               | 24.3%                          |
| Corporate income tax               | 11,354  | 11,406  | 12,337  | 983                                 | 8.7%                           |
| Oil - Active wells                 | 12,134  | 16,042  | 19,197  | 7,063                               | 58.2%                          |
| Authorized FTE's                   | 134     | 133     | 117     | (17)                                | -12.7%                         |

# Agency Funding Requests 2025-2027

## Software Fees – GenTax Support - \$1,200,000

- \$750,000 to reinstate the 3% reduction reflected in the executive budget
- \$450,000 to continue the level of support required to effectively serve citizens (increase over previous biennium)
  - Total cost of GenTax for 2025-2027 \$4,850,000

## NDIT Fee Increases - \$455,190

- \$53,759 to reinstate the 3% reduction reflected in the executive budget
- \$332,671 to cover cost increases for NDIT services not provided for in the executive budget (\$456K total NDIT increase, \$123K granted)
- \$68,760 for two new servers provided by NDIT due to increased digital filings and increased computing resource needs

# Agency Funding Requests 2025-2027 – cont.

## **Cost to Continue Salaries- \$362,000**

- Continue Legislative approved 4% salary increase

## **Salary Equity Package - \$511,800**

- We continue to lag behind other state agencies in compensation rates
- Will bring agency staff to comparable compensation rates of other state agencies

## **Capitol Rent Increase - \$37,330**

- \$20,910 to reinstate 3% budget reduction
- \$16,420 to cover 2.6% rent increase for Capitol tower rent
  - Total rent paid to OMB for Capitol tower rent \$651,984

# Agency Funding Requests 2025-2027 – cont.

## **Homestead Tax Credit - \$48,000,000**

- \$48,000,000 to fund program payments to political subdivisions
- Does not include any salary or operating costs

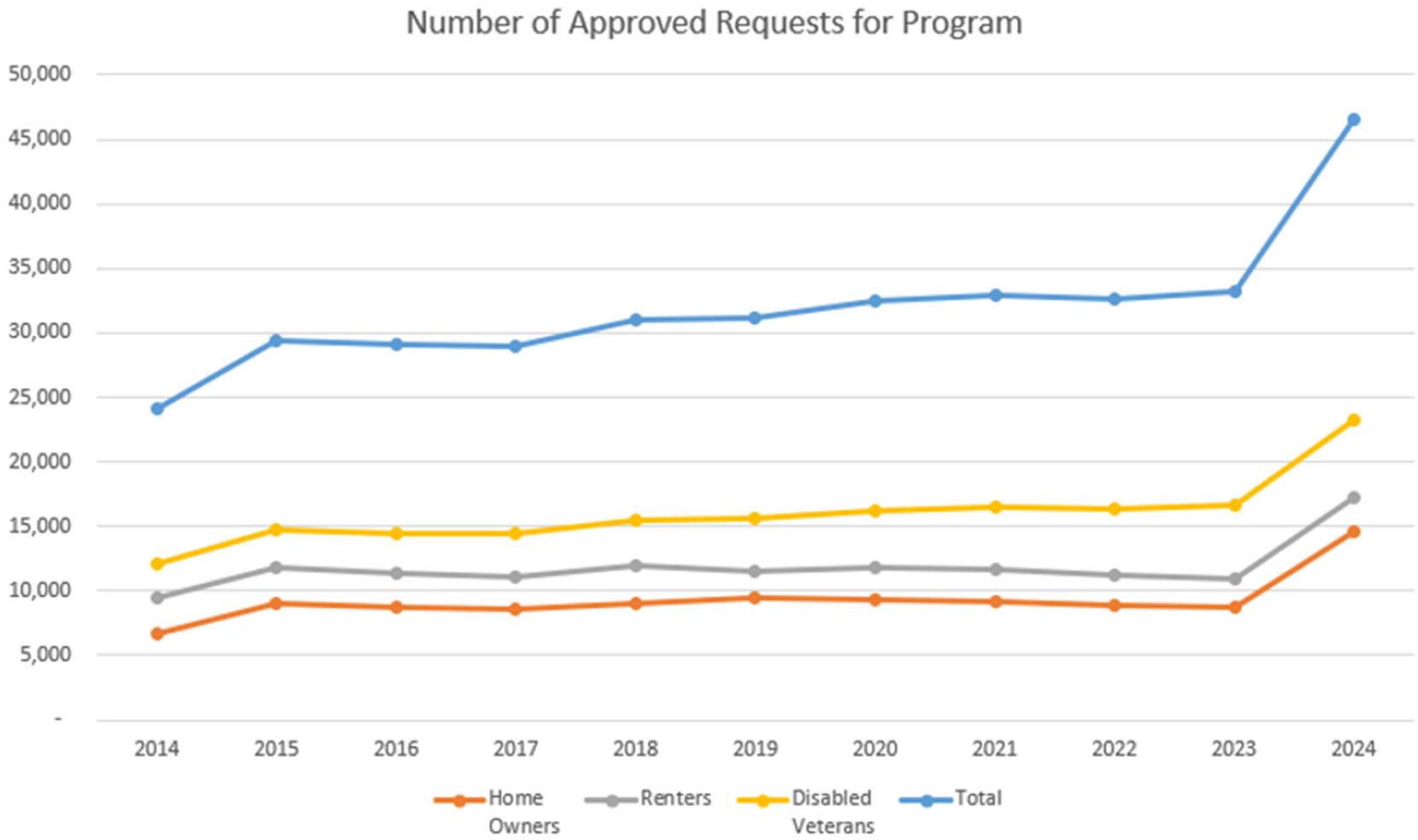
## **Disabled Veterans Credit - \$22,000,000**

- \$22,000,000 to fund program payments to political subdivisions
- Does not include any salary or operating costs

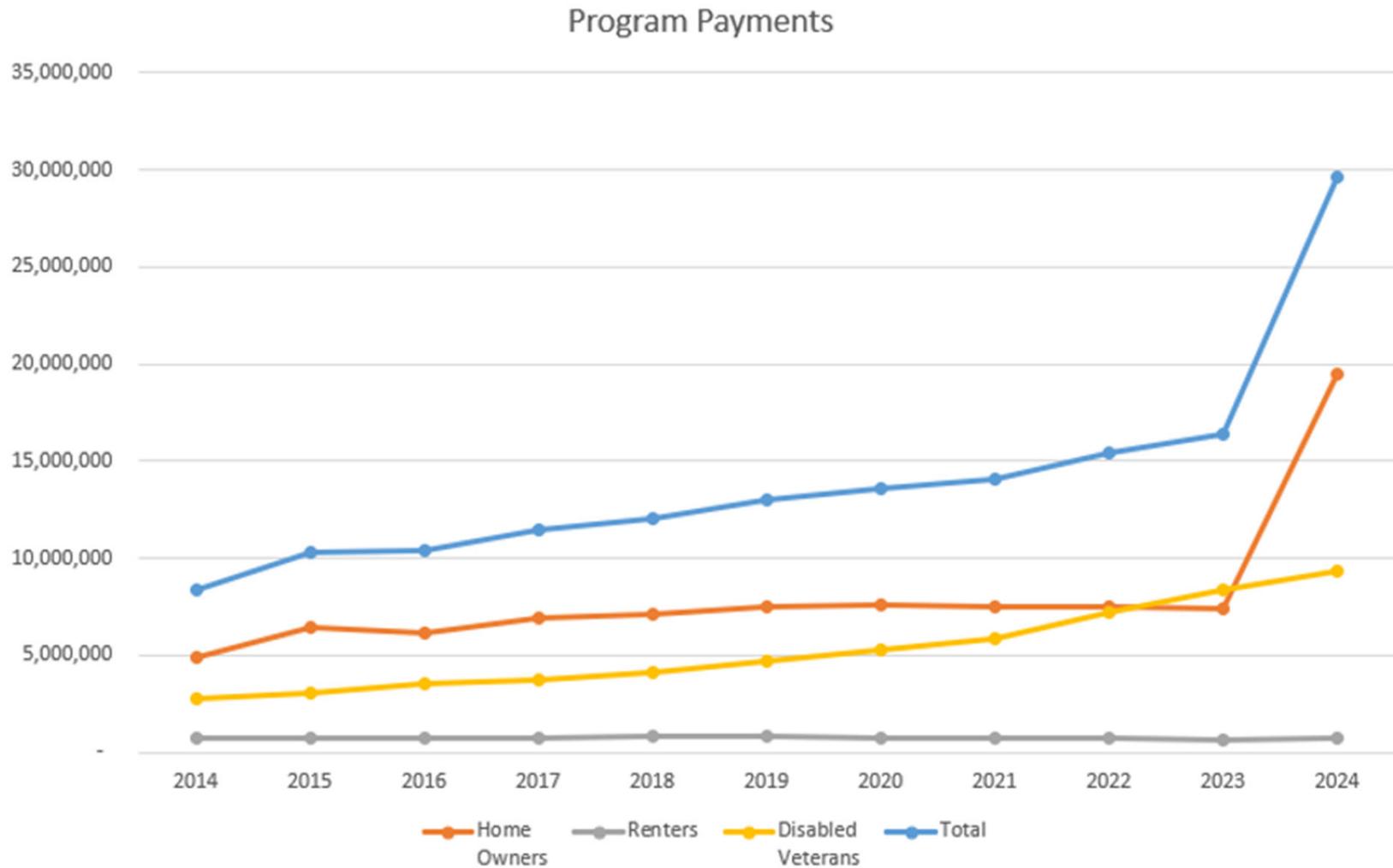
## **Primary Residence Tax Credit - \$77,500,000**

- \$77,500,000 to fund program payments to political subdivisions
- Does not include salary or operating costs

# Homestead, Disabled Veteran and Renter Refund Credit Programs - Applicant Volume



# Homestead, Disabled Veteran and Renter Refund Credit Program - Payments



# Agency Request & Recommendations - Summary

| Priority                                       | Description                              | Agency Request     | Burgum Executive Recommendation | Armstrong Executive Recommendation | House Budget      | Explanation  |
|--|--|--------------------|---------------------------------|------------------------------------|-------------------|--|
| 1  | GenTax Maintenance & Support             | 1,200,000          | 1,200,000                       | 1,200,000                          | 1,200,000         | \$750,000 to reinstate 3% reduction<br>\$450,000 to continue Level III Support   |
| 2  | NDIT Cost Increase & Additional Services | 455,190            | 455,190                         | 455,190                            | 455,190           | \$332,671 NDIT cost increases not provided in base budget<br>\$68,760 two additional servers de to increased digital filings |
| 3  | Cost to Continue Salaries                | 362,000            | -                               | -                                  | 362,000           | Continue Legislative approved 4% salary increase   |
| 4  | Salary Equity                            | 511,800            | -                               | -                                  | -                 | Equity to bring staff types to other state agency average salaries   |
| 5  | Capitol Rent Increase                    | 37,330             | 37,330                          | 37,330                             | 37,330            | \$20,910 to reinstate 3% reduction<br>\$16,420 to cover 2.6%/ rental rate increase on existing space                         |
| <b>Total Agency Operating Funding Requests</b> |  | <b>2,566,320</b>   | <b>1,692,520</b>                | <b>1,692,520</b>                   | <b>2,054,520</b>  |  |
|  | Comprehensive Tax Portal                 | -                  | 5,262,753                       | -                                  | -                 | \$5,000,000 operating and programming costs<br>\$262,753 one FTE salary and benefits   |
|  | Property Tax Relief Program              | 77,500,000         | 77,500,000                      | 405,896,950                        | -                 | Property Tax Relief program funding  |
|  | Homestead Tax Credit Program             | 48,000,000         | 48,000,000                      | 48,000,000                         | 60,600,000        | Homestead Tax Credit program funding   |
|  | Disabled Veterans Credit Program         | 22,000,000         | 22,000,000                      | 24,400,000                         | 29,400,000        | Disabled Veterans Credit program funding   |
| <b>Total Property Tax Relief Funding</b>       |  | <b>147,500,000</b> | <b>152,762,753</b>              | <b>478,296,950</b>                 | <b>90,000,000</b> |  |
| <b>Total</b>                                   |  | <b>150,066,320</b> | <b>154,455,273</b>              | <b>479,989,470</b>                 | <b>92,054,520</b> |  |

Thank you

Questions?