

**Tax Commissioner
Budget No. 127
Senate Bill No. 2006 and House Bill No. 1158**

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriation	117.00	\$228,189,404 ¹	\$125,000	\$228,314,404 ²
2021-23 legislative appropriation	<u>118.00</u>	<u>64,241,316</u>	<u>125,000</u>	<u>64,366,316</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	(1.00)	\$163,948,088	\$0	\$163,948,088

¹The amount shown includes \$2,000,000 of one-time funding and \$226,189,404 of ongoing funding from the general fund.

²The 2023-25 legislative appropriation does not include any transfers of appropriation authority from the Office of Management and Budget funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

Item Description

Full-time equivalent changes - The Legislative Assembly approved 117 FTE positions for the Tax Commissioner for the 2023-25 biennium, a decrease of 1 FTE position. The Legislative Assembly removed 1 undesignated FTE position.

Targeted market equity - The Legislative Assembly appropriated \$82.5 million, including \$45.1 million from the general fund and \$37.4 million from other funds, to the Office of Management and Budget for a targeted market equity pool to be distributed to state agencies.

New and vacant FTE funding pool - The Legislative Assembly reduced the 2023-25 biennium general fund appropriation authority for the Tax Department by \$1,285,846 for the new and vacant FTE funding pool relating to anticipated vacancy savings.

One-time funding - The Legislative Assembly provided \$2 million of one-time funding from the general fund for GenTax support enhancements (\$500,000) and information technology and advertising expenses for the implementation of the primary residence credit (\$1.5 million).

Multistate tax audit fund - The collections from the Multistate Tax Commission audit and National Nexus Program are deposited in the multistate tax audit fund, and the related program expenses are paid from the fund pursuant to a continuing appropriation. Excess collections are

Status/Result

The Tax Department removed 1 undesignated FTE position identified by the Legislative Assembly. The position was vacant prior to removal.

The Tax Department received \$621,500 of general fund authority for targeted market equity increases which were provided to 72 employees.

Through January 2024, the Tax Department had not received any funding from the new and vacant FTE funding pool and reported estimated vacant FTE position savings of \$482,809 related to an average of 8 vacancies, ranging from 6 to 12 vacancies, for the first 7 months of the 2023-25 biennium. Of the \$482,809, the Tax Department used \$17,927 for accrued leave payouts and \$9,696 for overtime and temporary staff.

Of the \$500,000 for GenTax enhancements, the department spent \$53,479 through March 2024 and anticipates spending the remaining \$446,521 by the end of the biennium. Of the \$1.5 million for information technology and advertising expenses related to the primary residence credit, the department spent \$303,600 through March 2024, including \$39,269 for information technology and \$264,331 for advertising. The department anticipates spending an additional \$946,400 by the end of the biennium and returning \$250,000 of unspent appropriation authority to the general fund.

For the 2021-23 biennium, \$11,291,212 was deposited in the multistate tax audit fund. The fees for the Multistate Tax Commission audit and National Nexus Program totaled \$454,262 and \$10,836,950 was transferred to the general fund during the biennium. The balance of \$233,484 is available to pay for future fees.

transferred to the general fund at the end of each fiscal year. The fund is codified in North Dakota Century Code Section 57-01-20.

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 veterans' property tax credit program provides tax credits to disabled veterans with an armed forces service-connected disability of 50 percent or greater. The 2021 Legislative Assembly expanded the property tax credit for disabled veterans to increase the credit from the first \$6,750 of taxable value to \$8,100 of taxable value. The 2023 Legislative Assembly expanded the homestead tax credit by replacing the current six thresholds of varying income levels up to a maximum of \$42,000 with two thresholds, one for incomes up to \$40,000 and another for incomes between \$40,000 and \$70,000, and by increasing the taxable value exemption from the current limit of \$5,625 to \$9,000.

Senate Bill No. 2006 includes \$18,900,000 from the general fund for the homestead tax credit program and \$18,745,000 from the general fund for the disabled veterans' property tax credit program and authorizes transfers between the two programs during the 2023-25 biennium as needed. In addition, House Bill No. 1158 includes \$53,500,000 from the general fund related to the expansion of the homestead tax credit.

Primary residence credit program - The Legislative Assembly created a primary residence credit program in House Bill No. 1158 to provide up to \$500 of property tax relief per year for each primary residence beginning with tax year 2024, paid in calendar year 2025.

For the 2023-25 biennium through March 2024, \$323,043 has been deposited in the fund. The fees are estimated to be \$497,000 for the 2023-25 biennium. Transfers to the general fund for the biennium are anticipated to total \$1,303,520.

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

Payment Year	Number Eligible for the Programs			
	Homeowners	Renters	Disabled Veterans	Total
2014	6,740	2,680	2,661	12,081
2015	8,964	2,814	2,902	14,680
2016	8,659	2,749	3,111	14,519
2017	8,621	2,497	3,329	14,447
2018	9,075	2,844	3,571	15,490
2019	9,399	2,169	4,017	15,585
2020	8,073	2,585	4,520	15,178
2021	7,912	2,480	4,794	15,186
2022	8,892	2,351	5,087	16,330
2023	8,687	2,154	5,617	16,458

Payment Year	Payments Made Under the Programs			
	Homeowners	Renters	Disabled Veterans	Total
2014	\$4,905,351	\$724,635	\$2,754,964	\$8,384,950
2015	\$6,446,260	\$779,043	\$3,060,402	\$10,285,705
2016	\$6,112,599	\$772,099	\$3,544,430	\$10,429,128
2017 ¹	\$6,920,844	\$724,443	\$3,771,607	\$11,416,894
2018	\$7,141,146	\$788,913	\$4,083,489	\$12,013,548
2019	\$7,500,709	\$787,855	\$4,722,742	\$13,011,306
2020	\$6,879,843	\$754,056	\$5,595,265	\$13,229,164
2021	\$6,982,202	\$755,235	\$6,951,068	\$14,688,505
2022	\$7,477,911	\$723,662	\$7,200,084	\$15,401,657
2023	\$7,399,350	\$662,569	\$8,324,663	\$16,386,582

¹In May 2017, the Tax Department transferred \$750,000 from the homestead tax credit line item to the disabled veterans' tax credit line item to adjust the 2015-17 biennium appropriations for the programs because the new actual disabled veterans' tax credits exceeded the appropriation, while the actual homestead tax credits were less than the appropriation.

The primary residence credit program is available to eligible homeowners based on applications submitted to the Tax Department. As of March 31, 2024, the application deadline, the Tax Department received 137,225 applications, which reflects estimated property tax relief of up to \$68,612,500.