

**State Tax Commissioner
Budget No. 127
Senate Bill No. 2006**

	FTE Positions	General Fund	Other Funds	Total
2011-13 executive budget (bills as introduced)	133.00	\$39,093,515	\$10,000	\$39,103,515
2011-13 legislative appropriations	134.00	39,238,449	10,000	39,248,449
Legislative increase (decrease) to executive budget	1.00	\$144,934	\$0	\$144,934
Legislative increase (decrease) to 2009-11 appropriations	1.00	(\$7,088,137) ¹	(\$186,000)	(\$7,274,137) ¹

¹The amounts shown reflect a \$1,810,000 general fund appropriation approved by the 2011 Legislative Assembly for additional expenses associated with the homestead tax credit program (\$1,349,000) and the disabled veteran property tax credit program (\$461,000).

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2009-11 legislative appropriations	\$33,462,339	\$12,864,247	\$46,326,586
2011-13 legislative appropriations	38,238,449	1,000,000	39,238,449
2011-13 legislative increase (decrease) to 2009-11 appropriations	\$4,776,110	(\$11,864,247)	(\$7,088,137)
Percentage increase (decrease) to 2009-11 appropriations	14.3%	(92.2%)	(15.3%)
2011-13 legislative increase (decrease) to executive budget	\$144,934	\$0	\$144,934
Percentage increase (decrease) to executive budget	0.4%	0%	0.4%

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 Senate Bill No. 2015.

	Major Items			
	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced funding for salaries by \$26,829 and added \$29,440 for operating expenses to reclassify 1 vacant FTE project manager position to a compliance officer II position.		\$2,611		\$2,611

Added contingent funding for 1 FTE compliance officer II position based on additional tax revenues collected.	1.00	142,323		142,323
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Total	<u>1.00</u>	<u>\$144,934</u>	<u>\$0</u>	<u>\$144,934</u>

FTE Changes

The 2011-13 biennium appropriation includes funding for 134 FTE positions, an increase of 1 FTE position from the executive recommendation and the 2009-11 biennium authorized level of 133 FTE positions. The Legislative Assembly added funding for 1 contingent FTE compliance officer II position based on additional tax revenues collected. The Legislative Assembly also authorized the Tax Commissioner to reclassify 1 FTE project manager position to a compliance officer II position.

One-Time Funding

In Section 2 of Senate Bill No. 2006, the Legislative Assembly identified \$1 million of one-time funding from the general fund for the 2011-13 biennium for GenTax upgrades. This amount is not to be considered part of the agency's base budget for preparing the 2013-15 executive budget and the Tax Commissioner is to report to the Appropriations Committees during the 2013 legislative session on the use of this funding.

Other Sections in Bill

Motor vehicle fuel taxes - Section 3 provides for a transfer of \$1,485,000 to the general fund from motor vehicle fuel tax collections which is the amount related to the Tax Commissioner's expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and administration of these taxes.

Tax Commissioner's salary - Section 4 provides the statutory changes increasing the Tax Commissioner's salary. The Tax Commissioner's annual salary is increased from the current level of \$95,212 to \$98,068 effective July 1, 2011, and to \$101,010 effective July 1, 2012.

Exemption - Grant to North Dakota State University - Section 5 provides for an exemption from North Dakota Century Code Section 54-44.1-11 of up to \$50,000 of the Tax Commissioner's unspent general fund authority for the 2009-11 biennium. The funds may be distributed by the Tax Commissioner as a grant to North Dakota State University, Department of Agribusiness and Applied Economics, for the purpose of converting the software of the core model used for the preparation of agricultural land valuations as required under Section 57-02-27.2 during the 2011-13 biennium.

Legislative Management study - Income tax credits - Section 6 provides for a Legislative Management study of the state's income tax credits during the 2011-12 interim. The study must involve the Tax Commissioner and include an inventory of all of the state's income tax credits, a review of the nature of each credit, an indication of the targeted class of recipients of each credit, an analysis of possible barriers to using the credits, an analysis of possible gaps and overlaps in the state's income tax credits, the relationship of state income tax credits to federal tax policy, and a review of the effectiveness of each credit.

Contingent funding - Emergency Commission approval - Section 7 provides contingent funding of \$142,323 from the general fund which may be used by the Tax Department to hire 1 FTE compliance officer II position, upon Emergency Commission approval, for the purpose of performing additional compliance projects. The Emergency Commission may approve the use of these funds and the additional FTE position only if the Tax Department certifies that compliance projects conducted by the new compliance officer authorized by the 2011 Legislative Assembly have resulted in the collection of at least \$500,000, during the nine-month period beginning on the date the new compliance officer position is filled.

Related Legislation

House Bill No. 1217 includes the following provisions to expand the disabled veteran property tax credit program:

- Include disabled veterans who have an extra-schedular rating to include individual unemployability that brings the veteran's total disability to 100 percent as determined by the Department of Veterans' Affairs.
- Extend the property exemption for unremarried surviving spouses who receive Department of Veterans' Affairs dependency and indemnity compensation to 100 percent of the first \$5,400 in taxable valuation. (The exemption was previously based on the disabled veteran's percentage of disability.)

- Replace \$120,000 of true and full property value with \$5,400 of taxable valuation for determining tax credit.

Senate Bill No. 2006 includes an appropriation of \$4.244 million for expenditures relating to the disabled veteran property tax credit program. Provisions of House Bill No. 1217 are anticipated to require an additional \$215,000 of funding for the program for a total of \$4.459 million relating to the disabled veteran property tax credit program for the 2011-13 biennium. The additional \$215,000 was not appropriated.