

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

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	136.00	\$58,769,918 ¹	\$125,000	\$58,894,918
2013-15 legislative appropriation	<u>134.00</u>	<u>57,054,140</u>	<u>125,000</u>	<u>57,179,140</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	2.00	\$1,715,778	\$0	\$1,715,778
2015-17 general fund budget allotment (4.05 percent)	<u>0.00</u>	<u>(2,380,182)</u>	<u>0</u>	<u>(2,380,182)</u>
Adjusted 2015-17 appropriation after budget allotment	136.00	\$56,389,736	\$125,000	\$56,514,736

¹The original legislative appropriation amount includes \$8,000 of one-time funding from the general fund. Excluding this amount, the agency's original ongoing general fund appropriation is \$58,761,918.

NOTE: The 2015-17 legislative appropriations do not reflect a transfer of general fund appropriation authority of \$20,000 from the state agency energy impact funding pool to the Tax Commissioner. See the **State agency energy impact funding pool** section below for additional information.

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

FTE changes - The 2015-17 biennium appropriation includes funding for 136 FTE positions, an increase of 2 FTE positions from the 2013-15 biennium authorized level of 134 FTE positions. The new FTE positions include a research analyst position and a property tax specialist position.

One-time funding - Digital scanners - In Section 2 of 2015 Senate Bill No. 2006, the Legislative Assembly identified \$8,000 of one-time funding from the general fund for digital scanners. Section 4 provides an exemption for the \$16,000 appropriated in the capital assets line item to the Tax Commissioner in the 2013-15 biennium. As a result, \$40,000 will be available to the agency to purchase digital scanners, of which \$16,000 is from carryover authority, \$16,000 is included in the department's base budget, and \$8,000 of one-time funding was added by the Legislative Assembly.

Status/Result

The budget allotment reduced general fund appropriations for the Tax Commissioner by \$2,380,182. The Tax Commissioner reduced salaries and wages (\$1,104,715), operating expenses (\$154,508), homestead tax credits (\$810,000), and disabled veterans' property tax credits (\$310,959). The salary and wages savings are from vacant positions being held open. The operating expenses savings are from reductions in travel and delays in purchasing supplies and equipment.

In February 2016 the Tax Commissioner filled the new property tax specialist position. The agency anticipates filling the research analyst position by the end of the 2015-17 biennium.

As of March 31, 2016, the Tax Commissioner has spent \$9,909 of the amount available for digital scanners. The agency anticipates spending the remaining \$30,091 by the end of the 2015-17 biennium.

Homestead tax credit program and disabled veterans' property tax credit program - The homestead tax credit program provides tax credits to eligible homeowners who are aged 65 or older or who are certified as permanently and totally disabled regardless of age. Renters who are aged 65 or older or who are certified as permanently and totally disabled regardless of age may qualify for a rent refund. The disabled veteran property tax credit program provides tax credits to disabled veterans with an armed forces service-connected disability of 50 percent or greater. Bills approved by the 2015 Legislative Assembly relating to these programs include:

- **House Bill No. 1059 (2015)** expands the homestead tax credit by increasing the maximum homestead value to which the credit may apply from the first \$100,000 of true and full value to the first \$125,000 of true and full value. The estimated fiscal impact for the 2015-17 biennium is \$1.2 million of additional credits.
- **Senate Bill No. 2113 (2015)** expands the disabled veterans' property tax credit by including the value of the land in the calculation of the tax credits. The fiscal impact for the 2015-17 biennium is estimated to be minimal.
- **Senate Bill No. 2006 (2015)** includes an appropriation of \$20 million from the general fund for expenditures relating to the homestead tax credit program and \$7,678,000 from the general fund for expenditures relating to the disabled veterans' property tax credit program.

The schedules below present the number of eligible homeowners, renters, disabled veterans, and the payments made in recent years.

Payment Year	Number Eligible for Program			
	Homeowners	Renters	Disabled Veterans ¹	Total
2005	3,817	1,322		5,139
2006	3,516	1,273		4,789
2007	3,677	1,305		4,982
2008	3,466	1,998		5,464
2009	3,715	2,051		5,766
2010	3,977	2,400	1,513	7,890
2011	4,451	2,367	1,764	8,582
2012	4,359	2,257	2,192	8,808
2013	4,265	2,283	2,460	9,008
2014	6,740	2,680	2,661	12,081
2015	8,964	2,814	2,902	14,680

¹Prior to 2009, disabled veterans were given a property tax exemption resulting in a revenue loss to the local governments which was not reimbursed by the state.

Payment Year	Payments Made Under Program			
	Homeowners	Renters	Disabled Veterans ¹	Total
2005	\$1,655,555	\$186,896		\$1,842,451
2006	\$2,025,060	\$182,947		\$2,208,007
2007	\$2,008,310	\$188,418		\$2,196,728
2008	\$2,342,186	\$287,682		\$2,629,868
2009	\$2,396,968	\$302,632		\$2,699,600
2010	\$2,912,719	\$550,955	\$1,627,763	\$5,091,437
2011	\$3,375,376	\$584,610	\$1,961,238	\$5,921,224
2012	\$3,312,824	\$584,112	\$2,299,511	\$6,196,447
2013	\$3,352,224	\$583,233	\$2,587,745	\$6,523,202
2014	\$4,905,351	\$724,635	\$2,754,964	\$8,384,950
2015	\$6,446,260	\$779,043	\$3,060,402	\$10,285,705

¹Prior to 2009, disabled veterans were given a property tax exemption resulting in a revenue loss to the local governments which was not reimbursed by the state.

Individual and corporate income tax relief - Bills approved by the 2015 Legislative Assembly relating to income tax relief include:

- **House Bill No. 1014 (2015)** amended North Dakota Century Code Section 57-38-01.32 to continue the housing incentive fund income tax credit for contributions to the housing incentive fund for the 2015-17 biennium. The bill increases the aggregate amount of tax credits allowed to all eligible contributors from \$20 million to \$30 million per biennium resulting in an estimated decrease of \$15 million for individual income tax collections and an estimated decrease of \$15 million to corporate income tax collections.
- **Senate Bill No. 2292 (2015)** allows businesses to use an alternate method for apportioning income for calculating corporate income taxes. If elected, income apportionment will gradually transition from an equally weighted three-factor formula in tax year 2015 to a sales-only factor formula beginning in tax year 2019. The estimated impact of this bill is a decrease of \$15 million to corporate income tax collections during the 2015-17 biennium. The estimated impact in the 2017-19 biennium is a decrease of \$50 million, and in subsequent bienniums the decrease is estimated to be \$120 million.
- **Senate Bill No. 2329 (2015)** provides an additional \$2 million of income tax credits for renaissance fund organizations, an increase from \$8.5 million to \$10.5 million. The additional income tax credits result in a corresponding decrease in estimated corporate income tax collections during the 2015-17 biennium.
- **Senate Bill No. 2349 (2015)** amends the corporate and individual income tax rates. Individual income tax rates are reduced by 10 percent resulting in an estimated decrease of \$87 million in individual income tax collections during the 2015-17 biennium. Corporate income tax rates are reduced by 5 percent resulting in an estimated decrease of \$21 million in corporate income tax collections during the 2015-17 biennium.

State agency energy impact funding pool - The Legislative Assembly appropriated \$2,400,000 from the general fund and \$5,565,000 from other funds to the Office of Management and Budget for a state agency energy development impact funding pool. Section 5 of 2015 Senate Bill No. 2015 allows a state agency to submit an application to the Office of Management and Budget to receive a transfer of funds from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The Office of Management and Budget is to review any submitted applications and provide a recommendation to the Emergency Commission for final approval or rejection.

As of April 1, 2016, the Housing Finance Agency received \$26,956,695 in contributions to the housing incentive fund, resulting in a corresponding reduction to general fund revenue. The agency anticipates receiving the remaining \$3,043,305 of contributions by the end of the biennium, which will result in a total reduction of \$30 million to general fund revenue for the 2015-17 biennium.

At the time of this report, information was not available from the Tax Department on the total anticipated decrease in general fund revenue from the change in income apportionment.

As of March 31, 2016, \$5,623,366 of credits have been claimed while \$4,876,634 of credits are available.

At the time of this report, information was not available from the Tax Department on the total decrease in general fund revenue from the reduced income tax rates.

Distributions from the pool have been made for the period beginning July 1, 2015, and ending June 30, 2016. A total of \$20,000 from the general fund has been transferred from the pool to the Tax Commissioner. The Tax Commissioner is using the funding for temporary salary increases for auditors located in Dickinson, Minot, and Williston.

Through April 2016 no additional distributions have been made from the funding pool.