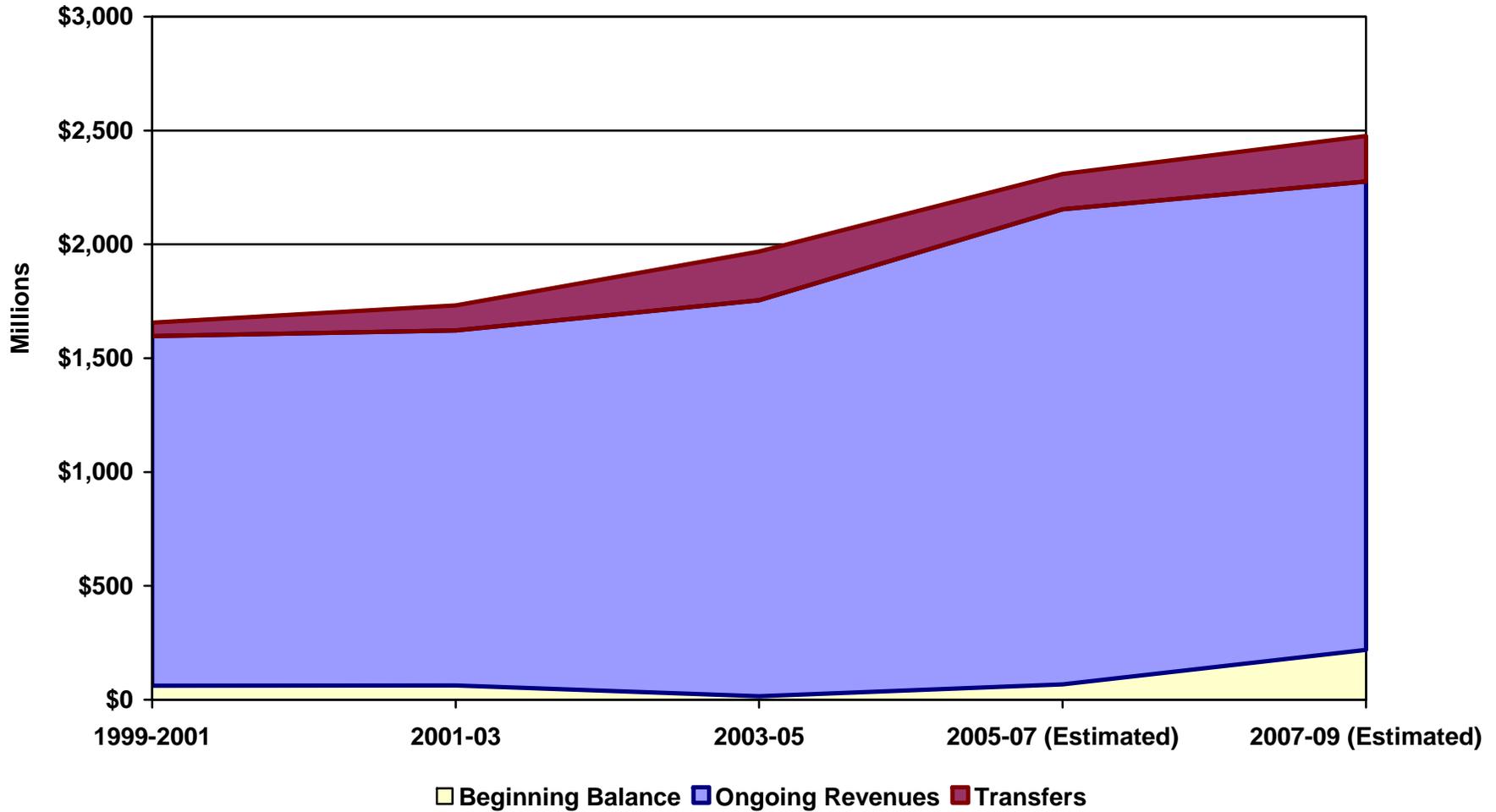


## REVENUES SUMMARY

Based on the 2007-09 biennium legislative revenue forecast, general fund revenues, excluding transfers, for the 2007-09 biennium are anticipated to be \$2,057.9 million, which is 1.4 percent, or \$28.8 million, less than the 2005-07 biennium revised (April 2007) revenue forecast of \$2,086.7 million. The 2007 Legislative Assembly reduced ongoing revenues by \$148.5 million, including \$120.9 million relating to the impact of Senate Bill No. 2032 for property tax credits and marriage penalty tax relief. Total 2007-09 biennium revenues, including the estimated beginning balance and transfers are estimated to be \$2,475.6 million, which is \$166.2 million, or 7.2 percent, more than total 2005-07 biennium revenues, including the estimated beginning balance and transfers of \$2,309.4 million.

The following is a summary of revenues for the 1999-2001 through 2007-09 bienniums:



	1999-2001	2001-03	2003-05	2005-07 (Estimated)	2007-09 (Estimated)
Beginning balance	\$61,114,425	\$62,240,652	\$14,790,311	\$68,015,056	\$218,350,170
Ongoing revenues	1,535,718,248	1,559,444,550	1,739,132,961	2,086,666,406	2,057,905,909
Transfers	59,539,802	110,433,690 <sup>1</sup>	214,265,069	154,723,928	199,374,056
Total	\$1,656,372,475	\$1,732,118,892	\$1,968,188,341	\$2,309,405,390	\$2,475,630,135

<sup>1</sup>This amount includes \$56,456,581 of federal fiscal relief funding received by the state, \$50 million in direct payments and \$6,456,581 received as enhanced federal medical assistance percentage (FMAP) reimbursements relating to 2001-03 biennium expenditures but which were not received until the 2003-05 biennium.

The executive budget (November 2006) general fund revenue forecast, excluding transfers, was estimated to be \$2,079.3 million and \$2,206.8 million, respectively, for the 2005-07 and 2007-09 bienniums. The Office of Management and Budget presented a revised revenue forecast in February 2007 for the 2005-07 and 2007-09 bienniums. Total general fund revenues were estimated to **increase by \$6.1 million** for the 2005-07 biennium and **increase by \$1.3 million** for the 2007-09 biennium as compared to the executive budget revenue forecast.

Major areas of 2007-09 biennium **revenue growth** as compared to the revised 2005-07 biennium revenue forecast include:

- Taxable sales and purchases are estimated to increase by \$66.8 million, or 7.9 percent (see **Sales and Use Taxes** section below).
- Gaming tax collections are estimated to increase by \$2.3 million, or 12.6 percent (see **Gaming Taxes** section below).
- Interest income is estimated to increase by \$4.3 million, or 13.4 percent.

Major areas of 2007-09 biennium **revenue reduction** as compared to the revised 2005-07 biennium revenue forecast include:

- Individual income tax collections are estimated to decline by \$55.6 million, or 10.1 percent (see **Income Taxes** section below).
- Corporate income tax collections are estimated to decline by \$40.4 million, or 21.4 percent (see **Income Taxes** section below).
- Motor vehicle excise tax collections are estimated to decline by \$8 million, or 6.6 percent (see **Motor Vehicle Excise Taxes** section below).

The 2007 Legislative Assembly approved the following bills which have a major impact on revenues:

#### Income Taxes

- **Senate Bill No. 2032** creates an income tax credit for property taxes paid and reduces the individual income "marriage penalty." All North Dakotans who pay property taxes on residential, agricultural, or commercial land will receive a 10 percent tax credit on their 2007 and 2008 income taxes. The property tax credits and the "marriage penalty" tax relief provisions of Senate Bill No. 2032 are estimated to reduce individual income tax collections by \$109.9 million and corporate income tax collections by \$11 million during the 2007-09 biennium.
- **House Bill No. 1018**, the appropriation bill for the Department of Commerce, provides for various business initiatives. The fiscal impacts of these initiatives are anticipated to reduce individual income tax collections by \$1 million and corporate income tax collections by \$3.5 million.
- **House Bill No. 1233** authorizes the sale of all or part of the income tax credit for installation of wind energy devices. This bill is anticipated to reduce corporate income tax collections by \$3 million.

#### Sales and Use Taxes

- **House Bill No. 1049** phases out sales taxes on heating fuels. This bill is anticipated to reduce sales and use tax collections by \$4.6 million during the 2007-09 biennium.
- **Senate Bill No. 2225** eliminates the bingo sales tax and implements a bingo excise tax. This bill is anticipated to reduce sales and use tax collections by \$3.4 million (see **Gaming Taxes** section below).
- **Senate Bill No. 2298** changes the sales tax exemption for certain power plant and agricultural processing facility construction. This bill is anticipated to reduce sales and use tax collections by \$2.2 million.

**Motor Vehicle Excise Taxes**

- **House Bill No. 1012** provides for 10 percent of motor vehicle excise tax collections to be deposited in the highway fund rather than the general fund. This bill is anticipated to reduce general fund motor vehicle excise tax collections by \$12.6 million.

**Gaming Taxes**

- **Senate Bill No. 2225** eliminates the bingo sales tax and implements a bingo excise tax. This bill is anticipated to increase gaming tax collections by \$2.2 million.

**Oil Taxes**

North Dakota Century Code Section 57-51.1-07.2 provides that all revenues deposited in the general fund during a biennium that are derived from the oil and gas gross production and oil extraction tax collections which exceed \$71 million are to be transferred into the permanent oil tax trust fund. Based on the February 2007 revised revenue forecast for the 2007-09 biennium, total oil and gas collections are estimated to be \$229.6 million, of which \$71 million is to be allocated to the general fund and \$158.6 million to the permanent oil tax trust fund. The following bills approved by the 2007 Legislative Assembly are anticipated to reduce oil and gas gross production and oil extraction tax collections to the permanent oil tax trust fund by \$12.6 million, from \$158.6 million to \$146 million.

- **House Bill No. 1044** changes the distribution formula for oil and gas gross production tax, increasing the county share to 100 percent for the first \$1 million of revenue from oil production in each county. This bill is anticipated to decrease the amount of oil and gas gross production taxes deposited into the permanent oil tax trust fund by \$5.9 million.
- **House Bill No. 1128** increases the transfer of the state's share of the oil and gas gross production tax and oil extraction tax revenues to the oil and gas research fund by \$1.7 million, from \$1.3 million to \$3 million.
- **House Bill No. 1279** eliminates the expiration date of the shallow gas gross production tax exemption which will result in \$1.1 million less revenue to the permanent oil tax trust fund.
- **Senate Bill No. 2178** increases the maximum amount of gross production tax revenues counties can receive, provided the county levies a specified number of mills for various road purposes. This bill is anticipated to decrease the amount of oil and gas gross production taxes deposited into the permanent oil tax trust fund by \$2 million.
- **Senate Bill No. 2397** changes the oil extraction tax from 6.5 percent to 2 percent on horizontal wells drilled in the Bakken formation for the first 75,000 barrels of oil produced, or the first 18 months, whichever comes first. This bill is anticipated to decrease the amount of oil extraction taxes deposited into the permanent oil tax trust fund by \$1.9 million.

**Major Tax and Fee Increase Bills**

The following is a summary of bills approved by the 2007 Legislative Assembly that provide for tax or fee increases:

Bill No.	Description	Estimated General Fund Impact Due to Increase	Estimated Other Funds Impact Due to Increase
1004	Provides for the State Department of Health to establish fees based on the cost of conducting inspections and licensing of tanning facilities. The fees are to be deposited in the department's operating fund for associated costs. House Bill No. 1154 provides for the regulation of tanning facilities.		\$32,300
1126	Continues the tax rates on parimutuel wagering, which would have decreased as of July 1, 2008.	\$307,625	740,966
1505	Provides for the State Department of Health to regulate the practice of tattooing, body piercing, branding, subdermal implants, and scarification. The State Department of Health is to establish fees based on the cost of licensing and conducting inspections. The fees are to be deposited in the department's operating fund.		Fees not yet determined