

Department 127 - Tax Commissioner
House Bill No. 1006

Executive Budget Comparison to Prior Biennium Appropriations

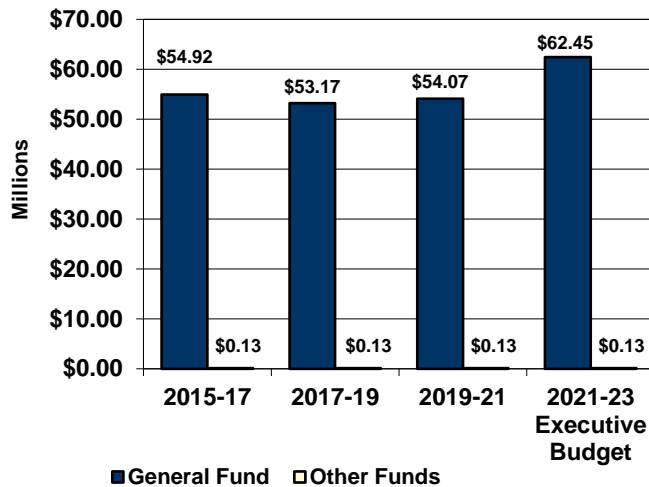
	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	118.00	\$62,449,257	\$125,000	\$62,574,257
2019-21 Legislative Appropriations ¹	123.00	54,071,616	125,000	54,196,616
Increase (Decrease)	(5.00)	\$8,377,641	\$0	\$8,377,641

¹The 2019-21 biennium agency appropriation amounts have not been adjusted for additional federal Coronavirus (COVID-19) funds authority of \$28,601 for equipment resulting from Emergency Commission action during the 2019-21 biennium.

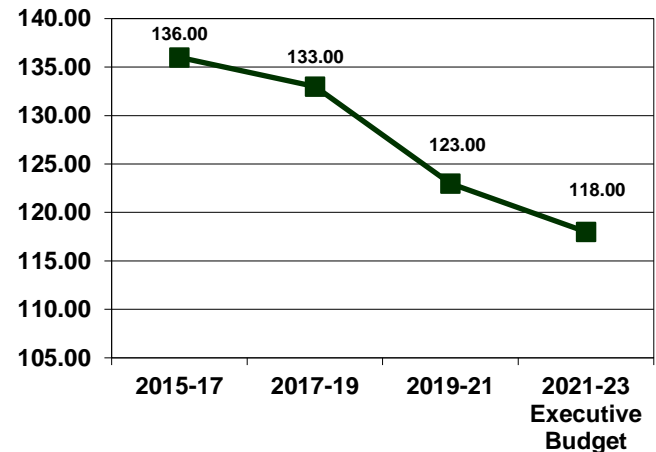
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2021-23 Executive Budget	\$62,449,257	\$0	\$62,449,257
2019-21 Legislative Appropriations	54,071,616	0	54,071,616
Increase (Decrease)	\$8,377,641	\$0	\$8,377,641

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$62,449,257	\$125,000	\$62,574,257
2021-23 Base Level	54,071,616	125,000	54,196,616
Increase (Decrease)	\$8,377,641	\$0	\$8,377,641

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$555,975 is for salary increases, \$5,988 is for health insurance increases, and \$114,645 is for retirement increases	\$676,608	\$0	\$676,608
2. Removes 5 FTE undesignated unfunded vacant positions	(\$10)	\$0	(\$10)
3. Underfunds salaries and wages	(\$1,322,242)	\$0	(\$1,322,242)
4. Increases funding for GenTax information technology software support	\$294,339	\$0	\$294,339
5. Adds funding for a treasury offset program, which helps federal and state agencies collect delinquent taxes	\$45,000	\$0	\$45,000
6. Increases funding for Microsoft Office 365 licensing expenses	\$14,321	\$0	\$14,321

7. Adds funding for the Capitol complex rent proposal	\$638,554	\$0	\$638,554
8. Increases funding for the homestead tax credit program, from \$15.8 million to \$18 million	\$2,200,000	\$0	\$2,200,000
9. Increases funding for the disabled veterans' tax credit program, from \$8,410,200 to \$14,000,000	\$5,589,800	\$0	\$5,589,800

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Line item transfers - Section 2 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2021-23 biennium.

Motor vehicle fuel tax revenue transfer - Section 3 would provide for a transfer of \$1,873,744 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.

Salary of Tax Commissioner - Section 4 would provide the statutory changes necessary to increase the Tax Commissioner's salary. The executive budget recommends a 2 percent increase effective July 1, 2021, and a 2 percent increase effective July 1, 2022. The Tax Commissioner's annual salary would increase from the current salary of \$120,014 to \$122,414 effective July 1, 2021, and to \$124,863 effective July 1, 2022.

Deficiency Appropriation

House Bill No. 1025 provides a deficiency appropriation of \$4.04 million from the general fund for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million).

Continuing Appropriations

Multistate tax audit fund - North Dakota Century Code Section 57-01-20 - Collections from the Multistate Tax Commission and Nexus program.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2019-20 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1082 - Requires taxpayers to use electronic filing and payment methods for passthrough entities with 10 or more partners and for employers that paid wages of at least \$1,000.

House Bill No. 1099 - Allows the Tax Commissioner to waive late penalties for certain returns and to use first class mail rather than certified or registered mail for certain mail distributions.

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

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	123.00	\$54,071,616	\$125,000	\$54,196,616
2021-23 Ongoing Funding Changes				
Base payroll changes		\$241,271		\$241,271
Salary increase		555,975		555,975
Retirement contribution increase		114,645		114,645
Health insurance increase		5,988		5,988
Removes undesignated unfunded vacant FTE positions	(5.00)	(10)		(10)
Underfunds salaries and wages		(1,322,242)		(1,322,242)
Increases funding for GenTax support		294,339		294,339
Adds funding for the treasury offset program		45,000		45,000
Increases funding for Microsoft Office 365 licensing expenses		14,321		14,321
Adds funding for the Capitol complex rent proposal		638,554		638,554
Increases funding for homestead tax credits		2,200,000		2,200,000
Increases funding for disabled veterans' tax credits		5,589,800		5,589,800
Total ongoing funding changes	(5.00)	\$8,377,641	\$0	\$8,377,641
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(5.00)	\$8,377,641	\$0	\$8,377,641
2021-23 Total Funding	118.00	\$62,449,257	\$125,000	\$62,574,257
<i>Total ongoing changes as a percentage of base level</i>	(4.1%)	15.5%	0.0%	15.5%
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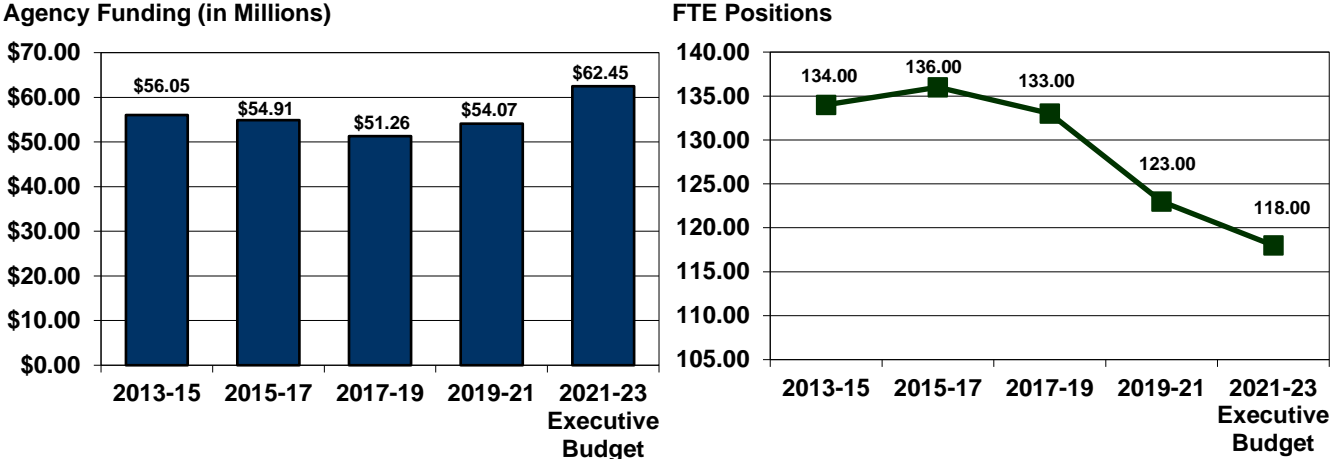
Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation
Line item transfers	Section 2 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' tax credit line item for the 2021-23 biennium.
Motor vehicle fuel tax revenue transfer	Section 3 would provide for a transfer of \$1,873,744 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.
Salary of Tax Commissioner	Section 4 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$120,014 to \$122,414 (2 percent) in fiscal year 2022 and to \$124,863 (2 percent) in fiscal year 2023.

Department 127 - Tax Commissioner

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2013-15



Ongoing General Fund Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing general fund appropriations	\$56,054,140	\$54,912,488	\$51,264,499	\$54,071,616	\$62,449,257
Increase (decrease) from previous biennium	N/A	(\$1,141,652)	(\$3,647,989)	\$2,807,117	\$8,377,641
Percentage increase (decrease) from previous biennium	N/A	(2.0%)	(6.6%)	5.5%	15.5%
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	(2.0%)	(8.5%)	(3.5%)	11.4%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 (\$1.31 million) and the disabled veterans' tax credit program (\$502,909) related to the August 2016 budget reductions (\$1,812,909)

2017-19 Biennium

- 1. Reduced funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture (\$878,967)
- 2. Reduced funding for the homestead tax credit program (\$3.89 million) and increased funding for the disabled veterans' tax credit program (\$935,109) (\$2,954,891)

2019-21 Biennium

- 1. Removed 10 FTE unfunded vacant positions, including 2 office assistants, 1 account technician, 2 auditors, and 5 unspecified positions and underfunded FTE positions (\$772,252)
- 2. Reduced funding for salaries and wages for anticipated savings from vacant positions and turnover (\$900,000)
- 3. Added funding for GenTax information technology software support \$300,589
- 4. Increases funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium (Executive Budget Recommendation)

- 1. Underfunds salaries and wages (\$1,322,242)
- 2. Increases funding for GenTax information technology software support \$294,339
- 3. Adds funding for the Capitol complex rent proposal \$638,554
- 4. Increases funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$5,589,800) \$7,789,800

**GOVERNOR'S RECOMMENDATION FOR THE
STATE TAX COMMISSIONER AS SUBMITTED BY THE
OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the tax commissioner for the purpose of defraying the expenses of the tax commissioner and paying the state reimbursement under the homestead tax credit and disabled veterans credit, for the biennium beginning July 1, 2021 and ending June 30, 2023, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,867,956	(\$404,373)	\$22,463,583
Operating Expenses	7,112,460	992,214	8,104,674
Capital Assets	6,000	0	6,000
Homestead Tax Credit	15,800,000	2,200,000	18,000,000
Disabled Veterans Credit	<u>8,410,200</u>	<u>5,589,800</u>	<u>14,000,000</u>
Total All Funds	\$54,196,616	\$8,377,641	\$62,574,257
Less Estimated Income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total General Fund	\$54,071,616	\$8,377,641	\$62,449,257
Full-time Equivalent Positions	123.00	(5.00)	118.00

SECTION 2. LINE ITEM TRANSFERS. The state tax commissioner may transfer funds between the homestead tax credit and disabled veterans tax credit line items in section 1 of this Act if one line item does not have sufficient funds available for state reimbursement of eligible tax credits. The state tax commissioner shall notify the office of management and budget of any transfers made pursuant to this section.

SECTION 3. TRANSFER. There is transferred to the general fund in the state treasury out of motor vehicle fuel tax revenue collected pursuant to section 57-43.1-02, the sum of \$1,873,744 for the purpose of reimbursing the general fund for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the administration of these taxes for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 57-01-04 of the North Dakota Century Code is amended and reenacted as follows:

57-01-04. Salary. The annual salary of the state tax commissioner is ~~one hundred seventeen thousand eighty-seven dollars through June 30, 2020, and one hundred twenty thousand fourteen dollars one hundred twenty-two thousand four hundred fourteen dollars through June 30, 2022, and one hundred twenty-four thousand eight hundred sixty-three dollars thereafter.~~