

**Department 127 - State Tax Commissioner
House Bill No. 1006**

Dalrymple Executive Budget Comparison to Prior Biennium Appropriations

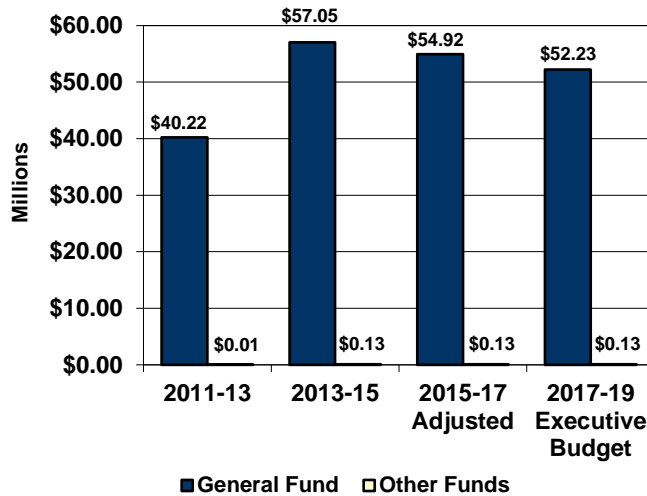
	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	133.00	\$52,226,535	\$125,000	\$52,351,535
2015-17 Adjusted Legislative Appropriations ¹	136.00	54,920,488	125,000	55,045,488
Increase (Decrease)	(3.00)	(\$2,693,953)	\$0	(\$2,693,953)

¹The 2015-17 biennium agency appropriation amounts reflect general fund budget reductions made in August 2016, but do not include \$20,000 of allocations from the general fund to the agency from the state agency energy impact funding pool for temporary salary adjustments for agency employees located in areas of the state affected by energy development.

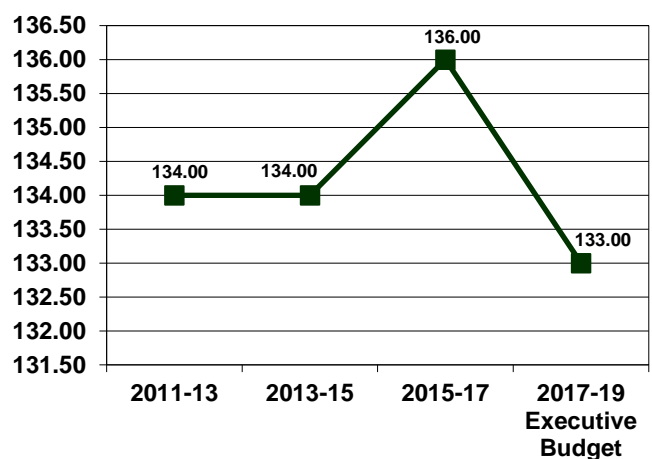
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Dalrymple Executive Budget	\$52,226,535	\$0	\$52,226,535
2015-17 Adjusted Legislative Appropriations	54,912,488	8,000	54,920,488
Increase (Decrease)	(\$2,685,953)	(\$8,000)	(\$2,693,953)

Agency Funding



FTE Positions



Dalrymple Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	\$52,226,535	\$125,000	\$52,351,535
2017-19 Base Level	54,912,488	125,000	55,037,488
Increase (Decrease)	(\$2,685,953)	\$0	(\$2,685,953)

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Dalrymple and Burgum Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for base payroll changes, including the removal of 3 FTE positions (1 FTE tax services position, 1 FTE office assistant position, and 1 FTE document imaging position)	\$25,020		\$25,020
2. Provides funding for state employee salary and benefit increases, of which \$93,503 is for salary increases and \$380,646 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) The House removed funding for the salary increases.	\$474,149		\$474,149

3. Adds funding for salaries and wages to partially restore 2015-17 biennium budget reductions. The House reduced funding for salaries and wages by \$332,218 from the base level.	\$436,256	\$436,256
4. Adds funding for temporary employees. The House did not add funding for temporary employees.	\$50,000	\$50,000
5. Reduces funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture. The House reduced funding for operating expenses by an additional \$172,480.	(\$706,487)	(\$706,487)
6. Reduces funding for capital assets	(\$10,000)	(\$10,000)
7. Reduces funding for the homestead tax credit program (\$2,690,000) and the disabled veterans' tax credit program (\$264,891)	(\$2,954,891)	(\$2,954,891)
8. The Burgum budget reduced funding for salaries and wages (\$260,942), operating expenses (\$27,480), the homestead tax credit program (\$160,000), and the disabled veterans' tax credit program (\$69,102). The House did not make these reductions.	(\$517,524)	(\$517,524)

Other Sections in House Bill No. 1006

Health insurance increase - Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.

Line item transfers - Sections 4 and 5 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2015-17 biennium and the 2017-19 biennium. Section 8 includes an emergency clause related to the line item transfers in the 2015-17 biennium.

Motor vehicle fuel tax revenue transfer - Section 6 provides for a transfer of \$2,016,120 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.

Multistate tax audit fund - Section 7 creates a multistate tax audit fund and provides continuing appropriation to the Tax Commissioner to receive collections from the multistate tax commission audit and nexus programs and to pay the related expenses of the programs from the fund. Excess collections are transferred to the general fund at the end of each year.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1056 - Expands the eligibility of the disabled veterans tax credit program to designated trustees administering the property for an unmarried surviving spouse.

House Bill No. 1354 - Upon written request from the Chairman of the Legislative Management, requires the Tax Department to disclose the amount of tax incentives claimed or earned.

Senate Bill No. 2032 - Section 3 repeals the homestead income tax credit, which was available for tax years 2007 and 2008.

Senate Bill No. 2112 - Updates the terminology in the streamlined sales and use tax agreement to provide consistency with the other member states.

Senate Bill No. 2127 - Limits the eligibility period during which sales and use tax refunds may be claimed on purchases that exceed city or county thresholds. Refunds on purchases prior to July 1, 2017, must be claimed by July 1, 2019. Refunds on purchases after June 30, 2017, must be claimed within 2 years of the date of purchase.

Senate Bill No. 2128 - Extends the records retention period from 3 to 6 years for retailers related to records of the gross proceeds from sales and the records of purchases of inventory intended for resale.

Senate Bill No. 2129 - Provides technical corrections for clarity and consistency relating to background checks for Tax Department employees, the alcoholic beverage gross receipts tax, and claims for refunds.

Tax Commissioner - Budget No. 127
House Bill No. 1006
Base Level Funding Changes

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	136.00	\$54,912,488	\$125,000	\$55,037,488	136.00	\$54,912,488	\$125,000	\$55,037,488
2017-19 Ongoing Funding Changes								
Base payroll changes	(3.00)	\$25,020		\$25,020	(3.00)	\$25,020		\$25,020
Salary increase - Performance				0				0
Health insurance increase		380,646		380,646		380,646		380,646
Employee portion of health insurance		(199,404)		(199,404)				0
Adjusts salary funding for budget reductions		436,256		436,256		(332,218)		(332,218)
Adds funding for temporary employees		50,000		50,000				0
Reduces funding for operating expenses		(706,487)		(706,487)		(878,967)		(878,967)
Reduces funding for capital assets		(10,000)		(10,000)		(10,000)		(10,000)
Reduces funding for tax credit programs		(2,954,891)		(2,954,891)		(2,954,891)		(2,954,891)
Budget reductions - 1 percent		(517,524)		(517,524)				0
Total ongoing funding changes	(3.00)	(\$3,496,384)	\$0	(\$3,496,384)	(3.00)	(\$3,770,410)	\$0	(\$3,770,410)
One-time funding items				\$0				\$0
No one-time funding items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(3.00)	(\$3,496,384)	\$0	(\$3,496,384)	(3.00)	(\$3,770,410)	\$0	(\$3,770,410)
2017-19 Total Funding	133.00	\$51,416,104	\$125,000	\$51,541,104	133.00	\$51,142,078	\$125,000	\$51,267,078

Other Sections in Tax Commissioner - Budget No. 127

	Burgum Executive Budget Recommendation (Changes to Dalrymple Budget in Bold)	House Version
Health insurance increase		Section 2 identifies the funding increase for health insurance premium increases included in the agency's appropriation.
Line item transfers	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item. Section 7 includes an emergency clause related to the line item transfers.	Sections 4 and 5 authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2015-17 biennium and the 2017-19 biennium. Section 8 includes an emergency clause related to the line item transfers in the 2015-17 biennium.

Other Sections in Tax Commissioner - Budget No. 127

**Burgum Executive Budget Recommendation
(Changes to Dalrymple Budget in Bold)**

House Version

Motor vehicle fuel tax revenue transfer

Section 4 provides for a transfer of \$2,016,120 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.

Section 6 provides for a transfer of \$2,016,120 from the motor vehicle fuel tax revenue collections to the general fund for the expenses related to the administration of the motor vehicle fuel taxes.

Multistate tax audit fund

Section 5 creates a multistate tax audit fund and provides continuing appropriation to the Tax Commissioner to receive collections from the multistate tax commission audit and nexus programs and to pay the related expenses of the programs from the fund. Excess collections are transferred to the general fund at the end of each year.

Section 7 creates a multistate tax audit fund and provides continuing appropriation to the Tax Commissioner to receive collections from the multistate tax commission audit and nexus programs and to pay the related expenses of the programs from the fund. Excess collections are transferred to the general fund at the end of each year. This section will reduce estimated general fund revenues by \$450,000 for the 2017-19 biennium.

Salary of Tax Commissioner

Section 6 provides the statutory changes to increase the Tax Commissioner's annual salary by 1 percent in the second year of the 2017-19 biennium. **(The Burgum budget recommendation removes this section.)**

Department 127 - State Tax Commissioner

Appropriations Comparisons to the Original and Adjusted Base Budgets

General Fund Appropriations Adjustments (As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	\$58,761,918	\$8,000	\$58,769,918
General fund reductions	(3,849,430)	0	(3,849,430)
Adjusted 2015-17 appropriations	\$54,912,488	\$8,000	\$54,920,488
Dalrymple Executive Budget changes	(2,685,953)	(8,000)	(2,693,953)
2017-19 Dalrymple Executive Budget	\$52,226,535	\$0	\$52,226,535

Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Vacant positions, delayed salary increases, and fewer temporary employees	(\$1,459,579)		(\$1,459,579)
Operating expenses related to travel, office equipment, professional development, and professional services	(576,942)		(576,942)
Homestead tax credit program	(1,310,000)		(1,310,000)
Disabled veterans' tax credit program	(502,909)		(502,909)
Total reductions	(\$3,849,430)	\$0	(\$3,849,430)
Percentage reduction to ongoing and one-time general fund appropriations	6.55%	0.00%	6.55%

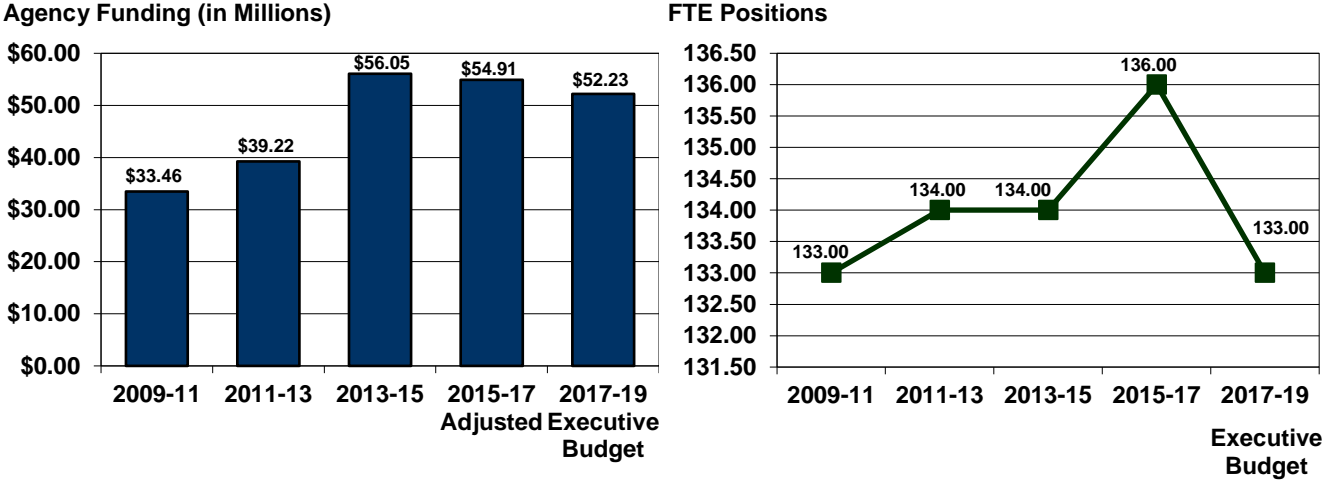
2017-19 Dalrymple Executive Budget Changes to the Original and Adjusted Base Budgets

	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Base payroll changes	\$25,020		\$25,020
Adds funding for state employee salary and benefit increases	474,149		474,149
Adjusts funding for FTE positions	(1,023,323)	1,459,579	436,256
Adds funding for temporary employees	50,000		50,000
Adjusts funding for operating expenses primarily related to travel, information technology, professional development, and professional services	(1,283,429)	576,942	(706,487)
Reduces funding for capital assets	(10,000)		(10,000)
Adjusts funding for homestead tax credit program	(4,000,000)	1,310,000	(2,690,000)
Adds funding for disabled veterans' tax credit program	(767,800)	502,909	(264,891)
Total	(\$6,535,383)	\$3,849,430	(\$2,685,953)

Department 127 - State Tax Commissioner

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2009-11



Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing general fund appropriations	\$33,462,339	\$39,220,304	\$56,054,140	\$54,912,488	\$52,226,535
Increase (decrease) from previous biennium	N/A	\$5,757,965	\$16,833,836	(\$1,141,652)	(\$2,685,953)
Percentage increase (decrease) from previous biennium	N/A	17.21%	42.92%	(2.04%)	(4.89%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	17.21%	67.51%	64.10%	56.08%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2011-13 Biennium

- 1. Added funding for the homestead tax credit program \$2,828,788
- 2. Added funding for the disabled veterans' tax credit program \$1,243,920
- 3. Added funding for GenTax software support \$940,000
- 4. Added funding for 1 FTE compliance officer position \$142,323

2013-15 Biennium

- 1. Added funding for the homestead tax credit program \$11,207,212
- 2. Added funding for the disabled veterans' tax credit program \$3,434,080
- 3. Added funding for GenTax software support \$1,000,000

2015-17 Biennium

- 1. Added funding for 1 FTE research analyst position and 1 FTE property tax specialist position \$186,611
- 2. Added funding for operating expenses, including \$200,000 for GenTax software support \$560,755
- 3. Reduced funding for the homestead tax credit program (\$1,310,000) and the disabled veterans' tax credit program (\$502,909) related to the August 2016 budget reductions (\$1,812,909)

2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)

- 1. Adds funding for salaries and wages to partially restore 2015-17 biennium budget reductions. **The House reduced funding for salaries and wages by \$332,218 from the base level.** \$436,256
- 2. Adds funding for temporary employees. **The House did not add funding for temporary employees.** \$50,000
- 3. Reduces funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture. **The House reduced funding for operating expenses by an additional \$172,480.** (\$706,487)

4. Reduces funding for the homestead tax credit program (\$2,690,000) and the disabled veterans' tax credit program (\$264,891) (\$2,954,891)
5. The Burgum budget reduced funding for salaries and wages (\$260,942), operating expenses (\$27,480), the homestead tax credit program (\$160,000), and the disabled veterans' tax credit program (\$69,102). **The House did not include these reductions.** (\$517,524)