

**State Tax Commissioner
Budget No. 127
House Bill No. 1006, Senate Bill No. 2201**

	FTE Positions	General Fund	Other Funds	Total
2009-11 executive budget (bills as introduced)	133.00	\$37,017,791	\$110,000	\$37,127,791
2009-11 legislative appropriations	133.00	44,046,586	196,000	44,242,586
Legislative increase (decrease) to executive budget	0.00	\$7,028,795	\$86,000	\$7,114,795
Legislative increase (decrease) to 2007-09 appropriations	0.00	\$11,329,776	(\$2,604,000)	\$8,725,776

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2007-09 legislative appropriations	\$27,360,108	\$5,356,702	\$32,716,810
2009-11 legislative appropriations	31,182,339	12,864,247	44,046,586
2009-11 legislative increase (decrease) to 2007-09 appropriations	\$3,822,231	\$7,507,545	\$11,329,776
Percentage increase (decrease) to 2007-09 appropriations	14.0%	140.2%	34.6%
2009-11 legislative increase (decrease) to executive budget	\$2,155,250	\$4,873,545	\$7,028,795
Percentage increase (decrease) to executive budget	7.4%	61.0%	19.0%

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Tax Commissioner is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015.

	Major Items			Total
	FTE Positions	General Fund	Other Funds	
The legislative action:				
Removed funding added in the executive budget for state employee salary equity adjustments		(\$708,750)		(\$708,750)
Added funding for a total of \$10,230,247 to pay the remaining balance of the loan for the GenTax integrated tax system		4,873,545		4,873,545
Changed the funding source for operating expenses		(86,000)	\$86,000	0
Reduced funding for operating expenses		(50,000)		(50,000)

Provided funding in Senate Bill No. 2201 for state reimbursement to counties for the disabled veteran property tax credit		3,000,000		3,000,000
Total	<u>0.00</u>	<u>\$7,028,795</u>	<u>\$86,000</u>	<u>\$7,114,795</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation, which included funding for 133 FTE positions, the same as the 2007-09 biennium.

One-Time Funding

In Section 2 of House Bill No. 1006, the Legislative Assembly identified \$12,964,247 of one-time funding for the 2009-11 biennium, including \$12,864,247 from the general fund and \$100,000 from special funds. Of the \$12,964,247, \$10,230,247 is for loan repayment for the GenTax system, \$1,234,000 is for onsite support for the GenTax system and \$1,500,000 is for integration of oil and gas taxes to the GenTax system. This amount is not to be considered part of the agency's base budget for preparing the 2011-13 executive budget and the Tax Commissioner is to report to the Appropriations Committees during the 2011 legislative session on the use of this funding.

Other Sections in House Bill No. 1006

Motor vehicle fuel taxes - Section 3 provides for a transfer of \$1,288,000 to the general fund out of motor vehicle fuel taxes collected which is the amount received by the Tax Commissioner for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and administration of these taxes.

Legislative intent - Individual income tax simplification - Section 4 provides legislative intent that the Legislative Assembly work toward restoring the simplicity originally intended for tax Form ND-1 by eliminating or reducing the number of tax deductions and credits in a way that minimizes any negative impact for individuals who use those deductions and credits.

Carryover authority - Section 5 authorizes the Tax Commissioner to continue unexpended 2007-09 biennium appropriation authority for the integrated tax system to the 2009-11 biennium.

Salary of Tax Commissioner - Section 6 provides statutory changes to North Dakota Century Code Section 57-01-04 relating to the salary of the Tax Commissioner. The Legislative Assembly authorized 2009-11 biennium annual salary increases of 5 percent for elected officials. The Tax Commissioner's salary is to be increased from the current level of \$86,360 to \$90,678 effective July 1, 2009, and to \$95,212 effective July 1, 2010.

Related Legislation

House Bill No. 1084 - This bill authorizes the Tax Department to request background checks for final applicants for specified occupations within the department as designated by the Tax Commissioner.

House Bill No. 1209 - This bill creates an individual income tax credit for premiums paid for long-term care partnership plan insurance coverage.

House Bill No. 1249 - This bill provides for the licensing of domestic distilleries.

House Bill No. 1256 - This bill provides an income tax deduction for certain qualified dividends.

House Bill No. 1324 - This bill repeals the state's optional filing method--Form ND-2--and replaces it with a new simplified filing method available to taxpayers with no tax deductions or credits.

House Bill No. 1428 - This bill raises the maximum aggregate amount of income tax credits available for renaissance zone investments from \$5 million to \$7.5 million.

Senate Bill No. 2040 - This bill provides a sales and use tax exemption for expanding or constructing telecommunications infrastructure.

Senate Bill No. 2199 - This bill creates a property tax relief sustainability fund and provides for a transfer of \$295 million from the permanent oil tax trust fund to the property tax relief sustainability fund; transfers \$295 million from the permanent oil tax trust fund to the general fund; provides \$295 million from the general fund for property tax reduction grants to school districts and includes provisions for property tax levies of school districts; amends individual, estate, and trust tax rates resulting in an estimated \$90 million in tax relief; and amends corporate income tax rates resulting in an estimated \$10 million in tax relief.

Senate Bill No. 2201 - This bill provides an appropriation of \$3 million from the general fund as reflected in the amounts above to the Tax Department to pay the state reimbursement for property tax credits for disabled veterans.

Senate Bill No. 2325 - This bill provides for a 5 percent sales tax on mandatory computer software maintenance contracts for prewritten computer software and optional computer software maintenance contracts for prewritten computer software that provides only software upgrades or updates or an optional computer software maintenance contract for prewritten computer software that is a bundled transaction and provides software upgrades or updates and support services.

Senate Bill No. 2402 - This bill includes the following provisions to expand the homestead credit and renters' refund programs:

- A homeowner or renter may not have income exceeding \$26,000 (was \$17,500) per year to be eligible for the program;
- A graduated reduction in the taxable value and resulting taxes of a person's homestead, to a maximum of \$4,500 (was \$3,375) (4.5 percent of taxable value) based on the applicant's income level;
- The maximum benefits are limited to a \$100,000 (was \$75,000) reduction in the value of the house;
- The value of assets of a homeowner and any dependants living with the homeowner, excluding the unencumbered value of the residence claimed as a homestead, may not exceed \$75,000 (was \$50,000); and
- For eligible renters making \$26,000 (was \$17,500) or less per year, the program provides a direct payment of the amount by which 20 percent of the total rent (representing the property tax portion) exceeds 4 percent of the applicant's annual income, not to exceed \$400 (was \$240).

House Bill No. 1006 includes an appropriation of \$5.964 million for expenditures relating to the homestead credit and renters' refund programs. Provisions of Senate Bill No. 2402 are anticipated to require an additional \$3.823 million of funding for the program for a total of \$9.787 million relating to the homestead credit and renters' refund programs for the 2009-11 biennium.