

2023 SENATE APPROPRIATIONS

SB 2006

**Department 127 - Tax Commissioner
Senate Bill No. 2006**

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 Executive Budget	\$71,417,694	\$125,000	\$71,542,694
2023-25 Base Level	64,241,316	125,000	64,366,316
Increase (Decrease)	\$7,176,378	\$0	\$7,176,378

Selected Budget Changes Recommended in the Executive Budget

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$1,484,574 is for salary increases and \$540,120 is for health insurance increases	\$2,024,694	\$0	\$2,024,694
2. Increases funding for GenTax support services to provide total funding of \$4.4 million	\$400,000	\$0	\$400,000
3. Adds funding for a new Capitol space rent model	\$614,654	\$0	\$614,654
4. Increases funding for the homestead tax credit program to provide total funding of \$18 million	\$900,000	\$0	\$900,000
5. Increases funding for the disabled veterans' tax credit program to provide total funding of \$18,745,000	\$2,445,000	\$0	\$2,445,000
6. Adds one-time funding for GenTax support enhancements	\$500,000	\$0	\$500,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Line item transfers - Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.

Motor vehicle fuel tax revenue transfer - Section 4 would provide for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

Continuing Appropriations

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

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2021-22 interim identified an opportunity to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

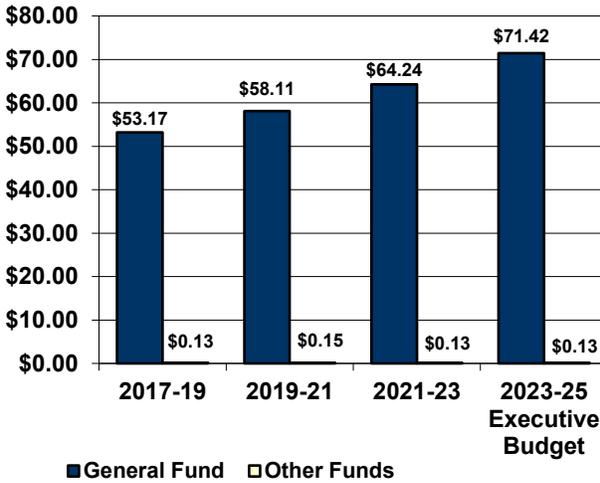
Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

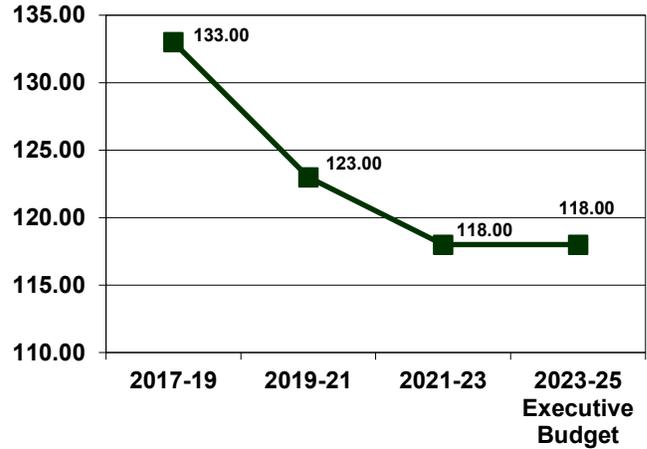
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$54,912,488	\$51,264,499	\$54,071,616	\$64,241,316	\$70,917,694
Increase (decrease) from previous biennium	N/A	(\$3,647,989)	\$2,807,117	\$10,169,700	\$6,676,378
Percentage increase (decrease) from previous biennium	N/A	(6.6%)	5.5%	18.8%	10.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(6.6%)	(1.5%)	17.0%	29.1%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 (IT) software support \$300,589
4. Increased funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium

1. Removed 5 undesignated unfunded FTE vacant positions and reduced funding for salaries and wages for anticipated savings from vacant positions and employee turnover (\$1,074,515)
2. Increased funding for GenTax IT software support \$294,339
3. Increased funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$7,889,800) \$10,089,800

2023-25 Biennium (Executive Budget Recommendation)

1. Increases funding for GenTax support to provide total funding of \$4.4 million \$400,000
2. Adds funding for a new Capitol space rent model \$614,654
3. Increases funding for the homestead tax credit program to provide total funding of \$18 million \$900,000

4. Increases funding for the disabled veterans' tax credit program to provide total funding of \$2,445,000
 \$18,745,000

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$8,000	\$1,910,000	\$4,040,000	\$0	\$500,000

Major One-Time General Fund Appropriations

2017-19 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1,212,000) and the disabled veterans' tax credit program (\$698,000) \$1,910,000

2019-21 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million) \$4,040,000

2021-23 Biennium

1. None \$0

2023-25 Biennium (Executive Budget Recommendation)

1. Adds one-time funding for GenTax support enhancements \$500,000

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE	General	Other	Total
	Positions	Fund	Funds	
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes				
Cost to continue salary increases		\$159,434		\$159,434
Salary increase		1,484,574		1,484,574
Health insurance increase		540,120		540,120
Increase in ITD rates		36,596		36,596
Increases funding for GenTax support		400,000		400,000
Increases funding for IT data processing		96,000		96,000
Adds funding for a new Capitol space rent model		614,654		614,654
Increases funding for the homestead tax credit		900,000		900,000
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378
One-time funding items				
Adds one-time funding for GenTax support		\$500,000		\$500,000
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694
<i>Federal funds included in other funds</i>			\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

SENATE BILL NO. 2006
(Governor’s Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans’ tax credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the salary of the state tax commissioner; to provide an exemption; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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’ tax credit, for the biennium beginning July 1, 2023 and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,594,196	\$2,184,128	\$24,778,324
Operating Expenses	7,466,120	1,647,250	9,113,370
Capital Assets	6,000	0	6,000
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total All Funds	\$64,366,316	\$7,176,378	\$71,542,694
Less Estimated Income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total General Fund	\$64,241,316	\$7,176,378	\$71,417,694
Full-time Equivalent Positions	118.00	0.00	118.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
GenTax Service Consultant	<u>\$0</u>	<u>\$500,000</u>
Total General Fund	\$0	\$500,000

SECTION 3. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, 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 4. MOTOR VEHICLE FUEL TAX REVENUE 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 \$1,844,424 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, 2023, and ending June 30, 2025.

SECTION 5. 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 twenty one thousand eight hundred fourteen dollars through June 30, 2022, and one hundred twenty four thousand two hundred fifty dollars~~ one hundred thirty-one thousand seven hundred five dollars through June 30, 2024, and one hundred thirty-six thousand nine hundred seventy-three dollars thereafter.

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2006
1/10/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

3:25pm - Chairman Bekkedahl opened the hearing on SB 2006.

Members present: Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, Mathern; Member absent: Senator Dever

Discussion Topics:

- Agency Overview & Purpose of State Tax Commissioner Office
- Office structure
- Accomplishments
- Citizen Experience Enhancement
- Digital Transformation – GenTax & ND TAP
- Reduction in Office Space
- Taxpayer Compliance through Audits
- IT Security – Partnerships
- Remote & Marketplace Seller Taxation
- Future Challenges
- Digital Transformation – Support for Integrated Systems
- Data & Fraud Protection Safeguards
- Workforce Recruitment, Retention & Development
- 2023-25 Governor's Recommended Budget
- Biennium Requested Budget
- Equity Enhancement Package
- Homestead Tax Credit & Disabled Vet Credit

3:25pm - Tax Commissioner Brian Kroshus introduced & gave an overview of the mission and operations of the Office of State Tax Commissioner. Testimony # 12730

Additional Testimony: #21231

Chairman Bekkedahl assigned this Bill to the Government Operations Division.

4:04 pm - Chairman Bekkedahl closed the hearing.

Susan Huntington, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
1/19/2023

An appropriation for defraying the expenses of the Office of the Tax Commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.
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8:30 AM Chair Wanzek opened the meeting.

Senators Wanzek, Erbele, Vedaa, Roers, and Dwyer were present.

Discussion Topics:

- Agency collections
- Property tax expectations
- Personnel needs/equity package distribution
- Essential IT programming upgrades
- Out-of-state online sales collections
- IT budget request
- Grants Program accommodations
- Salary adjustments

8:39 AM Brian Kroshus, State Tax Commissioner, testified. Testimony #14513

9:37 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
1/24/2023

A bill for an act to provide an appropriation for defraying the expenses of the Office of the Tax Commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

2:30 PM Chairman Wanzek called the meeting to order.

Senators Wanzek, Roers, Dwyer, and Vedaa are present.

Discussion Topics: Committee work

- Equity package
- Homestead tax credit
- Budget increases/Governor's budget
- HRMS salary recommendations
- General tax
- Homestead tax
- Disabled veterans' tax
- OMB rent policy

2:33 PM Brian Kroshus, State Tax Commissioner responded to committee questions.
Testimony #14513

2:50 PM Sherri Anderson, Chief Fiscal Officer ND State Tax Commission, testified about pay and benefit equity.

3:22 PM Aam Mathiak, LC Senior Fiscal Analyst. Testified. Neutral Testimony #16468, #16467, #21232

3:25 PM Commissioner Kroshus summarized his testimony. Testimony #14513

3:48 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
1/31/2023

A bill for an act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

3:01 PM Chairman Wanzek called the meeting to order.

Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Equity
- Gen Tax service
- Gen Tax enhancements
- Centralized Management Log
- Rent Capitol Space
- Unfilled staff positions
- Parity with other government agencies
- Litigators
- Aviation fuel
- FTEs

3:02 PM State Tax Commissioner Brian Kroshus testified in support of SB 2006 utilizing from full Appropriations on January 10, 2023, verbally. #18253

3:22 PM Adam Mathiak testified neutral verbally.

3:37 PM OMB Analyst Stephanie Gullickson testified neutral verbally.

3:46 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
2/1/2023

A bill for an act to provide an appropriation for defraying the expenses of the Office of the Tax Commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

2:54 PM Senator Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Salaries
- Gen Tax support
- Salaries
- Homestead Tax credit
- Disabled Veterans tax credit
- Gen Tax
- Tax Commissioner's salary
- Administrative cost
- Federal funds
- Tax credits - rent

2:57 PM Adam Mathiak, Senior LC Fiscal Analyst, reviewed the amendment and long worksheet. Testimony #20533, #19091

3:19 PM Senator Dwyer moved to remove one undesignated, vacant FTE position and its funding from the budget.
The motion was seconded by Senator Roers.

	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed. 5-0-0

Chairman Wanzek will carry the bill.

3:20 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
02/03/23

A bill for an act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer

9:33 AM Chairman Wanzek called the meeting to order.

Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Sustainable fuel criteria
- Inflation Reduction Act
- ESG
- Refining process
- Sales and excise tax exemption
- Power ratio comparison
- Energy density
- Project timeline
- Product transportation cost
- Carbon capture
- Next Era fertilizer plant
- CO2 use
- Fuel cost impact
- Fuel test process
- Fiscal/policy interest
- Economic impact
- HBs 1455,1511, 2334, 1370

8:36 AM Jeff Zueger, CEO of Midwest Ag Energy Group, Dakota Spirit and Blue Flint Plants, and Director for the Ethanol Producers Association, testified. (No written testimony)

Senator Wanzek distributed drafts of two potential SB 2006 amendments. Testimony #19033 and #19057

9:21 AM Senator Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2006
2/7/2023

A bill for an act to provide an appropriation for defraying the expenses of the Office of the Tax Commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

8:41 AM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- FTE
- Rent model
- Homestead tax credit
- Veteran's tax credit
- Renewable fuel tax credit
- Elected officials' salaries

8:45 AM Senator Wanzek reviewed the amendment, LC 23.0260.01004. Testimony #20661

8:48 AM Senator Dwyer made a motion to accept the amendment to SB 2006.
Senator J. Roers seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed 5-0-0

8:55 AM Senator Vedaa made a motion to further amend SB 2006, the Tax Commissioner's salary will be adjusted to \$125,000.
Senator Dwyer seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed 5-0-0

8:56 AM Senator J. Roers made a DO PASS motion to accept SB 2006 as amended.
Senator Vedaa seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed 5-0-0

Senator Wanzek will carry the bill.

Additional Testimony: #23897

8:58 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2006
2/9/2023

Relating to a sales tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel;; relating to the salary of the state tax commissioner and use tax exemptions.

10:52 AM Senator Bekkedahl opens the meeting.

Members present: **Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.**

Discussion Topics:

- Committee Action

10:52 AM Senator Wanzek introduced the bill.

11:00 AM Senator Wanzek moved DO AMEND. LC 23.0260.01005

11:00 AM Senator Kreun seconded.

11:03 AM Roll call vote.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Passed 16-0-0

11:05 AM Senator Wanzek moved DO PASS as AMENDED.

11:05 AM Dwyer seconded.

11:06 AM Role call vote

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Passes 16-0-0

Senator Wanzek will carry the bill.

11:08 AM Chairman Bekkedahl closed the meeting.

Kathleen Hall, Committee Clerk

DR
174
2-9-23

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, after "credit" insert "; to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel; to amend and reenact section 57-01-04 and subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code, relating to the salary of the state tax commissioner and use tax exemptions"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfer" insert "; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 12 through 22 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,656,202	\$24,250,398
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,648,452	\$71,014,768
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,648,452	\$70,889,768
Full-time equivalent positions	118.00	(1.00)	117.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	\$0	\$500,000
Total general fund	\$0	\$500,000

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~^{thirty} thousand eight hundred ~~fourteen~~ dollars through June 30, ~~2022~~²⁰²⁴, and one hundred ~~twenty-four~~^{thirty-five} thousand two hundred fifty dollars thereafter.

MR
224
2-9-23

SECTION 6. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Sales and use tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel.

1. As used in this section, "renewable feedstock" means ethanol and other types of feedstock from renewable sources.
2. Gross receipts from sales of tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel are exempt from taxes under this chapter.
3. The exemption may be received only at the time of purchase. To receive the exemption, the owner of the facility must receive from the tax commissioner a certificate indicating the tangible personal property the owner intends to purchase to construct, expand, or upgrade the facility qualifies for the exemption under this section.
4. This chapter and chapter 57-40.2 apply to an exemption under this section.

SECTION 7. AMENDMENT. Subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code is amended and reenacted as follows:

3. The tax imposed by this section does not apply to:
 - a. Production equipment or tangible personal property as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.2;
 - b. Machinery, equipment, or other tangible personal property used to construct an agricultural commodity processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.3 or 57-39.2-04.4;
 - c. Tangible personal property used to construct or expand a system used to compress, process, gather, or refine gas recovered from an oil or gas well in this state or used to expand or build a gas-processing facility in this state as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.5;
 - d. Tangible personal property used to construct or expand a qualifying oil refinery as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.6;
 - e. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.10;

- OK
3/24/23
- f. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.11.
 - g. Materials used in compressing, gathering, collecting, storing, transporting, or injecting carbon dioxide for use in enhanced recovery of oil or natural gas as provided in section 57-39.2-04.14.
 - h. Tangible personal property used to construct a qualifying fertilizer or chemical processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.15.
 - i. Tangible personal property used to construct a qualified straddle plant, a qualified fractionator, or qualified associated infrastructure as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.16.
 - j. Tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel as authorized or approved by the tax commissioner under section 6 of this Act.

SECTION 8. EFFECTIVE DATE - EXPIRATION DATE. Sections 6 and 7 of this Act are effective for taxable events occurring after June 30, 2023, and remain effective until June 30, 2025, after which sections 6 and 7 become ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,656,202	\$24,250,398
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,648,452	\$71,014,768
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,648,452	\$70,889,768
FTE	118.00	(1.00)	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Removes an FTE Position ³	Adds Salary Equity Funding for Elected Officials ⁴	Adds Funding for Operating Expenses ⁵	Adds Funding for Tax Credit Programs ⁶
Salaries and wages	\$159,434	\$1,663,353	(\$167,444)	\$859		
Operating expenses					\$1,147,250	
Capital assets						\$900,000
Homestead tax credit						2,445,000
Disabled veterans' credit						
Total all funds	\$159,434	\$1,663,353	(\$167,444)	\$859	\$1,147,250	\$3,345,000
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	(\$167,444)	\$859	\$1,147,250	\$3,345,000
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Adds One-Time Funding for IT Costs ²	Total Senate Changes
Salaries and wages		\$1,656,202
Operating expenses	\$500,000	1,647,250
Capital assets		
Homestead tax credit		900,000
Disabled veterans' credit		2,445,000
Total all funds	\$500,000	\$6,648,452
Less estimated income	0	0
General fund	\$500,000	\$6,648,452
FTE	0.00	(1.00)

OR
424
2-9-23

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	<u>552,545</u>	<u>0</u>	<u>552,545</u>
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$167,444 from the general fund and 1 undesignated vacant FTE position are removed.

⁴ Funding is added for providing a salary equity increase for the Tax Commissioner. The Tax Commissioner's annual salary is increased from the current level of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁶ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁷ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

This amendment also adds sections to:

- Provide the statutory changes necessary to increase the Tax Commissioner's annual salary to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.
- Create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide effective and expiration dates related to the exemption. The sales and use tax exemption may decrease the collections deposited in the general fund and state aid distribution fund but the amount cannot be determined.

REPORT OF STANDING COMMITTEE

SB 2006: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2006 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 3, after "credit" insert "; to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel; to amend and reenact section 57-01-04 and subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code, relating to the salary of the state tax commissioner and use tax exemptions"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfer" insert "; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 12 through 22 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,656,202	\$24,250,398
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,648,452	\$71,014,768
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,648,452	\$70,889,768
Full-time equivalent positions	118.00	(1.00)	117.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	\$0	\$500,000
Total general fund	\$0	\$500,000

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~thirty thousand ~~eight hundred fourteen~~thirty-five dollars through June 30, ~~2022~~2024, and one hundred ~~twenty-four~~thirty-five thousand two hundred ~~thirty~~thirty-five dollars thereafter.

SECTION 6. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Sales and use tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel.

1. As used in this section, "renewable feedstock" means ethanol and other types of feedstock from renewable sources.
2. Gross receipts from sales of tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel are exempt from taxes under this chapter.
3. The exemption may be received only at the time of purchase. To receive the exemption, the owner of the facility must receive from the tax commissioner a certificate indicating the tangible personal property the owner intends to purchase to construct, expand, or upgrade the facility qualifies for the exemption under this section.
4. This chapter and chapter 57-40.2 apply to an exemption under this section.

SECTION 7. AMENDMENT. Subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code is amended and reenacted as follows:

3. The tax imposed by this section does not apply to:
 - a. Production equipment or tangible personal property as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.2₂.
 - b. Machinery, equipment, or other tangible personal property used to construct an agricultural commodity processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.3 or 57-39.2-04.4₂.
 - c. Tangible personal property used to construct or expand a system used to compress, process, gather, or refine gas recovered from an oil or gas well in this state or used to expand or build a gas-processing facility in this state as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.5₂.
 - d. Tangible personal property used to construct or expand a qualifying oil refinery as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.6₂.
 - e. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.10₂.
 - f. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.11₂.
 - g. Materials used in compressing, gathering, collecting, storing, transporting, or injecting carbon dioxide for use in enhanced recovery of oil or natural gas as provided in section 57-39.2-04.14₂.

- h. Tangible personal property used to construct a qualifying fertilizer or chemical processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.15; ~~or~~
- i. Tangible personal property used to construct a qualified straddle plant, a qualified fractionator, or qualified associated infrastructure as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.16.
- j. Tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel as authorized or approved by the tax commissioner under section 6 of this Act.

SECTION 8. EFFECTIVE DATE - EXPIRATION DATE. Sections 6 and 7 of this Act are effective for taxable events occurring after June 30, 2023, and remain effective until June 30, 2025, after which sections 6 and 7 become ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,656,202	\$24,250,398
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,648,452	\$71,014,768
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,648,452	\$70,889,768
FTE	118.00	(1.00)	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Removes an FTE Position ³	Adds Salary Equity Funding for Elected Officials ⁴	Adds Funding for Operating Expenses ⁵	Adds Funding for Tax Credit Programs ⁶
Salaries and wages	\$159,434	\$1,663,353	(\$167,444)	\$859		
Operating expenses					\$1,147,250	
Capital assets						
Homestead tax credit						\$900,000
Disabled veterans' credit						2,445,000
Total all funds	\$159,434	\$1,663,353	(\$167,444)	\$859	\$1,147,250	\$3,345,000
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	(\$167,444)	\$859	\$1,147,250	\$3,345,000
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Adds One-Time Funding for IT Costs ⁷	Total Senate Changes
Salaries and wages		\$1,656,202
Operating expenses	\$500,000	1,647,250
Capital assets		
Homestead tax credit		900,000
Disabled veterans' credit		2,445,000
Total all funds	\$500,000	\$6,648,452
Less estimated income	0	0
General fund	\$500,000	\$6,648,452
FTE	0.00	(1.00)

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	<u>552,545</u>	<u>0</u>	<u>552,545</u>
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$167,444 from the general fund and 1 undesignated vacant FTE position are removed.

⁴ Funding is added for providing a salary equity increase for the Tax Commissioner. The Tax Commissioner's annual salary is increased from the current level of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁶ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁷ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

This amendment also adds sections to:

- Provide the statutory changes necessary to increase the Tax Commissioner's annual salary to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.
- Create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide effective and expiration dates related to the exemption. The sales and use tax exemption may decrease the collections deposited in the general fund and state aid distribution fund but the amount cannot be determined.

2023 HOUSE APPROPRIATIONS

SB 2006

Department 127 - Tax Commissioner
Senate Bill No. 2006

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$70,889,768	\$125,000	\$71,014,768
2023-25 Base Level	64,241,316	125,000	64,366,316
Increase (Decrease)	\$6,648,452	\$0	\$6,648,452

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

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 for the 2023-25 biennium.

Motor vehicle fuel tax revenue transfer - Section 4 provides for a transfer of \$1,844,424 from 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 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Continuing Appropriations

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

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2021-22 interim identified an opportunity to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

Major Related Legislation

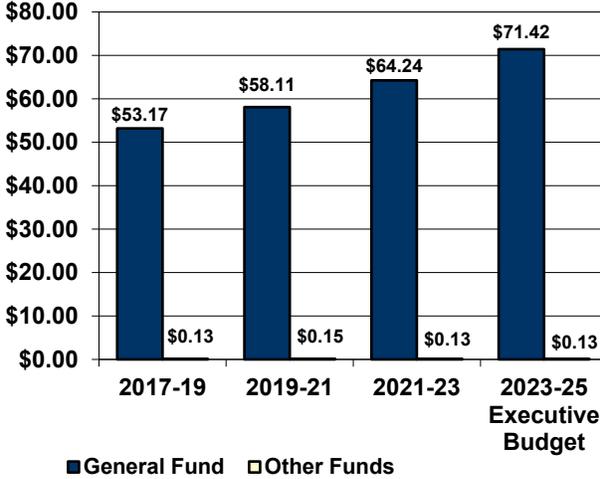
House Bill No. 1225 - Appropriates \$424,000 from the general fund to the State Tax Commissioner for the development of an online portal for electronically accessible statewide property and property tax information based on geographic information system data.

Senate Bill No. 2136 - Expands the homestead tax credit program and appropriates \$135 million of ongoing funding from the strategic investment and improvements fund to pay for the additional credits resulting from the expansion of the program.

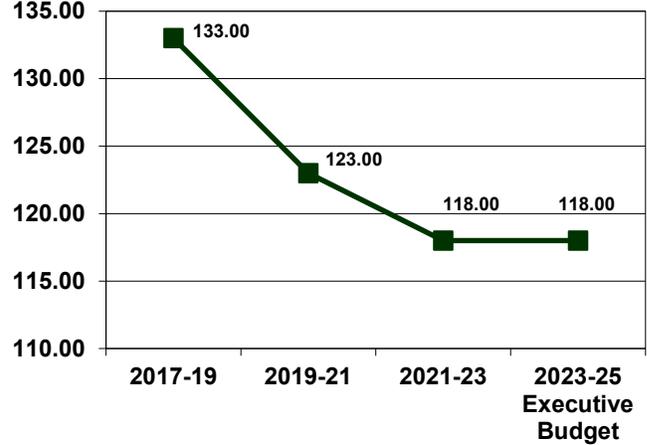
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$54,912,488	\$51,264,499	\$54,071,616	\$64,241,316	\$70,917,694
Increase (decrease) from previous biennium	N/A	(\$3,647,989)	\$2,807,117	\$10,169,700	\$6,676,378
Percentage increase (decrease) from previous biennium	N/A	(6.6%)	5.5%	18.8%	10.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(6.6%)	(1.5%)	17.0%	29.1%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 (IT) software support \$300,589
4. Increased funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium

1. Removed 5 undesignated unfunded FTE vacant positions and reduced funding for salaries and wages for anticipated savings from vacant positions and employee turnover (\$1,074,515)
2. Increased funding for GenTax IT software support \$294,339
3. Increased funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$7,889,800) \$10,089,800

2023-25 Biennium (Executive Budget Recommendation)

1. Increases funding for GenTax support to provide total funding of \$4.4 million \$400,000
2. Adds funding for a new Capitol space rent model \$614,654
3. Increases funding for the homestead tax credit program to provide total funding of \$18 million \$900,000

4. Increases funding for the disabled veterans' tax credit program to provide total funding of \$2,445,000
 \$18,745,000

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$8,000	\$1,910,000	\$4,040,000	\$0	\$500,000

Major One-Time General Fund Appropriations

2017-19 Biennium

Provided a deficiency appropriation for the homestead tax credit program (\$1,212,000) and the disabled veterans' tax credit program (\$698,000) \$1,910,000

2019-21 Biennium

Provided a deficiency appropriation for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million) \$4,040,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

Adds one-time funding for GenTax support enhancements \$500,000

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes								
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434
Salary increase		1,484,574		1,484,574		1,110,808		1,110,808
Health insurance increase		540,120		540,120		552,545		552,545
Removes an undesignated vacant FTE position				0	(1.00)	(167,444)		(167,444)
Adds funding for Tax Commissioner salary equity increase				0		859		859
Increase in ITD rates		36,596		36,596		36,596		36,596
Increases funding for GenTax support		400,000		400,000		400,000		400,000
Increases funding for IT data processing		96,000		96,000		96,000		96,000
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378	(1.00)	\$6,148,452	\$0	\$6,148,452
One-Time Funding Items								
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		\$500,000		\$500,000
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378	(1.00)	\$6,648,452	\$0	\$6,648,452
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694	117.00	\$70,889,768	\$125,000	\$71,014,768
<i>Federal funds included in other funds</i>			\$125,000				\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%	(0.8%)	9.6%	0.0%	9.6%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%	(0.8%)	10.3%	0.0%	10.3%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation	Senate Version
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2006
3/15/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

Chairman Monson opened the meeting at 2:47 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- IT Security
- Citizen Experience Enhancement
- Compliance Verification
- Cyber Security Threats
- Compliance-related duties
- Property Tax
- Additional FTE's

Brian Kroshus, Commissioner, ND Tax Dept., (#25308) (#25305)

Additional Testimony: Samantha Vangsness (#25267) (#25379); Legislative Council, (#25331)

Chairman Monson closed the hearing at 4:06 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2006
3/27/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

Chairman Monson opened the meeting at 3:02 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Meier, Rep. Pyle, Rep. Mock

Members absent: Rep. Kempenich,

Discussion Topics:

- Additional FTE's
- Budget 127
- Amendments 23.0260.02001

Brian Kroshus, Commissioner, ND Tax Dept. Answers questions for the committee (#26757, #26758, #26761)

Legislative Council, (23.0260.02001) (#26765), Budget 127, (#26768), (#27085)

Chairman Monson called for recess at 3:35 PM

Chairman Monson re-convened the hearing at 3:43 PM

Brian Kroshus answered questions for the committee.

Chairman Monson closed the hearing at 4:18 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2006
3/30/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

Chairman Monson opened the meeting at 11:42 AM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Amendments (23.0260.02002) (23.0260.02002)
- Budget 127
- Committee

Representative Pyle goes over Budget 127

Representative Mock introduces proposed amendment (23.0260.02002) (#27084)

Representative Mock made a motion to adopt amendments to SB 2006 (23.0260.02002)

Representative Kempenich seconded the motion.

Roll call vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Corey Mock	Y
Representative Brandy Pyle	Y

Motion carries: 7-0-0

Representative Pyle moved to further amend by adding (23.0260.02003) to the bill as well. (#27087)

Representative Meier seconded the motion.

Roll call vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Corey Mock	Y
Representative Brandy Pyle	Y

Motion carries: 7-0-0

Representative Pyle Moved a DO PASS as amended.

Representative Mock seconded the motion.

Roll call vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Corey Mock	Y
Representative Brandy Pyle	Y

Motion carries: 7-0-0

Bill carrier: Representative Pyle

Chairman Monson closed the hearing at 12:04 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

SB 2006
4/6/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans' tax credit; to provide an exemption; and to provide for a transfer.

10:53 AM Chairman Vigesaa Called the meeting to order and roll call was taken-

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present- Representative Brandenburg Representative Mock

Discussion Topics:

- Amendment
- Committee Action

Representative Pyle Gives statement of purpose and explains amendments 23.0260.02004 (Testimony #27342).

Representative Pyle moves to adopt amendment 23.0260.02004

Representative Monson seconds the motion

Roll call vote:

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	AB
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	AB

Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	AB
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 20-0-3

Representative Pyle moves for a Do Pass as Amended

Representative Monson seconds the motion

Roll call vote:

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	AB
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	AB
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	AB
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 19-1-3 Representative Pyle will carry the bill.

11:03 AM Chairman Vigesaa Closed the meeting for SB 2006

House Appropriations Committee
SB 2006
April 6, 2023
Page 3

Risa Berube, Committee Clerk

AG
4-6-23
(1-3)

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, line 6, after "57-01-04" insert ", subsection 2 of section 57-02-53,"

Page 1, line 7, after "commissioner" insert ", property assessment increase notices,"

Page 1, remove lines 20 through 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$22,594,196	\$730,838	\$23,325,034
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$5,723,088	\$70,089,404
Less estimated income	125,000	0	125,000
Total general fund	\$64,241,316	\$5,723,088	\$69,964,404
Full-time equivalent positions	118.00	(1.00)	117.00"

Page 3, line 2, replace "thirty" with "thirty-one"

Page 3, line 3, after "eight" insert "seven"

Page 3, line 3, remove the overstrike over "hundred"

Page 3, line 3, after "fourteen" insert "five"

Page 3, line 3, remove "thirty-"

Page 3, line 4, replace "five" with "thirty-six"

Page 3, line 4, overstrike "two" and insert immediately thereafter "nine"

Page 3, line 4, after "fifty" insert "seventy-three"

Page 3, after line 4, insert:

"SECTION 6. AMENDMENT. Subsection 2 of section 57-02-53 of the North Dakota Century Code is amended and reenacted as follows:

2. The form of notice prescribed by the tax commissioner must require a statement to inform the taxpayer that an assessment increase ~~does not~~may mean property taxes on the parcel will increase. The notice may ~~not~~ contain an estimate of a tax increase resulting from the assessment increase."

Page 4, line 24, replace "6" with "7"

Page 4, line 24, replace "7" with "8"

Page 4, line 26, replace "6" with "7"

Page 4, line 26, replace "7" with "8"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

*ALC
4-6-23
(2-3)*

Senate Bill No. 2006 - State Tax Commissioner - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$22,594,196	\$24,250,398	(\$925,364)	\$23,325,034
Operating expenses	7,466,120	9,113,370		9,113,370
Capital assets	6,000	6,000		6,000
Homestead tax credit	18,000,000	18,900,000		18,900,000
Disabled veterans' credit	16,300,000	18,745,000		18,745,000
Total all funds	\$64,366,316	\$71,014,768	(\$925,364)	\$70,089,404
Less estimated income	125,000	125,000	0	125,000
General fund	\$64,241,316	\$70,889,768	(\$925,364)	\$69,964,404
FTE	118.00	117.00	0.00	117.00

Department 127 - State Tax Commissioner - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Equity Funding ²	Removes Salary Funding for a Funding Pool ³	Total House Changes
Salaries and wages	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Operating expenses				
Capital assets				
Homestead tax credit				
Disabled veterans' credit				
Total all funds	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Less estimated income	0	0	0	0
General fund	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
FTE	0.00	0.00	0.00	0.00

¹ Salaries and wages funding is adjusted for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	General Fund	Other Funds	Total
Salary increase	\$373,766	\$0	\$373,766
Health insurance adjustment	(12,425)	0	(12,425)
Total	\$361,341	0	\$361,341

The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

² Funding of \$859, which was added by the Senate for a salary equity increase for the Tax Commissioner, is removed because the salary increase of 6 percent on July 1, 2023, exceeds the equity increase needed to provide a salary of \$130,000 for the Tax Commissioner.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	General Fund	Other Funds	Total
New FTE positions	\$0	\$0	\$0
Vacant FTE positions	(1,285,846)	0	(1,285,846)
Total	(\$1,285,846)	\$0	(\$1,285,846)

The Senate did not remove funding for a new vacant FTE funding pool.

This amendment also:

- Provides the statutory changes necessary to increase the State Treasurer's annual salary to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024. The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.
- Adds a section to allow property assessment increase notices to include an estimate of a tax increase.

ALC
4-6-23
(3-3)

REPORT OF STANDING COMMITTEE

SB 2006, as engrossed: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 1 NAY, 3 ABSENT AND NOT VOTING). Engrossed SB 2006 was placed on the Sixth order on the calendar.

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- Adds a section to allow property assessment increase notices to include an estimate of a tax increase.

TESTIMONY

SB 2006



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
BRIAN KROSHUS, COMMISSIONER

Senate Bill No. 2006
January 10, 2023

BUDGET PRESENTATION

SENATE APPROPRIATIONS COMMITTEE
SENATOR BEKKEDAHL, CHAIRMAN

Agency Overview and Purpose

The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively.

Our office is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2021-2023 biennium, the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues.

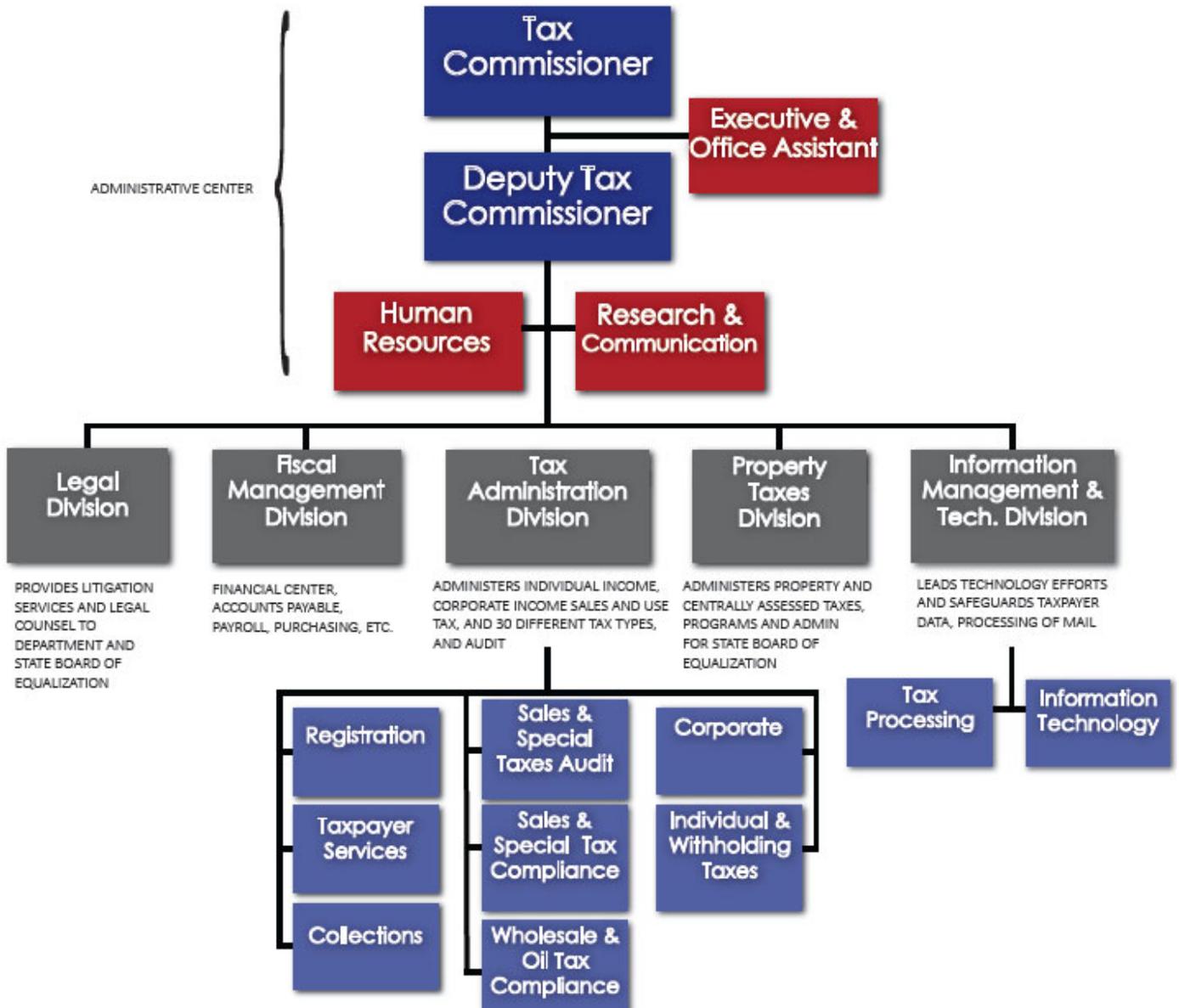
The Office of State Tax Commissioner collects and administers over 30 tax types, including local taxes administered on behalf of and allocated to political subdivisions.

Certain taxes, such as electric transmission line, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties providing an important source of revenue for local government.

Our agency serves as an informative resource to taxpayers, effectively and efficiently processes returns, analyzes statistical data, conducts discovery work, and conducts audits to ensure statutory compliance.

Information about the purpose and function of each of our divisions can be found in the following organizational chart.

Organizational Chart
118 Funded FTEs



Audit Findings

The operational audit for the Office of State Tax Commissioner conducted by the State Auditor's Office during the 2021-2023 interim identified no significant findings and one recommendation that "The Tax Commissioner has an opportunity to enhance monitoring procedures to confirm eligibility determined by counties for two types of property tax credits." The two tax credits noted were the Homestead Property Tax Credit and Disabled Veterans Tax Credit. The Office of State Tax Commissioner appreciates the recommendation.

Accomplishments

In addition to effectively and efficiently collecting revenue for the state, the Office of State Tax Commissioner has achieved numerous, important objectives this biennium.

- **Enhancing Citizen Experience – GenTax and ND Taxpayer Access Point (ND TAP)**
Platform improvements continue to enhance citizen experience and incentivizes use of our digital channels to support:
 - **Digital Transformation** – Transitioning taxpayers to electronic filing. Tax types currently converting to fully digital reporting by the end of 2023 include sales and use tax, local lodging and restaurant tax, motor fuels tax, prepaid wireless, and income tax withholding.
 - **Unclaimed Checks** – Implementation of new processes and digital enhancements has resulted in a more effective reissuance of checks to taxpayers. In 2022 alone, our efforts generated the return of \$577,230 to 692 taxpayers.
 - **Website Enhancement** – Shifting to a new web platform in 2022 has improved navigation, content placement and improved user access to tax information.
 - **Artificial Intelligence (AI) Chatbot** - The launch of "Teddy," our AI assistant/chatbot for ND TAP, has generated more than 19,500 interactions with questions from users, and provided almost 27,000 responses.
- **Single Point of Entry** – Creation of a single point of entry at the State Capitol has significantly enhanced customer service.
- **Reduction in Office Space** – Our agency reduced its physical footprint in July of 2021 by shifting 16 FTES from the State Library to within the Capitol tower, utilizing existing office space.
- **Encourage Compliance – Audits** – Continued work to ensure taxpayers remain in compliance with tax laws by performing audits and compliance reviews. During the 2021-2023 biennium, over 1,000 sales and corporate audits were conducted with assessments of over \$90.0 million.
- **IT Security - Partnerships** – Continued focus on partnerships with the IRS, tax industry and other stakeholders supports our mission of keeping taxpayer information confidential and secure.
- **Remote & Marketplace Seller Taxation** – Instituted new processes to identify and register out-of-state sellers doing business in North Dakota because of the Supreme Court decision in June 2018, South Dakota v. Wayfair, that overturned the physical presence requirements for sales tax collection and remittance. This has resulted in an additional \$219 million in total collections as of June 2022.

Challenges

Future challenges affecting the Office of State Tax Commissioner include:

Digital Transformation – Support for Integrated Systems - Approximately 50 percent of the department's operating budget is dedicated to IT contractual services for the integrated tax system (GenTax) and Taxpayer Access Point (ND TAP). These platforms are the core of our customer service activities and tax return processing system.

The complexity and depth of GenTax requires ongoing support from FAST Enterprises (FAST) to maintain GenTax and ND TAP and to ensure we remain current from a technology and security standpoint. Investment in the current "Service Level 3" has allowed implementation of services like the ND Taxpayer Access Point, the addition of an AI assistant (Teddy), upgrades, and other core services at no additional cost.

Enhancing existing processes in GenTax, and the introduction of new tax types into the system, or citizen experience enhancements, improves the overall customer digital experience. These types of improvements/enhancements are not covered by our current maintenance contract and are included in our change package request.

Also, the addition of new tax types or changes to existing tax types creates two critical issues:

- 1) the need for additional staff to administer
- 2) technology enhancements requirements and customization to Gen Tax not currently covered under our maintenance contract (ex., legislative changes related to tax policy, changes to oil taxation, etc.)

Safeguarding Data & Fraud Protection - Safeguarding taxpayer information and data are vital functions of our IT infrastructure. Our agency is tasked with safeguarding both physical documents and IT systems where taxpayer data is stored. Growing threats related to identity theft and cyber-crime requires that our agency proactively and constantly address and implement new cyber-security measures.

The Internal Revenue Service requires the Office of State Tax Commissioner to have log management protocol that is managed for the agency by NDIT. Safeguarding data protects the public and is an investment in taxpayer trust.

Workforce Recruitment, Retention & Development – Salary adjustments have not kept pace with the market. Consequently, we have struggled with staff retention and recruitment. This has been especially pronounced in the current, high inflation environment.

The Office of State Tax Commissioner continues to be adversely impacted by lack of competitive salary increases over the past several biennia. These impacts have put various positions, including auditor and compliance, at a competitive disadvantage from a pay standpoint impeding our ability to attract and retain staff.

Tax knowledge is a specialized skillset for virtually all position types at our agency. It is imperative that salaries and the benefit package remain competitive, enabling us to recruit and retain the expertise required to best serve the citizens of the state.

Equally important is the need for resources to support continued training of our team members, an investment in them and our agency.

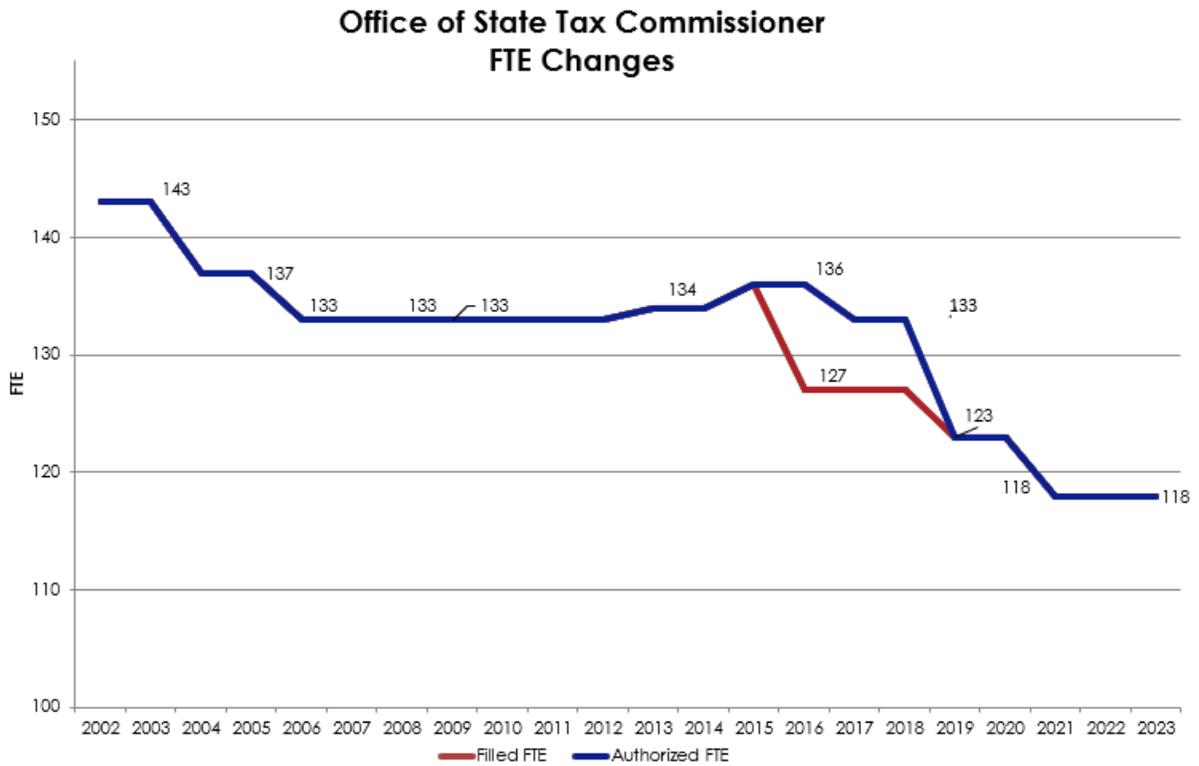
As more filings are submitted electronically, staffing needs also change. As we continue to transition to digital filing, the need for new skillsets and corresponding wages to support those positions exists.

As the primary revenue collection agency for North Dakota, it is important that we remain adequately and effectively staffed to:

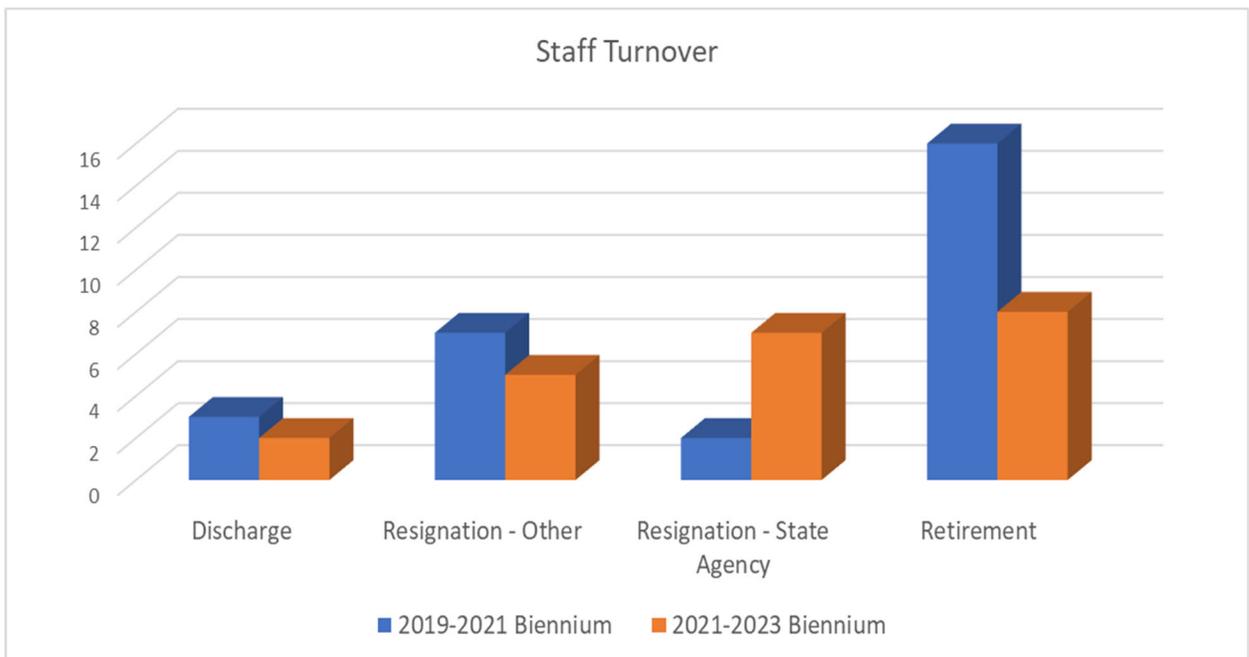
- Provide exceptional customer service.
- Meet citizen (taxpayer) expectations - Processing returns in an accurate and timely manner.
- Conduct appropriate audits and compliance activities to ensure compliance with North Dakota tax laws.
- Effectively and efficiently implement new tax laws.

The number of positions authorized for the agency has declined significantly over the past two decades, from 143 in 2002 to 118 in the current biennium. Reduction in staff has been possible through restructuring, advancements in technology and implementation of our integrated tax system known as GenTax.

Long-term history of the staffing level for the Office of State Tax Commissioner:



Staff turnover analysis:



Agency Funding Request and Comparisons to 2021-2023 Biennium

Line Item	2021-23 Legislative Base Budget	2021-23 Appropriation Total	Percent of Total
Salaries & Wages	22,867,956	22,594,196	75%
Operating Expenses	7,112,460	7,466,120	24.8%
Capital Assets	6,000	6,000	0.2%
Total	29,986,416	30,066,316	100%

As an administrative agency we rely heavily on staff to meet our statutory obligation and perform work the legislature has directed us to do. In direct correlation to that responsibility, approximately 75 percent of the current biennium operating budget is for salaries and wages. The appropriation for salaries and wages for the 2021-23 biennium is \$22.5 million.

The Office of State Tax Commissioner is authorized for 118 full-time equivalent positions for the 2021-23 biennium. Due to retirements of long-tenured employees and hiring delays related to the competitive recruitment environment, budget savings in salaries will be generated in the current biennium.

2021-23 Estimated Spending

The Office of State Tax Commissioner has analyzed estimated expenditures and the following unspent amounts are anticipated.

Line Item	2021-23 Base Level	Estimated 2021-23 Expenditures	Variance
Salaries and Wages	22,594,196	21,050,000	1,544,196
Operating Expenses	7,466,120	7,250,120	216,000
Capital Assets	6,000	5,500	500
Total	30,066,316	28,305,620	1,760,696
Less Federal Funds	(125,000)	(32,000)	(93,000)
Total General Fund	29,941,316	28,273,620	1,667,696

Analysis of Recommended Budget

Description/ Object Series	2021 - 2023 Appropriation	Estimated Expenses 2021 - 2023	2021 - 2023 Variance	Governor's Recommended Budget 2023 - 2025	Net Change Governor's Recommended Compared To 2021 - 2023 Appropriation
Salaries & Wages	22,594,196	21,050,000	1,544,196 ⁽¹⁾	24,778,324	2,184,128
Operating Expenses	7,466,120	7,250,120	216,000 ⁽²⁾	9,113,370	1,647,250 ⁽⁴⁾
Capital Assets	6,000	5,500	500	6,000	-
Homestead Tax Credit	18,000,000	17,775,000	225,000	18,900,000	900,000
Disabled Veterans Credit	16,300,000	16,150,000	150,000	18,745,000	2,445,000
Total By Object	64,366,316	62,230,620	2,135,696	71,542,694	7,176,378
Less estimated Income	125,000	32,000	93,000 ⁽³⁾	125,000	-
Total General Fund	64,241,316	62,198,620	2,042,696	71,417,694	7,176,378
Total Special Funds	-	-	-	-	-
Total Federal Funds	125,000	32,000	93,000	125,000	-
Total All Funds	64,366,316	62,230,620	2,135,696	71,542,694	7,176,378
# of FTE's	118	118	-	118	-

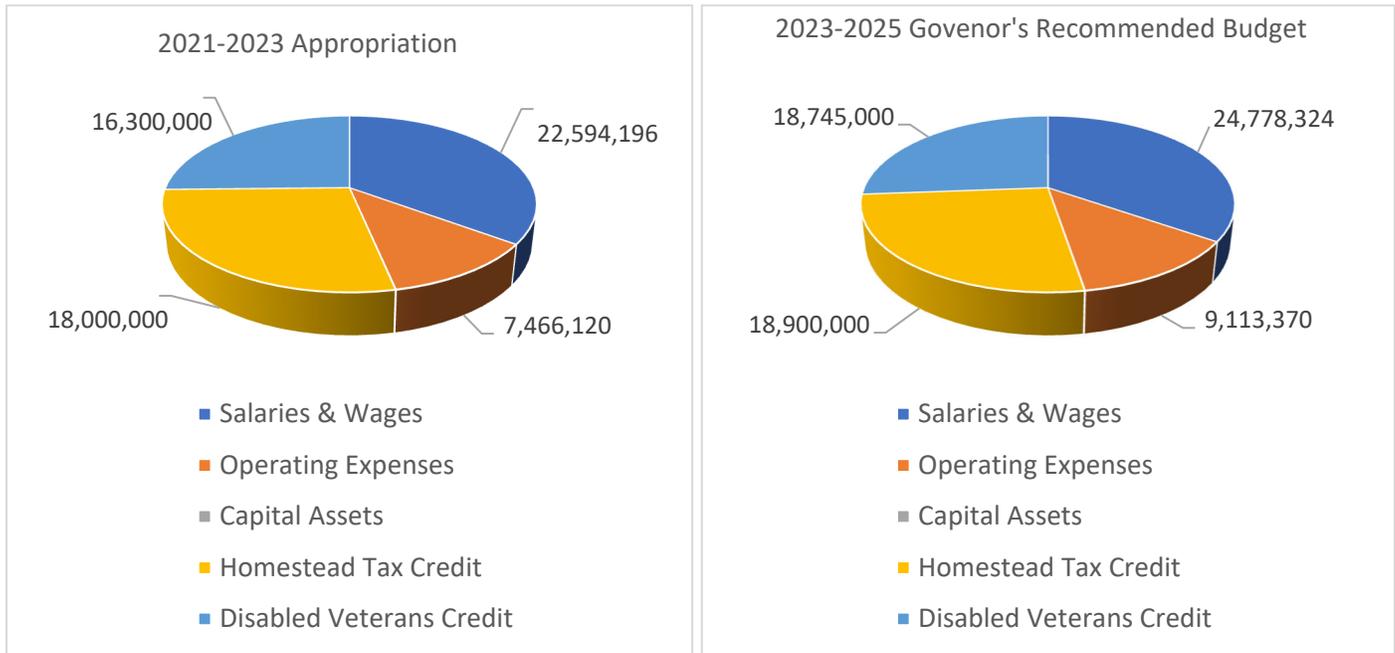
(1) The projected underspend in Salaries is due to savings from vacant positions due to staff turnover and recruitment challenges. As of 01/01/2023 the agency had 13 vacancies.

(2) The projected underspending in Operating Expenses is from unused federal grant funds (93,000) and reduced Operating Expenses (123,000).

(3) Estimated income is provided by Federal Grant for Dyed Motor Fuels testing, amount of grant varies based on Federal Funding awarded.

(4) The increase includes fully funding GenTax Maintenance Contract (400,000), GenTax Enhancements (500,000), Centralized Log Management (96,000), Rent (614,654), NDIT Service Increase (36,596).

2023-25 Governor's Recommended Budget



The 2023-25 base budget operating expenses are \$9 million. The operating expenses line item includes a scheduled maintenance contract increase of \$400,000 for GenTax to continue support at Level 3 service – total cost of \$4,400,000 for the biennium.

In addition, we are requesting the following for the 2023-25 biennium budget:

- \$500,000 to support an additional 2,500 hours of GenTax software programming costs which will allow us to enhance citizen experience, promote electronic filing, improve fraud detection, and further heighten security as well as addressing other needs not currently covered in our current general maintenance contract.
- \$96,000 to cover a Centralized Log Management System required by NDIT for safeguards to meet IRS IT security requirements.
- \$535,000 in an equity package adjustment plan to address salary inequities.
- \$614,654 to cover rent charged by OMB for Capitol space.

Analysis of Executive Recommended Budget

Description/Object Series	2021-2023 Appropriations	2023-2025 Base Budget Request	2023 -2025 Optional Budget Requests	2023 - 2025 Executive Recommended Changes	2023 - 2025 Executive Recommended Budget
Total Salaries & Fringe	22,594,196	22,753,630	1	2,024,694	24,778,324
FTE Employees	118	118	-	-	118
Operating Expenses					
Travel	226,400	214,266	-	-	214,266
Supplies - IT Software	174,931	173,431	-	-	173,431
Supply/Material - Professional	65,200	137,200	-	-	137,200
Miscellaneous Supplies	20,000	20,500	-	-	20,500
Office Supplies	50,000	45,500	-	-	45,500
Postage	635,900	627,400	-	-	627,400
Printing	68,000	66,000	-	-	66,000
IT Equipment under \$5,000	106,000	109,000	-	-	109,000
Other Equipment under \$5,000	1,900	500	-	-	500
Office Equip & Furniture-Under	99,904	93,500	-	-	93,500
Insurance	15,000	14,000	-	-	14,000
Rentals/Leases-Equipment&Other	60,000	50,000	-	-	50,000
Rentals/Leases - Bldg/Land	81,026	93,000	-	614,654	707,654
Repairs	135,000	132,000	-	-	132,000
IT - Data Processing	1,177,559	1,232,207	96,000	96,000	1,328,207
IT - Communications	155,000	155,712	-	-	155,712
IT Contractual Services and Re	4,063,500	4,063,000	900,000	900,000	4,963,000
Professional Development	197,400	174,600	-	-	174,600
Operating Fees and Services	115,000	92,000	-	-	92,000
Professional Fees and Services	18,400	8,900	-	-	8,900
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Total Capital Assets	6,000	6,000	-	-	6,000
Salaries, Operating Expenses, Capital Assets Funding Source					
General Funds	29,941,316	30,137,346	996,001	3,635,348	33,772,694
Federal Funds	125,000	125,000	-	-	125,000
Special Funds	-	-	-	-	-
Total by Funds Salaries, Operating Expenses, & Capital Assets	30,066,316	30,262,346	996,001	3,635,348	33,897,694
Homestead Tax Credit	18,000,000	18,900,000	-	-	18,900,000
Disabled Veterans Tax Credit	16,300,000	18,745,000	-	-	18,745,000
Agency Total by Funding Source					
General Funds	64,241,316	67,782,346	996,001	3,635,348	71,417,694
Federal Funds	125,000	125,000	-	-	125,000
Special Funds	-	-	-	-	-
Total For Agency	64,366,316	67,907,346	996,001	3,635,348	71,542,694

Agency Collections

The following chart shows the various tax types administered by the agency and a ten-year comparison for amounts collected in fiscal year 2012 versus 2022. In most cases, the growth is reflective of growing business activity in the state and increase in the number of filers and returns processed by the agency.

Fiscal Years 2012 and 2022

DESCRIPTION	FY 2012 NET COLLECTIONS	FY 2022 NET COLLECTIONS	CHANGE
Sales & Use Tax	\$1,121,264,409	\$1,074,641,837	-\$46,622,572
Motor Vehicle Excise Tax	\$210,939	\$357,143	\$146,204
Local Occupancy Tax	\$3,438,749	\$3,143,331	-\$295,418
Local Sales Tax	\$191,754,625	\$315,887,274	\$124,132,649
Local Restaurant and Lodging Tax	\$5,478,371	\$9,252,883	\$3,774,512
Local Motor Vehicle Rental Tax	\$192,917	\$131,433	-\$61,484
Individual Income Tax	\$432,132,062	\$458,606,976	\$26,474,914
Corporate Income Tax	\$198,746,771	\$223,786,315	\$25,039,544
Financial Institutions Tax	\$13,418,653	\$116,669	-\$13,301,984
Cigarette Tax (Cities)	\$1,530,254	\$1,198,976	-\$331,278
Cigarette Tax (Tribe)	\$75,371	\$76,401	\$1,030
Cigarette Tax (GF)	\$20,944,702	\$16,545,221	-\$4,399,481
Tobacco Tax	\$5,663,312	\$6,827,551	\$1,164,239
Oil & Gas Gross Production Tax	\$795,681,003	\$1,494,531,005	\$698,850,002
Oil Extraction Tax	\$865,121,628	\$1,303,104,198	\$437,982,570
Telecommunications Tax	\$12,215,209	\$6,273,262	-\$5,941,947
Wholesale Liquor/beer Tax	\$8,523,427	\$9,903,036	\$1,379,609
Estate Tax	\$1,112	\$0	-\$1,112
Miscellaneous Remittances	\$9,347	\$9,558	\$211
Coal Severance Tax	\$11,001,918	\$10,343,540	-\$658,378
Coal Conversion Tax	\$25,430,529	\$6,671,229	-\$18,759,300
Electric Generation Tax	\$7,391,798	\$25,789,719	\$18,397,921
Music and Composition Tax	\$147,883	\$221,882	\$73,999
Sales & Use Tax Cash Bonds	\$883,342	\$12,384	-\$870,958
Fuel Dealers & Inspection Fees	\$344,829	\$253,378	-\$91,451
Motor Vehicle Fuel Tax	\$97,635,813	\$95,554,536	-\$2,081,277
Special Fuel Tax	\$107,261,416	\$84,386,493	-\$22,874,923
Motor Fuel Tax - Cash Bond	\$22,500	-\$12,000	-\$34,500
Nongame Wildlife Fund	\$21,970	\$34,002	\$12,032
Centennial Tree Trust Fund	\$22,745	\$42,534	\$19,789
Veterans' Postwar Trust Fund	\$0	\$31,213	\$31,213
Organ Transplant Support Fund	\$15,478	\$18,679	\$3,201
Airline Tax	\$216,968	\$257,109	\$40,141
Aircraft Excise Tax	\$0	\$21,649	\$21,649
Prepaid Wireless Emergency 911 Fee	\$0	\$1,209,813	\$1,209,813
Provider Assessment	\$4,719,614	\$6,420,261	\$1,700,647
TOTAL COLLECTIONS	\$3,931,519,664	\$5,155,649,489	\$1,224,129,825

Dynamic economic growth in the state has resulted in a corresponding increase in workload at the Office of State Tax Commissioner. The number of returns received for nearly all tax types continues to grow.

The following chart illustrates the growth in the Office of State Tax Commissioner's workload since 2012:

	2012	2017	2022	2012-2022	
				Increase (Decrease)	Percent Change
Sales tax – original returns filed	177,782	204,687	269,201	91,419	51%
Individual income tax withholding - original returns filed	134,708	145,635	157,771	23,063	17%
Individual income tax - original returns filed	419,034	474,970	468,023	48,989	12%
Partnership and S Corp - original returns filed	31,300	42,414	46,266	14,966	48%
Corporate income tax - original returns filed by out of state corporations	6,529	7,566	8,698	2,169	33%
Canadian resident sales tax refund requests	28,001	10,823	2,968	-25,033	-89%
Fraudulent Claims/ID Theft – Identification of over 1,800 fraudulent claims, totaling over \$4.5 million since 2015.					

For estimated changes related to these collections, refer to the December 2022 Revenue Forecast.

Federal Funding Changes

No changes in federal funding are expected for the 2023-25 biennium.

2023-25 Biennium Requested Budget

Priority 1– Equity Package

As previously mentioned, salary adjustments have not kept pace with the market.

Our request is the legislative body recognize these challenges and approve an equity adjustment package for our agency, so we are not at risk of losing additional knowledgeable staff to competitors within state government, i.e. agencies paying more for the same job classification, and to the private sector due to salary inequities.

The Office of State Tax Commissioner requests \$535,000 equity enhancement package (same as Governor’s recommendation).

Priority 2 – Digital Transformation – GenTax Support

The Office of State Tax Commissioner implemented GenTax in the 2005-07 biennium as its integrated tax platform. To maintain current support levels, which include upgrades and other technological enhancements, a total of \$4.4 million is needed for the 2023-2025 biennium, including an adjustment of \$400,000 to our base budget for planned maintenance cost growth.

Our budget also includes one-time funding of \$500,000 to cover 2,500 hours of time and labor costs which would allow us to address existing needs and associated processes, enhance electronic filing, improve fraud detection and system security, provide greater AI assistance, and improve overall citizen experience.

The proposed budget also includes \$96,000 to support a Centralized Log Management System required under IRS security standards that is managed by NDIT which supports safeguarding taxpayer data.

The Office of State Tax Commissioner requests \$996,00 continue to enhance GenTax and support digital transformation and fraud protection (same as Governor’s recommendation).

RENT

The Governor's recommended budget includes \$614,654 for rent of Capitol space.

The Office of State Tax Commissioner requests \$614,654 for rent of Capitol space (same as Governor's recommendation).

Grant Programs Budget – Homestead Tax Credit and Disabled Veteran’s Credit

2021-23 Biennium Base Level Budget and 2023-25 Biennium Governor’s Recommended Budget

The Homestead Tax Credit program provides property tax relief for qualifying low-income persons who are 65 years of age or older or who are disabled. The credit is up to 100 percent of the taxes levied on the first \$125,000 of true and full value, for applicants with annual income below \$22,000. A reduced level of credit is available to applicants with annual income up to \$42,000.

The appropriation for this line for the 2021-23 biennium is \$18 million. Expenditures during the first year of the biennium totaled slightly more than \$8.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

The Disabled Veteran's Credit program provides property tax relief for disabled veterans with a service-connected disability of 50 percent or greater. The credit is up to 100 percent of the taxes levied on the first \$150,000 of true and full value. The percentage of credit allowed is equal to the percentage of the disabled veteran's disability compensation rating.

The appropriation for this line for the 2021-23 biennium is \$16.3 million. Expenditures during the first year of the biennium totaled just over \$7.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

After the credit is granted by counties to eligible taxpayers, the county receives reimbursement from the state.

Barring any legislative changes to these programs, the Office of State Tax Commissioner requests \$18.9 million for the Homestead Tax Credit program and \$18.745 million for the Disabled Veteran’s Credit program (same as Governor’s recommendation).

Comparison of Optional Budget Asks and Governor's Recommended Budget

Description	Agency Optional Request	Agency Optional Not Included Executive Budget	Executive Recommended	Balance In 2023 - 2025 Recommended Budget	Explanation
Salary & Wages					
Targeted Equity	1	1	-	-	Emphasis on Equity
Funding for Salary Increase	-	-	1,484,574	1,484,574	Executive Recommendation
Funding for Health Insurance Increase	-	-	540,120	540,120	Executive Recommendation
Total Salary & Wages	1	1	2,024,694	2,024,694	
Operating Expenses					
GenTax Service	400,000	-	400,000	400,000	Continue Level III Maintenance
GenTax Enhancements	500,000	-	500,000	500,000	System Enhancements NDIT Centralized Management
Centralized Management Log	96,000	-	96,000	96,000	Log Service required by IRS
NDIT Service Increase	-	-	36,596	36,596	NDIT Services Increases
Rent	-	-	614,654	614,654	Proposed Rent
Total Operating Expense Adjustments	996,000	-	1,647,250	1,647,250	
Est. Increase Homestead Tax Credit	-	-	900,000	900,000	Increase needed to fund
Est. Increase Disabled Veterans Tax Credit	-	-	2,445,000	2,445,000	Increase needed to fund
Total All Adjustments	996,001	1	7,016,944	7,016,944	



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
BRIAN KROSHUS, COMMISSIONER

Senate Bill No. 2006
January 19, 2023

BUDGET PRESENTATION

SENATE APPROPRIATIONS COMMITTEE
SENATOR BEKKEDAHL, CHAIRMAN

Agency Overview and Purpose

The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively.

Our office is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2021-2023 biennium, the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues.

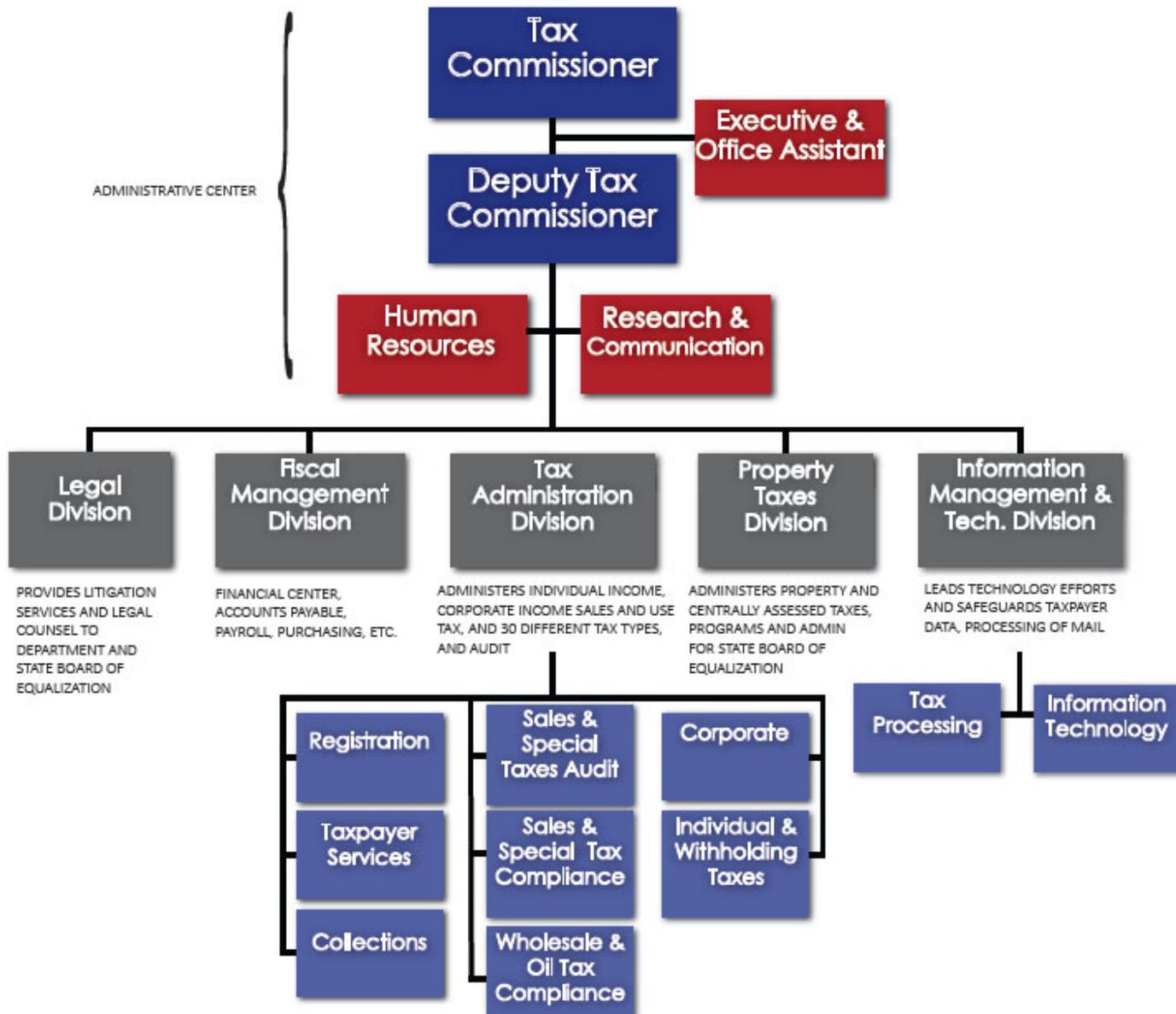
The Office of State Tax Commissioner collects and administers over 30 tax types, including local taxes administered on behalf of and allocated to political subdivisions.

Certain taxes, such as electric transmission line, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties providing an important source of revenue for local government.

Our agency serves as an informative resource to taxpayers, effectively and efficiently processes returns, analyzes statistical data, conducts discovery work, and conducts audits to ensure statutory compliance.

Information about the purpose and function of each of our divisions can be found in the following organizational chart.

Organizational Chart
118 Funded FTEs



Audit Findings

The operational audit for the Office of State Tax Commissioner conducted by the State Auditor's Office during the 2021-2023 interim identified no significant findings and one recommendation that "The Tax Commissioner has an opportunity to enhance monitoring procedures to confirm eligibility determined by counties for two types of property tax credits." The two tax credits noted were the Homestead Property Tax Credit and Disabled Veterans Tax Credit. The Office of State Tax Commissioner appreciates the recommendation.

Accomplishments

In addition to effectively and efficiently collecting revenue for the state, the Office of State Tax Commissioner has achieved numerous, important objectives this biennium.

- **Enhancing Citizen Experience – GenTax and ND Taxpayer Access Point (ND TAP)**
Platform improvements continue to enhance citizen experience and incentivizes use of our digital channels to support:
 - **Digital Transformation** – Transitioning taxpayers to electronic filing. Tax types currently converting to fully digital reporting by the end of 2023 include sales and use tax, local lodging and restaurant tax, motor fuels tax, prepaid wireless, and income tax withholding.
 - **Unclaimed Checks** – Implementation of new processes and digital enhancements has resulted in a more effective reissuance of checks to taxpayers. In 2022 alone, our efforts generated the return of \$577,230 to 692 taxpayers.
 - **Website Enhancement** – Shifting to a new web platform in 2022 has improved navigation, content placement and improved user access to tax information.
 - **Artificial Intelligence (AI) Chatbot** - The launch of "Teddy," our AI assistant/chatbot for ND TAP, has generated more than 19,500 interactions with questions from users, and provided almost 27,000 responses.
- **Single Point of Entry** – Creation of a single point of entry at the State Capitol has significantly enhanced customer service.
- **Reduction in Office Space** – Our agency reduced its physical footprint in July of 2021 by shifting 16 FTEs from the State Library to within the Capitol tower, utilizing existing office space.
- **Encourage Compliance – Audits** – Continued work to ensure taxpayers remain in compliance with tax laws by performing audits and compliance reviews. During the 2021-2023 biennium, over 1,000 sales and corporate audits were conducted with assessments of over \$90.0 million.
- **IT Security - Partnerships** – Continued focus on partnerships with the IRS, tax industry and other stakeholders supports our mission of keeping taxpayer information confidential and secure.

- **Remote & Marketplace Seller Taxation** – Instituted new processes to identify and register out-of-state sellers doing business in North Dakota because of the Supreme Court decision in June 2018, South Dakota v. Wayfair, that overturned the physical presence requirements for sales tax collection and remittance. This has resulted in an additional \$219 million in total collections as of June 2022.

Challenges

Future challenges affecting the Office of State Tax Commissioner include:

Digital Transformation – Support for Integrated Systems - Approximately 50 percent of the department's operating budget is dedicated to IT contractual services for the integrated tax system (GenTax) and Taxpayer Access Point (ND TAP). These platforms are the core of our customer service activities and tax return processing system.

The complexity and depth of GenTax requires ongoing support from FAST Enterprises (FAST) to maintain GenTax and ND TAP and to ensure we remain current from a technology and security standpoint. Investment in the current "Service Level 3" has allowed implementation of services like the ND Taxpayer Access Point, the addition of an AI assistant (Teddy), upgrades, and other core services at no additional cost.

Enhancing existing processes in GenTax, and the introduction of new tax types into the system, or citizen experience enhancements, improves the overall customer digital experience. These types of improvements/enhancements are not covered by our current maintenance contract and are included in our change package request.

Also, the addition of new tax types or changes to existing tax types creates two critical issues:

- 1) the need for additional staff to administer
- 2) technology enhancements requirements and customization to Gen Tax not currently covered under our maintenance contract (ex., legislative changes related to tax policy, changes to oil taxation, etc.)

Safeguarding Data & Fraud Protection - Safeguarding taxpayer information and data are vital functions of our IT infrastructure. Our agency is tasked with safeguarding both physical documents and IT systems where taxpayer data is stored. Growing threats related to identity theft and cyber-crime requires that our agency proactively and constantly address and implement new cyber-security measures.

The Internal Revenue Service requires the Office of State Tax Commissioner to have log management protocol that is managed for the agency by NDIT. Safeguarding data protects the public and is an investment in taxpayer trust.

Workforce Recruitment, Retention & Development – Salary adjustments have not kept pace with the market. Consequently, we have struggled with staff retention and recruitment. This has been especially pronounced in the current, high inflation environment.

The Office of State Tax Commissioner continues to be adversely impacted by lack of competitive salary increases over the past several biennia. These impacts have put various positions, including auditor and compliance, at a competitive disadvantage from a pay standpoint impeding our ability to attract and retain staff.

Tax knowledge is a specialized skillset for virtually all position types at our agency. It is imperative that salaries and the benefit package remain competitive, enabling us to recruit and retain the expertise required to best serve the citizens of the state.

Equally important is the need for resources to support continued training of our team members, an investment in them and our agency.

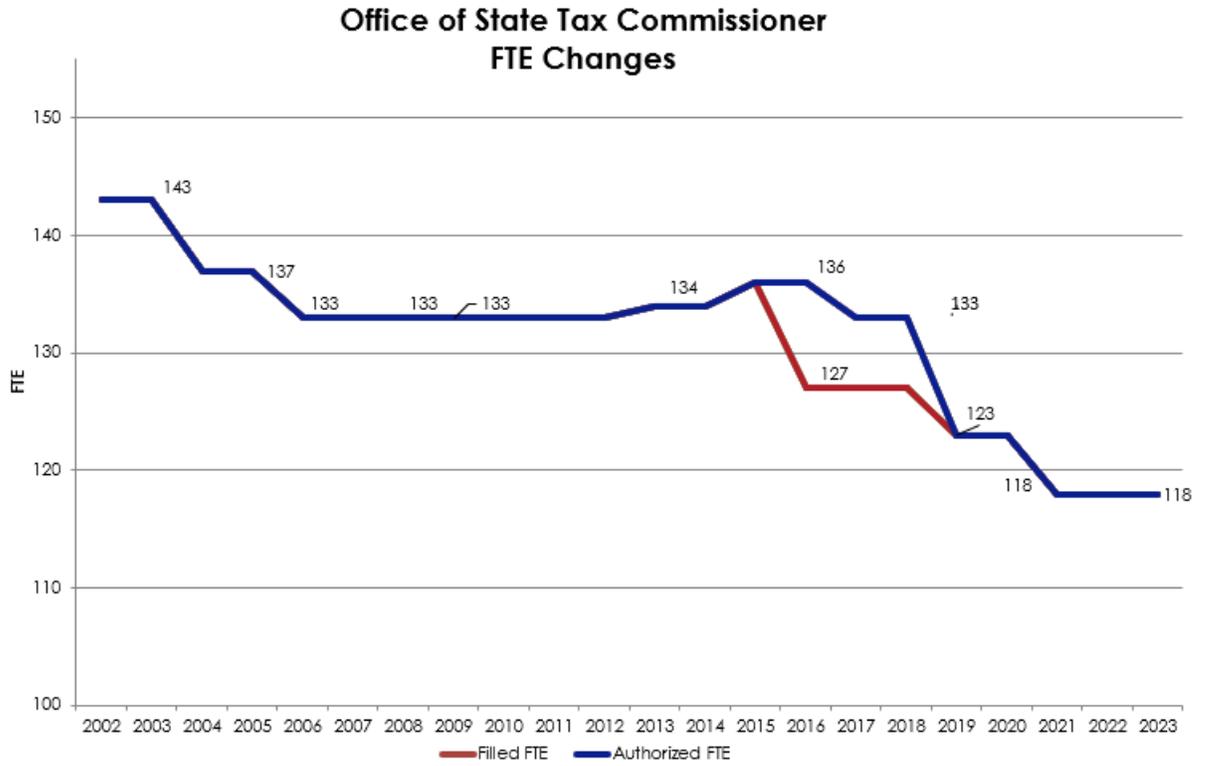
As more filings are submitted electronically, staffing needs also change. As we continue to transition to digital filing, the need for new skillsets and corresponding wages to support those positions exists.

As the primary revenue collection agency for North Dakota, it is important that we remain adequately and effectively staffed to:

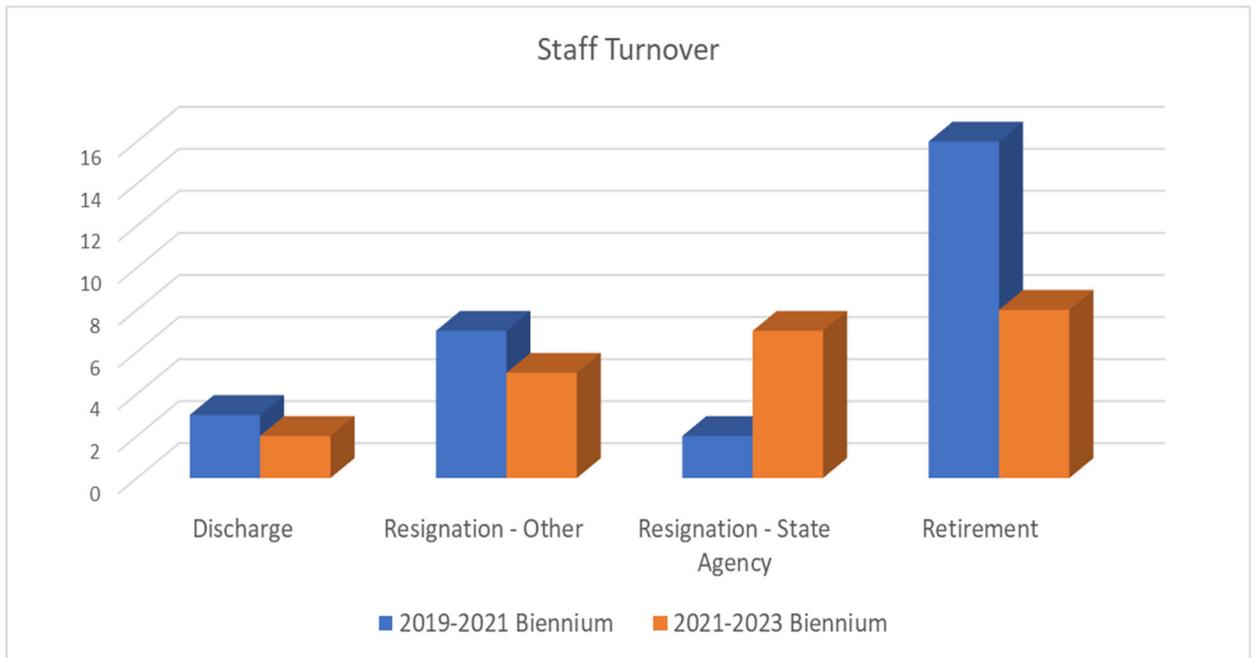
- Provide exceptional customer service.
- Meet citizen (taxpayer) expectations - Processing returns in an accurate and timely manner.
- Conduct appropriate audits and compliance activities to ensure compliance with North Dakota tax laws.
- Effectively and efficiently implement new tax laws.

The number of positions authorized for the agency has declined significantly over the past two decades, from 143 in 2002 to 118 in the current biennium. Reduction in staff has been possible through restructuring, advancements in technology and implementation of our integrated tax system known as GenTax.

Long-term history of the staffing level for the Office of State Tax Commissioner:



Staff turnover analysis:



Agency Funding Request and Comparisons to 2021-2023 Biennium

Line Item	2021-23 Legislative Base Budget	2021-23 Appropriation Total	Percent of Total
Salaries & Wages	22,867,956	22,594,196	75%
Operating Expenses	7,112,460	7,466,120	24.8%
Capital Assets	6,000	6,000	0.2%
Total	29,986,416	30,066,316	100%

As an administrative agency we rely heavily on staff to meet our statutory obligation and perform work the legislature has directed us to do. In direct correlation to that responsibility, approximately 75 percent of the current biennium operating budget is for salaries and wages. The appropriation for salaries and wages for the 2021-23 biennium is \$22.5 million.

The Office of State Tax Commissioner is authorized for 118 full-time equivalent positions for the 2021-23 biennium. Due to retirements of long-tenured employees and hiring delays related to the competitive recruitment environment, budget savings in salaries will be generated in the current biennium.

2021-23 Estimated Spending

The Office of State Tax Commissioner has analyzed estimated expenditures and the following unspent amounts are anticipated.

Line Item	2021-23 Base Level	Estimated 2021-23 Expenditures	Variance
Salaries and Wages	22,594,196	21,050,000	1,544,196
Operating Expenses	7,466,120	7,250,120	216,000
Capital Assets	6,000	5,500	500
Total	30,066,316	28,305,620	1,760,696
Less Federal Funds	(125,000)	(32,000)	(93,000)
Total General Fund	29,941,316	28,273,620	1,667,696

Analysis of Recommended Budget

Description/ Object Series	2021 - 2023 Appropriation	Estimated Expenses 2021 - 2023	2021 - 2023 Variance	Governor's Recommended Budget 2023 - 2025	Net Change Governor's Recommended Compared To 2021 - 2023 Appropriation
Salaries & Wages	22,594,196	21,050,000	1,544,196 ⁽¹⁾	24,778,324	2,184,128
Operating Expenses	7,466,120	7,250,120	216,000 ⁽²⁾	9,113,370	1,647,250 ⁽⁴⁾
Capital Assets	6,000	5,500	500	6,000	-
Homestead Tax Credit	18,000,000	17,775,000	225,000	18,900,000	900,000
Disabled Veterans Credit	16,300,000	16,150,000	150,000	18,745,000	2,445,000
Total By Object	64,366,316	62,230,620	2,135,696	71,542,694	7,176,378
Less estimated Income	125,000	32,000	93,000 ⁽³⁾	125,000	-
Total General Fund	64,241,316	62,198,620	2,042,696	71,417,694	7,176,378
Total Special Funds	-	-	-	-	-
Total Federal Funds	125,000	32,000	93,000	125,000	-
Total All Funds	64,366,316	62,230,620	2,135,696	71,542,694	7,176,378
# of FTE's	118	118	-	118	-

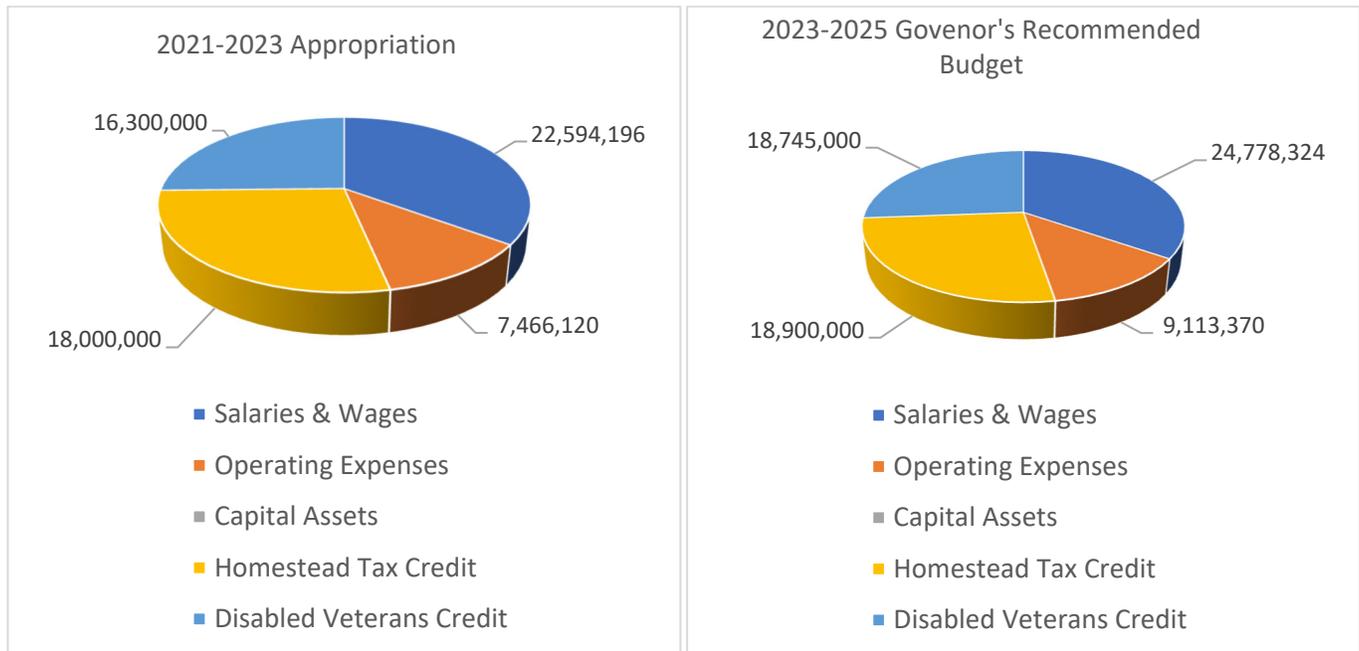
(1) The projected underspend in Salaries is due to savings from vacant positions due to staff turnover and recruitment challenges. As of 01/01/2023 the agency had 13 vacancies.

(2) The projected underspending in Operating Expenses is from unused federal grant funds (93,000) and reduced Operating Expenses (123,000).

(3) Estimated income is provided by Federal Grant for Dyed Motor Fuels testing, amount of grant varies based on Federal Funding awarded.

(4) The increase includes fully funding GenTax Maintenance Contract (400,000), GenTax Enhancements (500,000), Centralized Log Management (96,000), Rent (614,654), NDIT Service Increase (36,596).

2023-25 Governor's Recommended Budget



The 2023-25 base budget operating expenses are \$9 million. The operating expenses line item includes a scheduled maintenance contract increase of \$400,000 for GenTax to continue support at Level 3 service – total cost of \$4,400,000 for the biennium.

In addition, we are requesting the following for the 2023-25 biennium budget:

- \$500,000 to support an additional 2,500 hours of GenTax software programming costs which will allow us to enhance citizen experience, promote electronic filing, improve fraud detection, and further heighten security as well as addressing other needs not currently covered in our current general maintenance contract.
- \$96,000 to cover a Centralized Log Management System required by NDI for safeguards to meet IRS IT security requirements.
- \$535,000 in an equity package adjustment plan to address salary inequities.
- \$614,654 to cover rent charged by OMB for Capitol space.

Analysis of Executive Recommended Budget

Description/Object Series	2021-2023 Appropriations	2023-2025 Base Budget Request	2023 - 2025 Optional Budget Requests	2023 - 2025 Executive Recommended Changes	2023 - 2025 Executive Recommended Budget
Total Salaries & Fringe	22,594,196	22,753,630	1	2,024,694	24,778,324
FTE Employees	118	118	-	-	118
Operating Expenses					
Travel	226,400	214,266	-	-	214,266
Supplies - IT Software	174,931	173,431	-	-	173,431
Supply/Material - Professional	65,200	137,200	-	-	137,200
Miscellaneous Supplies	20,000	20,500	-	-	20,500
Office Supplies	50,000	45,500	-	-	45,500
Postage	635,900	627,400	-	-	627,400
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Operating Fees and Services	115,000	92,000	-	-	92,000
Professional Fees and Services	18,400	8,900	-	-	8,900
Total Operating Expenses	7,466,120	7,502,716	996,000	1,610,654	9,113,370
Total Capital Assets	6,000	6,000	-	-	6,000
Salaries, Operating Expenses, Capital Assets Funding Source					
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Total For Agency	64,366,316	67,907,346	996,001	3,635,348	71,542,694

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The following chart shows the various tax types administered by the agency and a ten-year comparison for amounts collected in fiscal year 2012 versus 2022. In most cases, the growth is reflective of growing business activity in the state and increase in the number of filers and returns processed by the agency.

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Cigarette Tax (Tribe)	\$75,371	\$76,401	\$1,030
Cigarette Tax (GF)	\$20,944,702	\$16,545,221	-\$4,399,481
Tobacco Tax	\$5,663,312	\$6,827,551	\$1,164,239
Oil & Gas Gross Production Tax	\$795,681,003	\$1,494,531,005	\$698,850,002
Oil Extraction Tax	\$865,121,628	\$1,303,104,198	\$437,982,570
Telecommunications Tax	\$12,215,209	\$6,273,262	-\$5,941,947
Wholesale Liquor/beer Tax	\$8,523,427	\$9,903,036	\$1,379,609
Estate Tax	\$1,112	\$0	-\$1,112
Miscellaneous Remittances	\$9,347	\$9,558	\$211
Coal Severance Tax	\$11,001,918	\$10,343,540	-\$658,378
Coal Conversion Tax	\$25,430,529	\$6,671,229	-\$18,759,300
Electric Generation Tax	\$7,391,798	\$25,789,719	\$18,397,921
Music and Composition Tax	\$147,883	\$221,882	\$73,999
Sales & Use Tax Cash Bonds	\$883,342	\$12,384	-\$870,958
Fuel Dealers & Inspection Fees	\$344,829	\$253,378	-\$91,451
Motor Vehicle Fuel Tax	\$97,635,813	\$95,554,536	-\$2,081,277
Special Fuel Tax	\$107,261,416	\$84,386,493	-\$22,874,923
Motor Fuel Tax - Cash Bond	\$22,500	-\$12,000	-\$34,500
Nongame Wildlife Fund	\$21,970	\$34,002	\$12,032
Centennial Tree Trust Fund	\$22,745	\$42,534	\$19,789
Veterans' Postwar Trust Fund	\$0	\$31,213	\$31,213
Organ Transplant Support Fund	\$15,478	\$18,679	\$3,201
Airline Tax	\$216,968	\$257,109	\$40,141
Aircraft Excise Tax	\$0	\$21,649	\$21,649
Prepaid Wireless Emergency 911 Fee	\$0	\$1,209,813	\$1,209,813
Provider Assessment	\$4,719,614	\$6,420,261	\$1,700,647
TOTAL COLLECTIONS	\$3,931,519,664	\$5,155,649,489	\$1,224,129,825

Dynamic economic growth in the state has resulted in a corresponding increase in workload at the Office of State Tax Commissioner. The number of returns received for nearly all tax types continues to grow.

The following chart illustrates the growth in the Office of State Tax Commissioner's workload since 2012:

	2012	2017	2022	2012-2022 Increase (Decrease)	Percent Change
Sales tax – original returns filed	177,782	204,687	269,201	91,419	51%
Individual income tax withholding - original returns filed	134,708	145,635	157,771	23,063	17%
Individual income tax - original returns filed	419,034	474,970	468,023	48,989	12%
Partnership and S Corp - original returns filed	31,300	42,414	46,266	14,966	48%
Corporate income tax - original returns filed by out of state corporations	6,529	7,566	8,698	2,169	33%
Canadian resident sales tax refund requests	28,001	10,823	2,968	-25,033	-89%
Fraudulent Claims/ID Theft – Identification of over 1,800 fraudulent claims, totaling over \$4.5 million since 2015.					

For estimated changes related to these collections, refer to the December 2022 Revenue Forecast.

Federal Funding Changes

No changes in federal funding are expected for the 2023-25 biennium.

2023-25 Biennium Requested Budget

Priority 1– Equity Package

As previously mentioned, salary adjustments have not kept pace with the market.

Our request is the legislative body recognize these challenges and approve an equity adjustment package for our agency, so we are not at risk of losing additional knowledgeable staff to competitors within state government, i.e., agencies paying more for the same job classification, and to the private sector due to salary inequities.

The Office of State Tax Commissioner requests \$535,000 equity enhancement package (same as Governor’s recommendation).

Priority 2 – Digital Transformation – GenTax Support

The Office of State Tax Commissioner implemented GenTax in the 2005-07 biennium as its integrated tax platform. To maintain current support levels, which include upgrades and other technological enhancements, a total of \$4.4 million is needed for the 2023-2025 biennium, including an adjustment of \$400,000 to our base budget for planned maintenance cost growth.

Our budget also includes one-time funding of \$500,000 to cover 2,500 hours of time and labor costs which would allow us to address existing needs and associated processes, enhance electronic filing, improve fraud detection and system security, provide greater AI assistance, and improve overall citizen experience.

The proposed budget also includes \$96,000 to support a Centralized Log Management System required under IRS security standards that is managed by NDIT which supports safeguarding taxpayer data.

The Office of State Tax Commissioner requests \$996,00 continue to enhance GenTax and support digital transformation and fraud protection (same as Governor’s recommendation).

RENT

The Governor's recommended budget includes \$614,654 for rent of Capitol space.

The Office of State Tax Commissioner requests \$614,654 for rent of Capitol space (same as Governor’s recommendation).

Grant Programs Budget – Homestead Tax Credit and Disabled Veteran’s Credit

2021-23 Biennium Base Level Budget and 2023-25 Biennium Governor’s Recommended Budget

The Homestead Tax Credit program provides property tax relief for qualifying low-income persons who are 65 years of age or older or who are disabled. The credit is up to 100 percent of the taxes levied on the first \$125,000 of true and full value, for applicants with annual income below \$22,000. A reduced level of credit is available to applicants with annual income up to \$42,000.

The appropriation for this line for the 2021-23 biennium is \$18 million. Expenditures during the first year of the biennium totaled slightly more than \$8.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

The Disabled Veteran’s Credit program provides property tax relief for disabled veterans with a service-connected disability of 50 percent or greater. The credit is up to 100 percent of the taxes levied on the first \$150,000 of true and full value. The percentage of credit allowed is equal to the percentage of the disabled veteran’s disability compensation rating.

The appropriation for this line for the 2021-23 biennium is \$16.3 million. Expenditures during the first year of the biennium totaled just over \$7.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

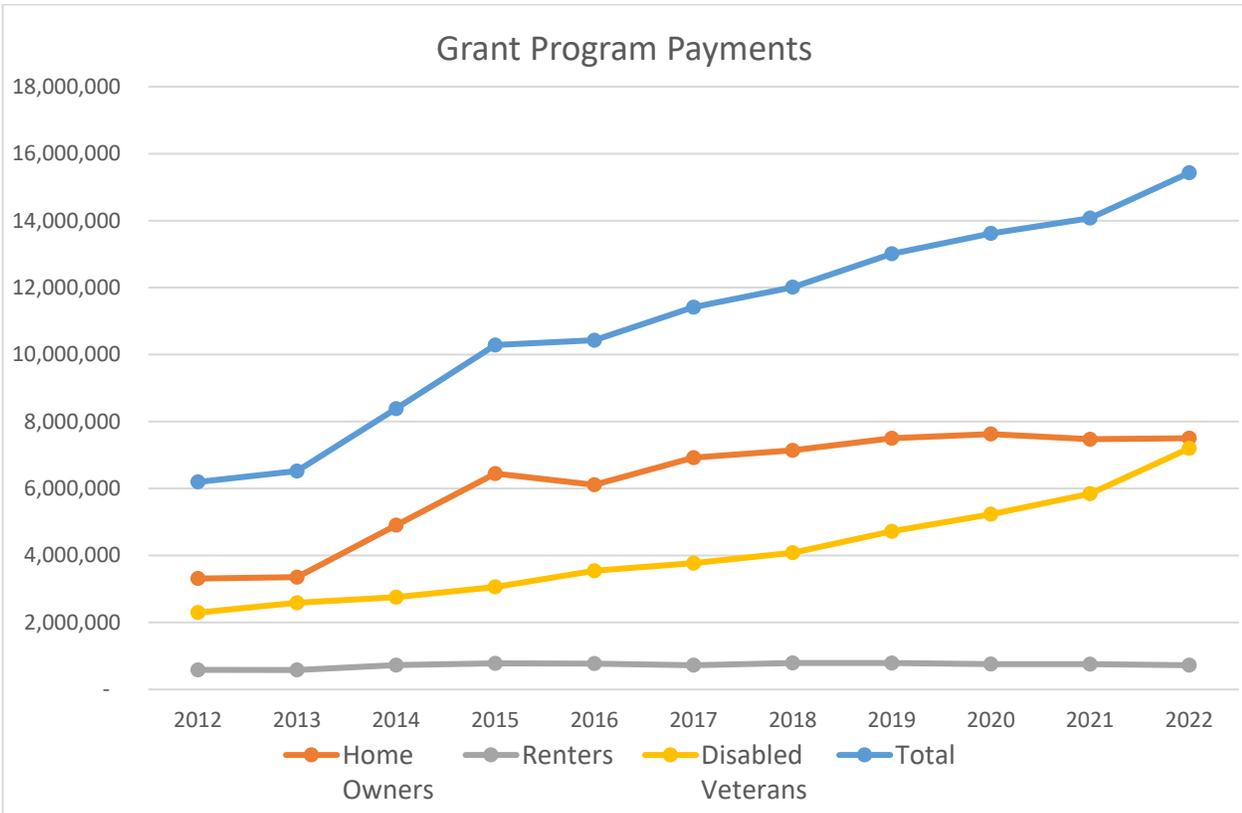
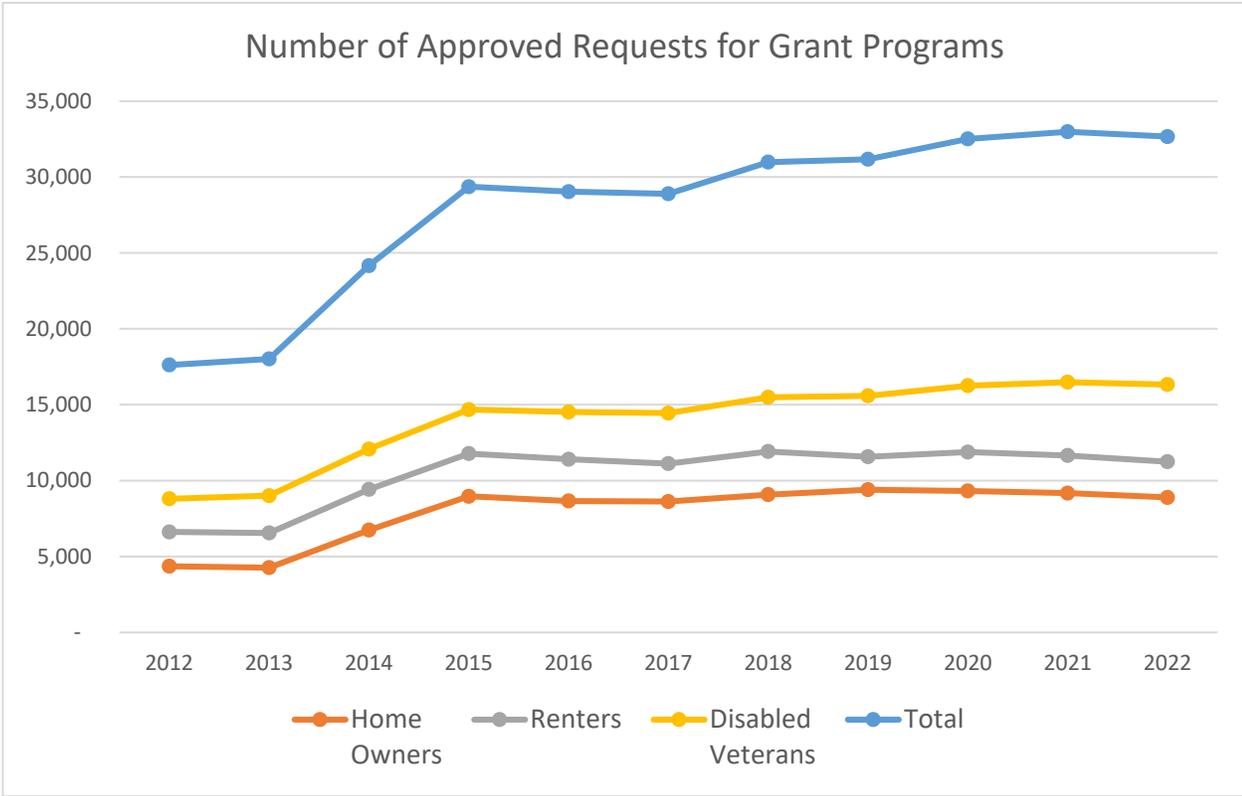
After the credit is granted by counties to eligible taxpayers, the county receives reimbursement from the state.

Barring any legislative changes to these programs, the Office of State Tax Commissioner requests \$18.9 million for the Homestead Tax Credit program and \$18.745 million for the Disabled Veteran’s Credit program (same as Governor’s recommendation).

Comparison of Optional Budget Asks and Governor's Recommended Budget

Description	Agency Optional Request	Agency Optional Not Included Executive Budget	Executive Recommended	Balance In 2023 - 2025 Recommended Budget	Explanation
Salary & Wages					
Targeted Equity	1	1	-	-	Emphasis on Equity
Funding for Salary Increase	-	-	1,484,574	1,484,574	Executive Recommendation
Funding for Health Insurance Increase	-	-	540,120	540,120	Executive Recommendation
Total Salary & Wages	1	1	2,024,694	2,024,694	
Operating Expenses					
GenTax Service	400,000	-	400,000	400,000	Continue Level III Maintenance
GenTax Enhancements	500,000	-	500,000	500,000	System Enhancements NDIT Centralized Management
Centralized Management Log	96,000	-	96,000	96,000	Log Service required by IRS
NDIT Service Increase	-	-	36,596	36,596	NDIT Services Increases
Rent	-	-	614,654	614,654	Proposed Rent
Total Operating Expense Adjustments	996,000	-	1,647,250	1,647,250	
Est. Increase Homestead Tax Credit	-	-	900,000	900,000	Increase needed to fund
Est. Increase Disabled Veterans Tax Credit	-	-	2,445,000	2,445,000	Increase needed to fund
Total All Adjustments	996,001	1	7,016,944	7,016,944	

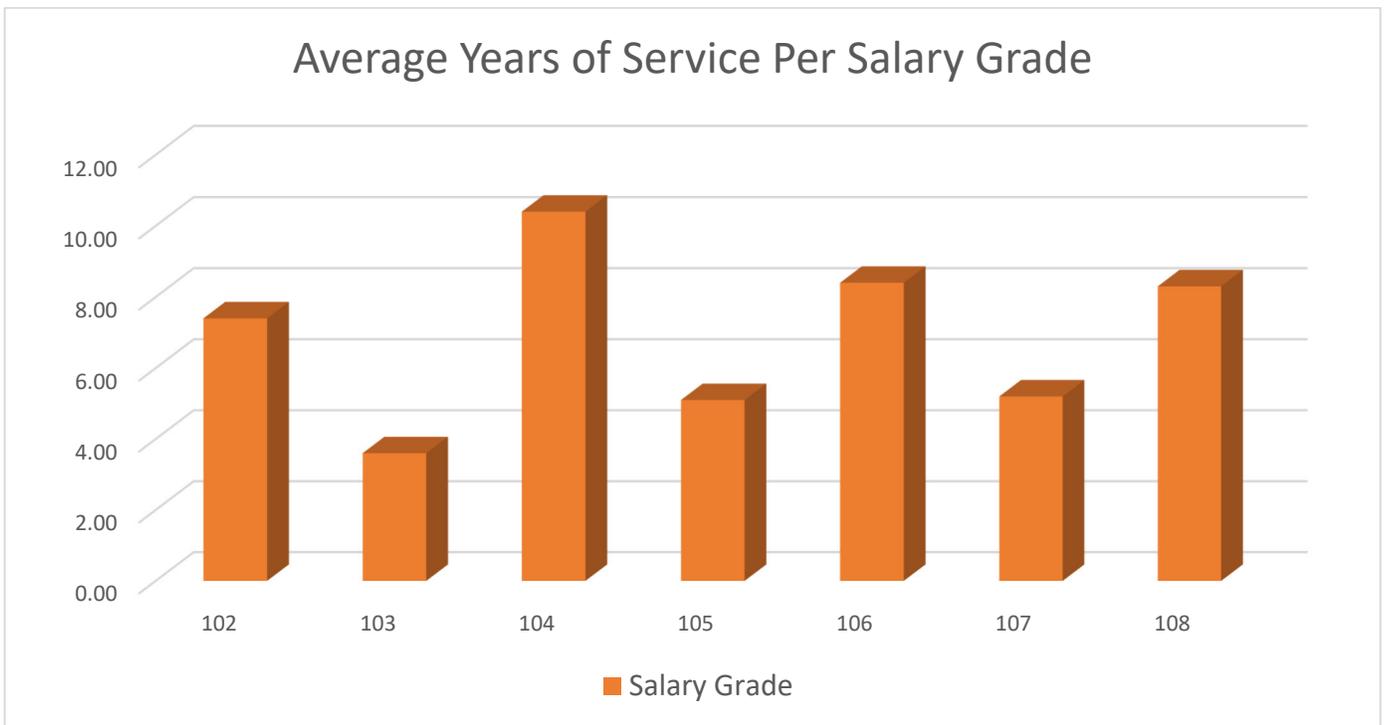
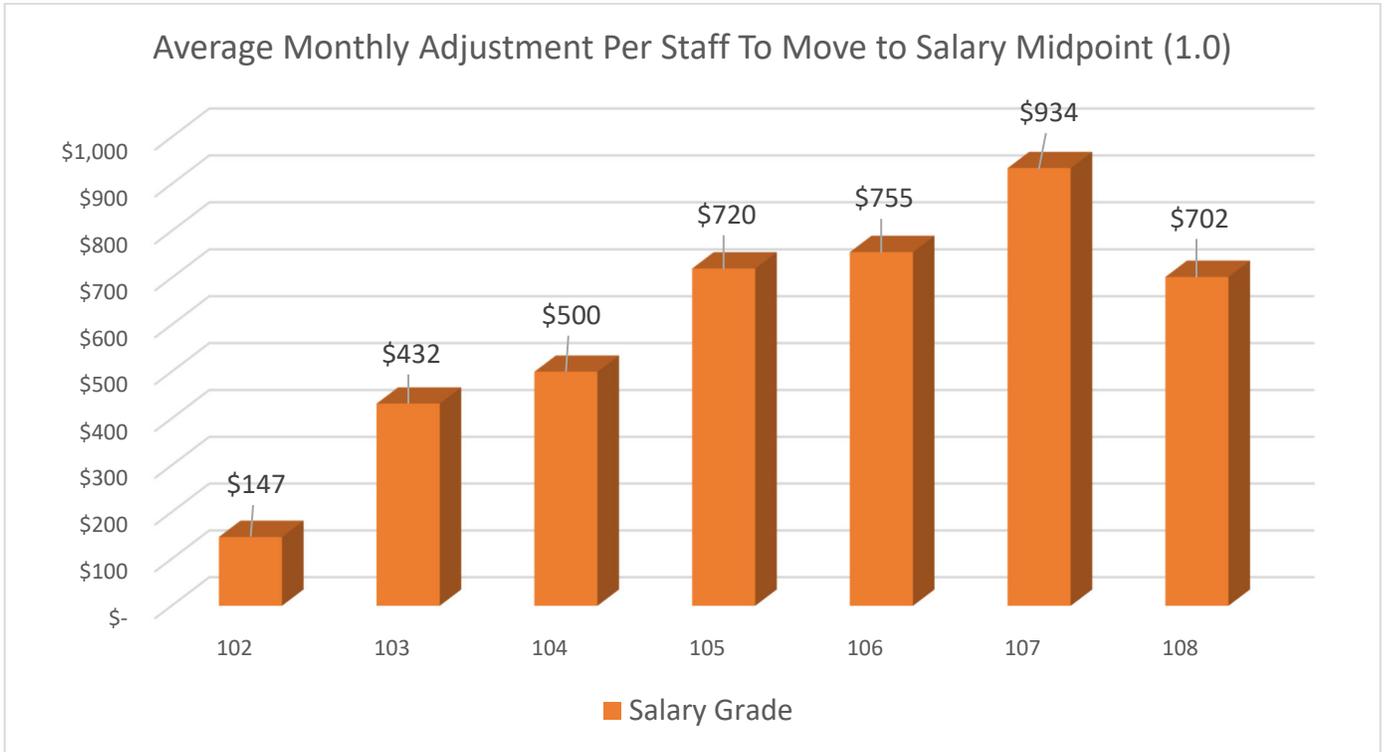
Grant Programs History – Homestead Tax Credit and Disabled Veteran’s Credit



Historical Income Tax Liability Less Than \$100



Salary Adjustments



Executive Budget Proposal for Targeted Salary Equity Adjustments

A	B	C	D	E	F	G	H	I	J	K
Unit	Agency	Equity Sub-Total (based on agency input and verifiable market data)	Equity increase to 88 CR with 2 yr svc minimum	Recommended Total (C+D, adjusted for overlap)	Biennial Expense Total (Rounded)	Expense Total w/ Salary Based Benefits (M+20%)	General Fund	Other Funds	Total Funds	Basis for Recommendation
10100	Governor's Office	\$50,000		\$50,000	\$100,000	\$120,000	\$120,000	\$0	\$120,000	Specific positions identified with retention and market equity concerns.
10800	Secretary of State	\$7,600	\$28,612	\$36,212	\$75,000	\$90,000	\$81,015	\$8,985	\$90,000	Verifiable market gaps for IT positions ; Population analysis also revealed some relatively low paid employees
11000	Office of Mgmt & Budget	\$132,229	\$18,222	\$150,451	\$305,000	\$366,000	\$314,760	\$51,240	\$366,000	Agency identified certain job categories as particularly hard to fill and retain (Procurement; Human Resources; Facilities); Population analysis also revealed some relatively low paid employees
11200	Information Technology Dept	\$3,659,500	\$58,373	\$3,659,500	\$7,320,000	\$8,784,000	\$2,891,065	\$5,892,935	\$8,784,000	Verifiable market gap averaging 29% based on Mercer/Garner IT Survey results participation; equity adjustment with 10% cap recommended
11700	State Auditor	\$206,800	\$9,560	\$216,360	\$435,000	\$522,000	\$358,500	\$163,500	\$522,000	Agency identified Auditors with less than 3 years of service as particularly hard to fill and retain; Population analysis also revealed some relatively low paid employees
12000	State Treasurer	\$8,663	\$5,188	\$8,663	\$20,000	\$24,000	\$24,000	\$0	\$24,000	Specific issues not identified, but 2% of payroll allocated as contingency; Population analysis also revealed some relatively low paid employees
12500	Attorney General	\$344,166	\$125,621	\$469,787	\$940,000	\$1,128,000	\$785,664	\$342,336	\$1,128,000	Verifiable market gaps identified (Attorneys; Auditor; Forensic Scientist); Population analysis also revealed some relatively low paid employees
12700	State Tax Commissioner	\$183,290	\$82,033	\$265,323	\$535,000	\$642,000	\$642,000	\$0	\$642,000	Agency identified certain job categories as particularly hard to fill and retain (Auditors; Collection Officers; Tax Service Specialist); Population analysis also revealed some relatively low paid employees
14000	Office of Admin Hearings	\$9,514	\$0	\$9,514	\$20,000	\$24,000		\$24,000	\$24,000	Specific issues not identified, but 2% of payroll allocated as contingency
18800	Legal Counsel for Indigents	\$133,300	\$23,880	\$157,180	\$315,000	\$378,000	\$366,660	\$11,340	\$378,000	Verifiable market gap for Attorneys identified; Population analysis also revealed some relatively low paid employees
19000	Retirement & Investment Office	\$38,552	\$6,067	\$38,552	\$80,000	\$96,000		\$96,000	\$96,000	Agency recently restructured and granted market-based adjustments to many employees. Specific issues not identified, but 2% of payroll allocated as contingency
19200	Public Employees Retire System	\$130,800	\$60,072	\$190,872	\$385,000	\$462,000		\$462,000	\$462,000	Agency identified several job categories as particularly hard to fill and retain and verifiable market gaps also determined for IT positions; Population analysis revealed many relatively low paid employees
19500	Ethics Commission			\$0	\$0	\$0		\$0	\$0	No issues identified
20100	Public Instruction	\$331,100	\$146,828	\$477,928	\$960,000	\$1,152,000	\$581,568	\$570,432	\$1,152,000	Agency identified certain job categories as particularly hard to fill and retain and agency also provided data to verify market gaps (Special Education Coordinators; Directors; Assistant Directors; Program Administrators; Programmers); Population analysis also revealed many relatively low paid employees
22600	ND Department of Trust Lands	\$204,300	\$590	\$204,300	\$410,000	\$492,000	\$492,000	\$0	\$492,000	Agency identified certain job categories as particularly hard to fill and retain and agency also provided data to verify market gaps (Investment management; Land Management; Mineral Management; Information Technology; Administration; Functional Leadership)
25000	State Library	\$53,800	\$33,942	\$87,742	\$180,000	\$216,000	\$190,124	\$25,876	\$216,000	Agency identified certain job categories as particularly hard to fill and retain (Paraprofessionals; Professional Librarians; Agency Leadership); Population analysis also revealed many relatively low paid employees
25200	School for the Deaf	\$102,900	\$38,989	\$141,889	\$285,000	\$342,000	\$322,880	\$19,120	\$342,000	Agency identified certain job categories as particularly hard to fill and retain (Interpreters; Custodial; Kitchen; Transportation; Dormitory); Population analysis also revealed some relatively low paid employees
25300	School for the Blind	\$39,249	\$39,290	\$78,539	\$160,000	\$192,000	\$181,266	\$10,734	\$192,000	Agency identified certain job categories as particularly hard to fill and retain (Vision Specialists; Maintenance Workers; Maintenance Supervisor; Administration); Population analysis also revealed some relatively low paid employees
27000	Career and Technical Education	\$63,490	\$92,837	\$156,327	\$315,000	\$378,000	\$359,886	\$18,114	\$378,000	Agency identified certain job categories as particularly hard to fill and retain (Administrator; Business Manager; Program Supervisors; Assistant Director); Population analysis also revealed some relatively low paid employees

A	B	C	D	E	F	G	H	I	J	K
Unit	Agency	Equity Sub-Total (based on agency input and verifiable market data)	Equity increase to 88 CR with 2 yr svc minimum	Recommended Total (C+D, adjusted for overlap)	Biennial Expense Total (Rounded)	Expense Total w/ Salary Based Benefits (M+20%)	General Fund	Other Funds	Total Funds	Basis for Recommendation
30300	Environmental Quality	\$531,700	\$140,213	\$671,913	\$1,345,000	\$1,614,000	\$705,928	\$908,072	\$1,614,000	Agency identified certain job categories as particularly hard to fill and retain and verifiable market gaps also determined (Environmental Scientists; Environmental Engineers; Chemists; Environmental Sciences Administrators); Population analysis revealed many relatively low paid employees
31300	Veterans' Home	\$186,840	\$10,688	\$197,528	\$400,000	\$480,000	\$194,230	\$285,770	\$480,000	Agency has recruitment and retention issues due to both health care market issues and location. Agency identified certain job categories as particularly hard to fill and retain (Direct Care; Licensed Practical Nurses; Registered Nurses; Resident Living Specialist); Population analysis also revealed some relatively low paid employees
31600	Indian Affairs Commission	\$4,494	\$0	\$4,494	\$10,000	\$12,000	\$12,000	\$0	\$12,000	Specific issues not identified, but 2% of payroll allocated as contingency
32100	Veterans Affairs Department	\$35,438	\$6,503	\$41,941	\$85,000	\$102,000	\$92,322	\$9,678	\$102,000	Agency identified Veterans Benefits Specialists as particularly hard to fill and retain and agency also provided data to verify market gaps; Population analysis also revealed some relatively low paid employees
32500	ND Health and Human Services	\$868,507	\$3,404,330	\$4,272,837	\$8,550,000	\$10,260,000	\$6,720,099	\$3,539,901	\$10,260,000	Agency identified certain job categories as particularly hard to fill and retain (Dieticians; Direct Care & Direct Care Supervisors; Developmental Disability Case Managers; Social Workers); Population analysis revealed many relatively low paid employees
36000	Protection and Advocacy	\$26,600	\$49,842	\$76,442	\$155,000	\$186,000	\$102,812	\$83,188	\$186,000	Verifiable market gap identified for Attorneys ; Population analysis also revealed some relatively low paid employees
38000	Job Service ND	\$76,723	\$235,800	\$312,523	\$630,000	\$756,000	\$158,254	\$597,746	\$756,000	Agency identified certain job categories as particularly hard to fill and retain (Accounting Manager; Agency Support Manager; Claims Adjudicator; Claims Center Supervisor; Employment Advisors; Human Resources; Support Specialists; Workforce Center Manager); Population analysis revealed many relatively low paid employees
40100	Insurance Department	\$50,321	\$6,644	\$56,965	\$115,000	\$138,000		\$138,000	\$138,000	Agency identified certain job categories as particularly hard to fill and retain and agency also provided data to verify market gaps (Attorney; Actuary; Fraud Investigator; Compliance & Analysis); Population analysis also revealed a small number of relatively low paid employees
40500	Industrial Commission		\$7,249	\$7,249	\$15,000	\$18,000	\$16,403	\$1,597	\$18,000	Agency has provided adjustments to market, and provides more bonus opportunities than most agencies. Population analysis revealed a small number of relatively low paid employees
40600	Labor Commissioner		\$18,720	\$18,720	\$40,000	\$48,000	\$41,483	\$6,517	\$48,000	Specific issues not identified; Population analysis revealed some relatively low paid employees
40800	Public Service Commission	\$70,511	\$2,113	\$70,500	\$145,000	\$174,000	\$116,936	\$57,064	\$174,000	Agency identified certain job categories as particularly hard to fill and retain and also identified verifiable market gaps (Electrical Engineer; Environmental Engineer; Gas Safety Inspector; Railroad Safety Inspector; Weight and Measures Inspector; Information Technology)
41200	Aeronautics Commission	\$9,006	\$0	\$9,006	\$20,000	\$24,000		\$24,000	\$24,000	Specific issues not identified, but 2% of payroll allocated as contingency
41300	Dept of Financial Institutions	\$90,074	\$12,793	\$102,867	\$210,000	\$252,000		\$252,000	\$252,000	Agency identified certain job categories as particularly hard to fill and retain (Examiners); Population analysis also revealed some relatively low paid employees
41400	Securities Commissioner	\$19,628	\$1,857	\$21,485	\$45,000	\$54,000		\$54,000	\$54,000	Agency identified certain job categories as particularly hard to fill and retain (Examiners; Attorney); Population analysis also revealed some relatively low paid employees
47100	Bank of North Dakota	\$203,000	\$97,707	\$300,707	\$605,000	\$726,000		\$726,000	\$726,000	Agency identified certain job categories as particularly hard to fill and retain and agency also provided specific banking industry data to verify market gaps (Bank President; Chief Risk Officer; Chief Compliance Officer; Accounting; Communications/Marketing; Chief Administration Officer; Chief Financial Officer; Controller; Treasurer; Audit Manager; Chief Banking Officer)
47200	Public Finance Authority	\$4,268	\$0	\$4,268	\$10,000	\$12,000		\$12,000	\$12,000	Specific issues not identified, but 2% of payroll allocated as contingency
47300	Housing Finance Agency	\$90,267	\$22,337	\$112,604	\$230,000	\$276,000		\$276,000	\$276,000	Agency identified certain job categories as particularly hard to fill and retain and also identified verifiable market gaps (Specialized Fiscal Services Positions; Information Technology); Population analysis also revealed some relatively low paid employees

A	B	C	D	E	F	G	H	I	J	K
Unit	Agency	Equity Sub-Total (based on agency input and verifiable market data)	Equity increase to 88 CR with 2 yr svc minimum	Recommended Total (C+D, adjusted for overlap)	Biennial Expense Total (Rounded)	Expense Total w/ Salary Based Benefits (M+20%)	General Fund	Other Funds	Total Funds	Basis for Recommendation
48500	Workforce Safety & Insurance	\$86,000	\$125,663	\$211,663	\$425,000	\$510,000		\$510,000	\$510,000	Verifiable market gaps (Information Technology; Attorneys); Population analysis also revealed some relatively low paid employees
50400	Highway Patrol	\$576,940	\$2,254	\$579,194	\$1,160,000	\$1,392,000	\$1,114,068	\$277,932	\$1,392,000	Agency identified certain job categories as particularly hard to fill and retain (Highway Patrol Officers; Sergeant/Commander); Population analysis also revealed some relatively low paid employees
53000	Corrections & Rehab	\$842,200	\$1,055,972	\$1,898,172	\$3,800,000	\$4,560,000	\$4,560,000	\$0	\$4,560,000	Verifiable market gap identified for Corrections Officers ; Population analysis revealed many relatively low paid employees
54000	Adjutant General	\$604,300	\$148,436	\$752,736	\$1,510,000	\$1,812,000	\$871,342	\$940,658	\$1,812,000	Agency identified certain job categories as particularly hard to fill and retain (Communications Specialists; Custodial; Custodial Supervisors; Maintenance Workers); Population analysis revealed many relatively low paid employees
60100	Department of Commerce	\$86,500		\$86,500	\$175,000	\$210,000	\$186,040	\$23,960	\$210,000	Specific issues not identified, but 2% of payroll allocated as contingency; Agency is planning equity adjustments in 2022
60200	Department of Agriculture		\$73,736	\$73,736	\$150,000	\$180,000	\$121,059	\$58,941	\$180,000	Specific issues not identified; Population analysis revealed some relatively low paid employees
67000	ND Horse Racing Commission		\$244	\$244	\$1,000	\$1,200	\$1,140	\$60	\$1,200	The agency has one regular staff member in addition to the Executive Director. Equity pay adjustment was recently granted. Small amount provided as place holder.
70100	Historical Society	\$197,288	\$113,977	\$197,288	\$395,000	\$474,000	\$428,556	\$45,444	\$474,000	Agency identified certain job categories as particularly hard to fill and retain (Security Officers; Historic Preservation Specialists; Archaeologists; Editors; New Media Specialists; Interpreters; Historic Site Supervisors; Education Specialist); Population analysis also revealed some relatively low paid employees
70900	Council on the Arts		\$10,057	\$10,057	\$25,000	\$30,000	\$30,000	\$0	\$30,000	Specific issues not identified; Population analysis revealed some relatively low paid employees
72000	Game and Fish Department	\$16,500	\$55,560	\$72,060	\$145,000	\$174,000		\$174,000	\$174,000	Specific issues not identified, but population analysis revealed some relatively low paid employees
75000	ND Parks & Recreation Dept	\$136,432	\$55,890	\$192,322	\$385,000	\$462,000	\$441,235	\$20,765	\$462,000	Agency identified certain job categories as hard to fill and retain (Park Manager; Park Ranger; Maintenance Supervisor); Population analysis revealed many relatively low paid employees
77000	Department of Water Resources	\$260,000	\$60,878	\$320,878	\$645,000	\$774,000		\$774,000	\$774,000	Verifiable market gap identified (Hydrologists; Program Managers; Engineering Technicians; Water Resource Engineers); Population analysis revealed many relatively low paid employees
80100	Department of Transportation	\$171,630	\$50,739	\$222,369	\$445,000	\$534,000		\$534,000	\$534,000	Agency recently granted market-based equity adjustments to many employees. Agency identified certain job categories as particularly hard to fill and retain (Engineering Technicians; Auditor); Population analysis also revealed some relatively low paid employees
	Agency Total	\$10,944,420	\$6,540,308	\$17,298,409	\$34,711,000	\$41,653,200	\$23,625,295	\$18,027,905	\$41,653,200	
	Higher Ed					\$41,200,000	\$20,600,000	\$20,600,000	\$41,200,000	
	NDSU Extension & Research					\$5,300,000	\$3,710,000	\$1,590,000	\$5,300,000	
	Unallocated					\$1,546,800	\$1,546,800	\$0	\$1,546,800	
	Grand Total	\$10,944,420.00	\$6,540,307.80	\$17,298,408.85	\$34,711,000.00	\$89,700,000.00	\$49,482,095.00	\$40,217,905.00	\$89,700,000.00	

Legend
Placeholder amount for agencies with limited input (2% of payroll)
Amounts carried forward to total
Items in white or light gray are for reference

88 CR = 88% Compa Ratio tells us the relation to salary and market policy point, which helps us identify where we have pockets of relatively low paid staff.

NORTH
Dakota
Be Legendary.

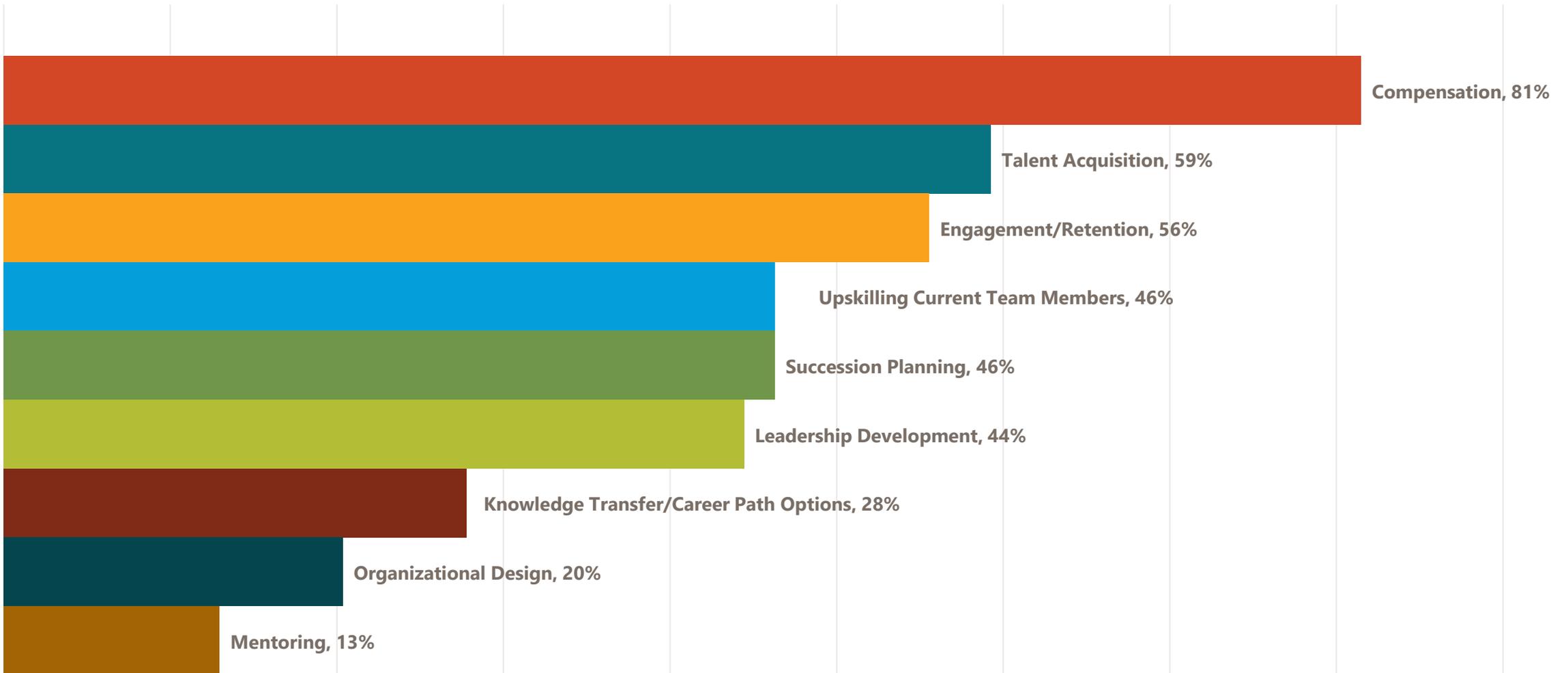
COMPENSATION &
EQUITY PACKAGE

January 23, 2023



2022 AGENCY WORKFORCE PRIORITIES

AS IDENTIFIED IN AGENCY STRATEGIC PLANS



From 2022 Agency Strategies as presented to Governor Burgum

TOTAL REWARDS TASKFORCE + COMMUNITY OF PRACTICE

TR Taskforce

Carry out issue identification, survey design, and survey/data analysis and recommendation

- **Human Resource Management Services (HRMS)**
Lynn Hart, Chad Kourajian, Hannah Wolf & Carlos Gomez
- **Department of Human Resources**
Tera Fried & Sara Kjos
- **Office of Management & Budget**
Becky Deichert & Brenda Weisz
- **Bank of North Dakota**
Ross Munns
- **Department of Water Resources**
Duane Pool & John Brintnell
- **Job Service North Dakota**
Jason Sutheimer
- **Insurance Department**
Rachel Kriege
- **ND Public Employees Retirement System (PERS)**
Rebecca Fricke

TOTAL REWARDS TASKFORCE + COMMUNITY OF PRACTICE

TR Community of Practice

- Adjutant General
- Attorney General
- Auditor
- Bank of North Dakota
- Commerce
- Counsel for Indigents
- Department of Environmental Quality
- Department of Health
- Department of Human Services
- Department of Corrections & Rehabilitation
- Department of Transportation
- Department of Public Instruction
- Department of Financial Institutions
- Game & Fish
- Governor's Office
- Historical Society
- Housing and Finance Agency
- Highway Patrol
- Insurance Department
- Information Technology
- Job Service
- Office of Management & Budget
- Parks & Recreation
- PERS
- Public Service Commission
- Securities Department
- Tax Department
- Trust Lands
- Veterans Affairs
- Veterans Home
- Department of Water Resources
- Workforce & Safety Insurance



DATA:

Continue to work with past data sources.

- National Compensation Association of State Governments (NCASG) Salary and Benefits
- JSND
- Custom Survey
- World at Work Salary Budget Survey

NEW sources of market data to better determine competitive issues.

- Mercer/Gartner IT
- Economic Research Institute (ERI, broad based)
- Zweig Group Engineering Report
- McLagan & CBIZ (investment and finance)
- Blanchard Consulting Group (banking)



TARGETED EQUITY PACKAGE

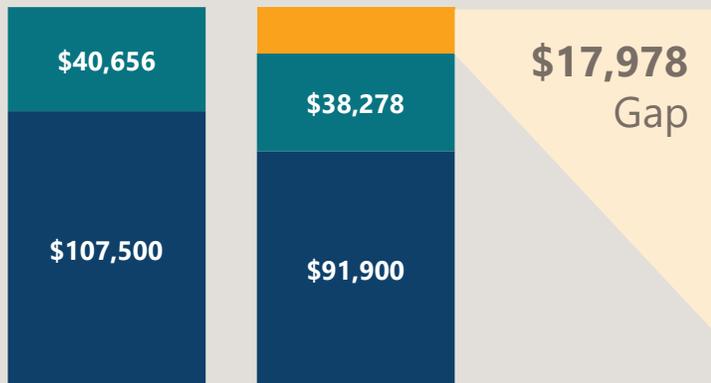
Addresses:

- Verifiable, significant market gaps for job categories
- Staffing issues with impact on services and operations
- Relatively low paid employees & agencies

■ Benefits
■ Salary



ATTORNEY II

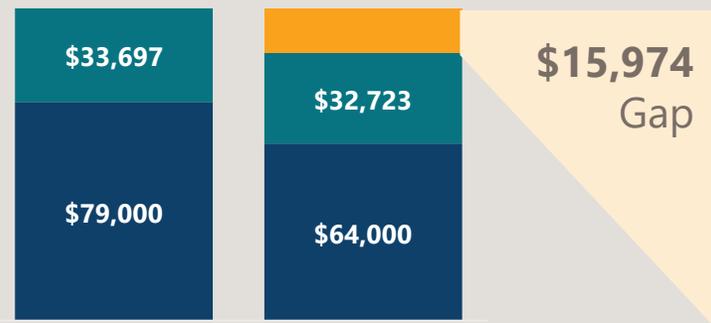


Private

State

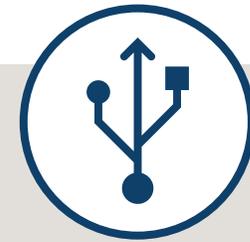


ENGINEER II

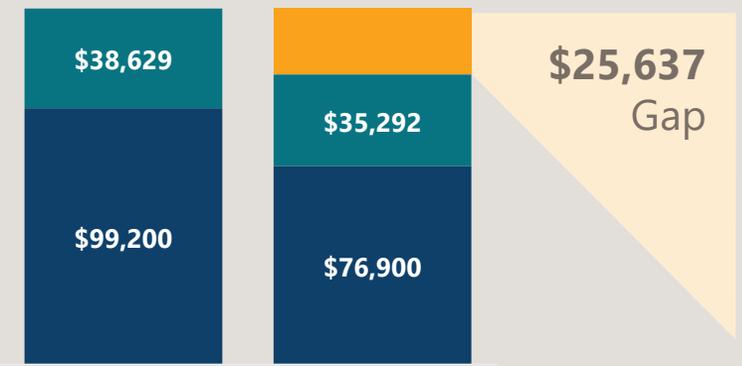


Private

State



INFORMATION SERVICES IV



Private

State



GENERAL PERFORMANCE INCREASE

6% 2023/4% 2024

Addresses:

- Positions below market
- Compression concerns
- Performance differentiation relative to recent programs
- Industry increases



3%

below ND market

8%

below national market

10%

below ND counties and cities

7%

below ND market by July 2023 (estimated)

RECENT SALARY PROGRAM HISTORY

- 2017 0%
- 2018 0%
- 2019 2% performance-based average, with a \$120 min. and a \$200 max.
- 2020 2.5% performance-based average
- 2021 1.5% performance-based average, with a \$100 min.
- 2022 2% performance-based average



BUDGET CHANGES

TOTAL REWARDS PACKAGE

\$300.86M Request



TARGETED EQUITY PACKAGE

EQUITY

one-time – prior to July 1, 2023

Cost: \$90M Total Funds
(\$49.3M = General Funds)



GENERAL PERFORMANCE INCREASE

6% / 4%

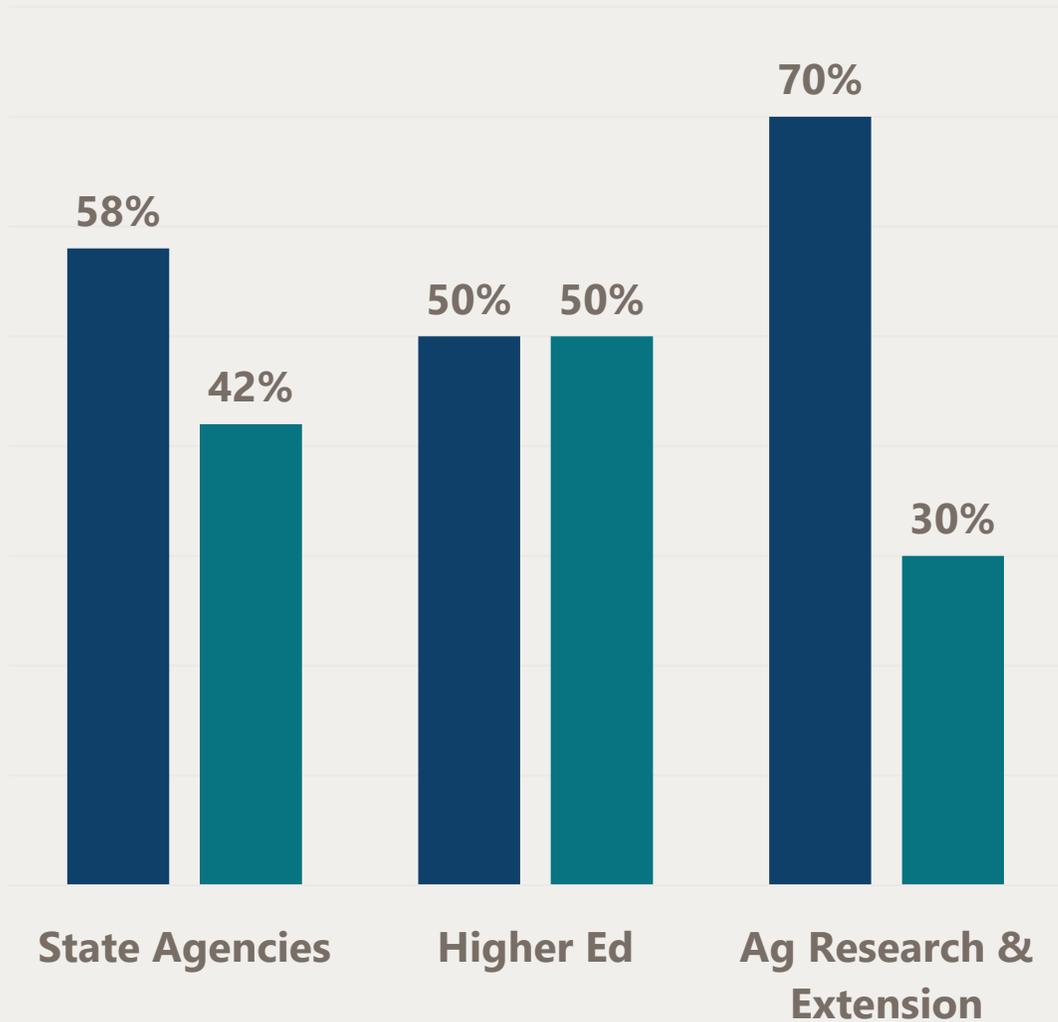
FY2024 / FY2025

Cost: \$210.86M Total Funds
(\$87.7M = General Funds)

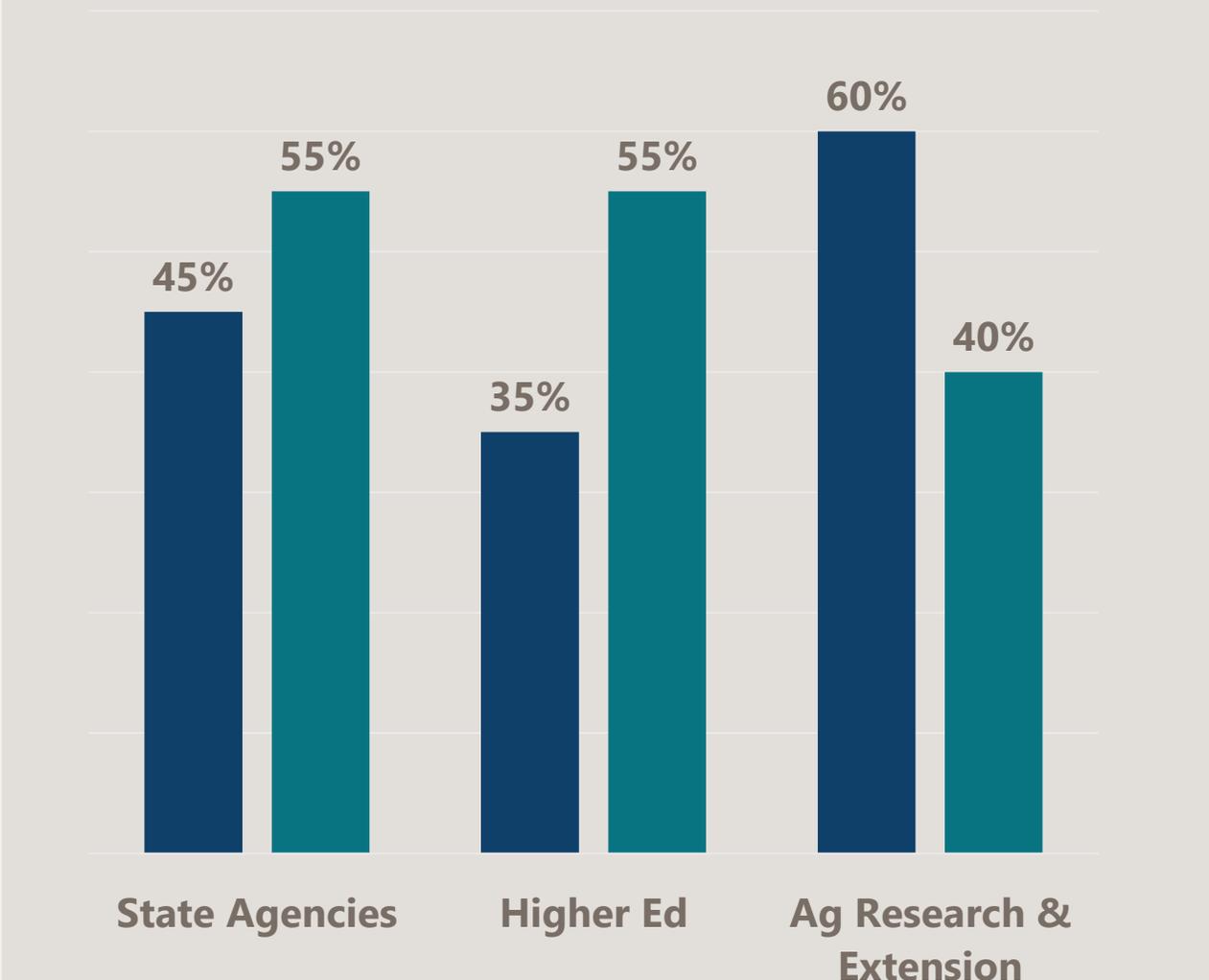
FUNDING SOURCE

■ General Funds ■ Other Funds

Proposed Equity Increase Funding



Proposed General Performance Increase Funding





STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
 BRIAN KROSHUS, COMMISSIONER

Senate Bill No. 2006
January 31, 2023

Agency Overview and Purpose

The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively.

Our office is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2021-2023 biennium, the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues.

The Agency has 118 Authorized Full Time Employees and hires temporary seasonal staff for tax processing season.

Optional Budget Request

Priority	Description	Agency Optional Request	Explanation
1	Salary & Wages Targeted Equity	1,723,308	Bring all Staff to 100% of Midpoint Salary Range Set by HRMS 07/01/22
2	GenTax Service	400,000	Continue Level III Maintenance - Total Funding \$4.4 million
3	GenTax Enhancements	500,000	System Enhancements to GenTax
4	Centralized Management Log	96,000	NDIT Centralized Management - Log Service required by IRS
5	Rent Capitol Space	614,654	Proposed Rent By Governor
Total		3,333,962	

- \$1,723,308 in an equity package adjustment plan to address salary inequities.
- \$400,000 to continue Level III Maintenance for GenTax which is the software used to collect 90% of General Fund Revenue for the state.
- \$500,000 to support an additional 2,500 hours of GenTax software programming costs which will allow us to enhance citizen experience, promote electronic filing, improve fraud detection, and further heighten security as well as addressing other needs not currently covered in our current general maintenance contract.
- \$96,000 to cover a Centralized Log Management System required by NDIT for safeguards to meet IRS IT security requirements.
- \$614,654 to cover rent charged by OMB for Capitol space.

23.0260.01003
 Title.
 Fiscal No. 3

Prepared by the Legislative Council staff for
 Senator Wanzek
 February 2, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, after "credit" insert "; to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel; to amend and reenact section 57-01-04 and subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code, relating to the salary of the state tax commissioner and use tax exemptions"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfer" insert "; and to provide an effective date"

Page 1, replace lines 12 through 22 with:

"	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,647,593	\$70,888,909
Full-time equivalent positions	118.00	(1.00)	117.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	\$0	\$500,000
Total general fund	\$0	\$500,000

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~twenty-nine thousand ~~eight~~two hundred ~~fourteen~~twenty dollars through

June 30, 2022~~2024~~, and one hundred ~~twenty-four~~thirty-four thousand ~~two~~three hundred ~~fifty~~eighty-nine dollars thereafter.

SECTION 6. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Sales and use tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel.

1. As used in this section, "renewable feedstock" means ethanol and other types of feedstock from renewable sources.
2. Gross receipts from sales of tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel are exempt from taxes under this chapter.
3. The exemption may be received only at the time of purchase. To receive the exemption, the owner of the facility must receive from the tax commissioner a certificate indicating the tangible personal property the owner intends to purchase to construct, expand, or upgrade the facility qualifies for the exemption under this section.
4. This chapter and chapter 57-40.2 apply to an exemption under this section.

SECTION 7. AMENDMENT. Subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code is amended and reenacted as follows:

3. The tax imposed by this section does not apply to:
 - a. Production equipment or tangible personal property as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.2₂.
 - b. Machinery, equipment, or other tangible personal property used to construct an agricultural commodity processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.3 or 57-39.2-04.4₂.
 - c. Tangible personal property used to construct or expand a system used to compress, process, gather, or refine gas recovered from an oil or gas well in this state or used to expand or build a gas-processing facility in this state as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.5₂.
 - d. Tangible personal property used to construct or expand a qualifying oil refinery as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.6₂.
 - e. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.10₂.
 - f. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.11₂.

- g. Materials used in compressing, gathering, collecting, storing, transporting, or injecting carbon dioxide for use in enhanced recovery of oil or natural gas as provided in section 57-39.2-04.14.
- h. Tangible personal property used to construct a qualifying fertilizer or chemical processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.15.
- i. Tangible personal property used to construct a qualified straddle plant, a qualified fractionator, or qualified associated infrastructure as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.16.
- j. Tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel as authorized or approved by the tax commissioner under section 6 of this Act.

SECTION 8. EFFECTIVE DATE. Sections 6 and 7 of this Act are effective for taxable events occurring after June 30, 2023."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,647,593	\$70,888,909
FTE	118.00	(1.00)	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Removes an FTE Position ³	Adds Funding for Operating Expenses ⁴	Adds Funding for Tax Credit Programs ⁵	Adds One-Time Funding for IT Costs ⁶
Salaries and wages	\$159,434	\$1,663,353	(\$167,444)			
Operating expenses				\$1,147,250		\$500,000
Capital assets						
Homestead tax credit					\$900,000	
Disabled veterans' credit					2,445,000	
Total all funds	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,655,343
Operating expenses	1,647,250
Capital assets	
Homestead tax credit	900,000
Disabled veterans' credit	2,445,000
Total all funds	\$6,647,593
Less estimated income	0
General fund	\$6,647,593
FTE	(1.00)

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	552,545	0	552,545
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$167,444 from the general fund and 1 undesignated vacant FTE position are removed.

⁴ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁵ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁶ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

This amendment also adds sections to:

- Provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$129,220 (4 percent) effective July 1, 2023, and to \$134,389 (4 percent) effective July 1, 2024.
- Create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide an effective date related to the exemption.

2/3

23.0260.01002
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee
February 2, 2023

Fiscal No. 2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, after "credit" insert "; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the salary of the state tax commissioner"

Page 1, replace lines 12 through 22 with:

"	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,647,593	\$70,888,909
Full-time equivalent positions	118.00	(1.00)	117.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	\$0	\$500,000
Total general fund	\$0	\$500,000

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~twenty-nine thousand ~~eight~~two hundred ~~fourteen~~twenty dollars through June 30, ~~2022~~2024, and one hundred ~~twenty-four~~thirty-four thousand ~~two~~three hundred ~~fifty~~eighty-nine dollars thereafter."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,647,593	\$70,888,909
FTE	118.00	(1.00)	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Removes an FTE Position ³	Adds Funding for Operating Expenses ⁴	Adds Funding for Tax Credit Programs ⁵	Adds One-Time Funding for IT Costs ⁵
Salaries and wages	\$159,434	\$1,663,353	(\$167,444)			
Operating expenses				\$1,147,250		\$500,000
Capital assets						
Homestead tax credit					\$900,000	
Disabled veterans' credit					2,445,000	
Total all funds	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,655,343
Operating expenses	1,647,250
Capital assets	
Homestead tax credit	900,000
Disabled veterans' credit	2,445,000
Total all funds	\$6,647,593
Less estimated income	0
General fund	\$6,647,593
FTE	(1.00)

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	General Fund	Other Funds	Total
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	552,545	0	552,545
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$167,444 from the general fund and 1 undesigned vacant FTE position are removed.

⁴ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁵ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁶ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

A section is added to provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$129,220 (4 percent) effective July 1, 2023, and to \$134,389 (4 percent) effective July 1, 2024.

**Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434				\$0
Salary increase		1,484,574		1,484,574		1,110,808		1,110,808		(373,766)		(373,766)
Health insurance increase		540,120		540,120		552,545		552,545		12,425		12,425
Increase in ITD rates		36,596		36,596		36,596		36,596				0
Increases funding for GenTax support		400,000		400,000		400,000		400,000				0
Increases funding for IT data processing		96,000		96,000		96,000		96,000				0
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654				0
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000				0
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000				0
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378	0.00	\$6,315,037	\$0	\$6,315,037	0.00	(\$361,341)	\$0	(\$361,341)
One-Time Funding Items												
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		500,000		500,000				0
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378	0.00	\$6,815,037	\$0	\$6,815,037	0.00	(\$361,341)	\$0	(\$361,341)
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694	118.00	\$71,056,353	\$125,000	\$71,181,353	0.00	(\$361,341)	\$0	(\$361,341)
<i>Federal funds included in other funds</i>			\$125,000				\$125,000				\$0	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%	0.0%	9.8%	0.0%	9.8%				
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%	0.0%	10.6%	0.0%	10.6%				

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation	Senate Version
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$129,220 (4 percent) effective July 1, 2023, and to \$134,389 (4 percent) effective July 1, 2024.

23.0260.01001
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee

Fiscal No. 1

January 31, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, after "credit" insert "; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the salary of the state tax commissioner"

Page 1, replace lines 12 through 22 with:

	<u>Base Level</u>	<u>"Adjustments or Enhancements"</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,822,787	\$24,416,983
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,815,037	\$71,181,353
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,815,037	\$71,056,353
Full-time equivalent positions	118.00	0.00	118.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	<u>\$0</u>	<u>\$500,000</u>
Total general fund	<u>\$0</u>	<u>\$500,000</u>

The 2023-25 biennium one-time funding amounts are not a part of the entities base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~twenty-nine thousand ~~eight~~two hundred ~~fourteen~~twenty dollars through June 30, ~~2022~~2024, and one hundred ~~twenty-four~~thirty-four thousand ~~two~~three hundred ~~fifty~~eighty-nine dollars thereafter."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,822,787	\$24,416,983
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,815,037	\$71,181,353
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,815,037	\$71,056,353
FTE	118.00	0.00	118.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries¹	Adds Funding for Salary and Benefit Increases²	Adds Funding for Operating Expenses³	Adds Funding for Tax Credit Programs⁴	Adds One-Time Funding for IT Costs⁵	Total Senate Changes
Salaries and wages	\$159,434	\$1,663,353				\$1,822,787
Operating expenses			\$1,147,250		\$500,000	1,647,250
Capital assets						
Homestead tax credit				\$900,000		900,000
Disabled veterans' credit				2,445,000		2,445,000
Total all funds	\$159,434	\$1,663,353	\$1,147,250	\$3,345,000	\$500,000	\$6,815,037
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	\$1,147,250	\$3,345,000	\$500,000	\$6,815,037
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	General Fund	Other Funds	Total
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	552,545	0	552,545
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁴ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁵ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

A section is added to provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$129,220 (4 percent) effective July 1, 2023, and to \$134,389 (4 percent) effective July 1, 2024.

23.0260.01004
Title.
Fiscal No. 4

Prepared by the Legislative Council staff for
Senator Wanzek
February 6, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2006

Page 1, line 3, after "credit" insert "; to create and enact a new section to chapter 57-39.2 of the North Dakota Century Code, relating to a sales tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel; to amend and reenact section 57-01-04 and subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code, relating to the salary of the state tax commissioner and use tax exemptions"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfer" insert "; to provide an effective date; and to provide an expiration date"

Page 1, replace lines 12 through 22 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$6,647,593	\$70,888,909
Full-time equivalent positions	118.00	(1.00)	117.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Information technology enhancements	\$0	\$500,000
Total general fund	\$0	\$500,000

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state tax commissioner shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, after line 10, insert:

"SECTION 5. 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 ~~twenty-one~~twenty-nine thousand ~~eight~~two hundred ~~fourteen~~twenty dollars through

June 30, ~~2022~~2024, and one hundred ~~twenty-four~~thirty-four thousand ~~two~~three hundred ~~fifty~~eighty-nine dollars thereafter.

SECTION 6. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Sales and use tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel.

1. As used in this section, "renewable feedstock" means ethanol and other types of feedstock from renewable sources.
2. Gross receipts from sales of tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel are exempt from taxes under this chapter.
3. The exemption may be received only at the time of purchase. To receive the exemption, the owner of the facility must receive from the tax commissioner a certificate indicating the tangible personal property the owner intends to purchase to construct, expand, or upgrade the facility qualifies for the exemption under this section.
4. This chapter and chapter 57-40.2 apply to an exemption under this section.

SECTION 7. AMENDMENT. Subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code is amended and reenacted as follows:

3. The tax imposed by this section does not apply to:
 - a. Production equipment or tangible personal property as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.2₁.
 - b. Machinery, equipment, or other tangible personal property used to construct an agricultural commodity processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.3 or 57-39.2-04.4₁.
 - c. Tangible personal property used to construct or expand a system used to compress, process, gather, or refine gas recovered from an oil or gas well in this state or used to expand or build a gas-processing facility in this state as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.5₁.
 - d. Tangible personal property used to construct or expand a qualifying oil refinery as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.6₁.
 - e. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.10₁.
 - f. Tangible personal property used to construct or expand a qualifying facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.11₁.

- g. Materials used in compressing, gathering, collecting, storing, transporting, or injecting carbon dioxide for use in enhanced recovery of oil or natural gas as provided in section 57-39.2-04.14;
- h. Tangible personal property used to construct a qualifying fertilizer or chemical processing facility as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.15;
- i. Tangible personal property used to construct a qualified straddle plant, a qualified fractionator, or qualified associated infrastructure as authorized or approved for exemption by the tax commissioner under section 57-39.2-04.16.
- j. Tangible personal property used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel as authorized or approved by the tax commissioner under section 6 of this Act.

SECTION 8. EFFECTIVE DATE - EXPIRATION DATE. Sections 6 and 7 of this Act are effective for taxable events occurring after June 30, 2023, and remain effective until June 30, 2025, after which sections 6 and 7 become ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$22,594,196	\$1,655,343	\$24,249,539
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000		6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' credit	16,300,000	2,445,000	18,745,000
Total all funds	\$64,366,316	\$6,647,593	\$71,013,909
Less estimated income	125,000	0	125,000
General fund	\$64,241,316	\$6,647,593	\$70,888,909
FTE	118.00	(1.00)	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Removes an FTE Position ³	Adds Funding for Operating Expenses ⁴	Adds Funding for Tax Credit Programs ⁵	Adds One-Time Funding for IT Costs ⁶
Salaries and wages	\$159,434	\$1,663,353	(\$167,444)			
Operating expenses				\$1,147,250		\$500,000
Capital assets						
Homestead tax credit					\$900,000	
Disabled veterans' credit					2,445,000	
Total all funds	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
Less estimated income	0	0	0	0	0	0
General fund	\$159,434	\$1,663,353	(\$167,444)	\$1,147,250	\$3,345,000	\$500,000
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,655,343
Operating expenses	1,647,250
Capital assets	
Homestead tax credit	900,000
Disabled veterans' credit	2,445,000
Total all funds	\$6,647,593
Less estimated income	0
General fund	\$6,647,593
 FTE	 (1.00)

¹ Funding is added from the general fund for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$1,110,808	\$0	\$1,110,808
Health insurance increase	<u>552,545</u>	<u>0</u>	<u>552,545</u>
Total	\$1,663,353	\$0	\$1,663,353

³ Funding of \$167,444 from the general fund and 1 undesignated vacant FTE position are removed.

⁴ Funding of \$1,147,250 is added from the general fund for the following operating expenses:

- \$36,596 for increases in Information Technology Department rates;
- \$400,000 for GenTax support to provide total funding of \$4.4 million;
- \$96,000 for information technology data processing; and
- \$614,654 for a new Capitol space rent model.

⁵ Funding of \$3,345,000 is added from the general fund to increase the funding for the homestead tax credit program by \$900,000, from \$18,000,000 to \$18,900,000, and to increase the funding for the disabled veterans' tax credit program by \$2,445,000, from \$16,300,000 to \$18,745,000.

⁶ One-time funding of \$500,000 is added from the general fund for GenTax support enhancements.

This amendment also adds sections to:

- Provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$129,220 (4 percent) effective July 1, 2023, and to \$134,389 (4 percent) effective July 1, 2024.
- Create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide effective and expiration dates related to the exemption.

Prepared for the Senate Appropriations Committee

**Department 127 - Tax Commissioner
Senate Bill No. 2006**

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 Executive Budget	\$71,417,694	\$125,000	\$71,542,694
2023-25 Base Level	64,241,316	125,000	64,366,316
Increase (Decrease)	\$7,176,378	\$0	\$7,176,378

Selected Budget Changes Recommended in the Executive Budget

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$1,484,574 is for salary increases and \$540,120 is for health insurance increases	\$2,024,694	\$0	\$2,024,694
2. Increases funding for GenTax support services to provide total funding of \$4.4 million	\$400,000	\$0	\$400,000
3. Adds funding for a new Capitol space rent model	\$614,654	\$0	\$614,654
4. Increases funding for the homestead tax credit program to provide total funding of \$18 million	\$900,000	\$0	\$900,000
5. Increases funding for the disabled veterans' tax credit program to provide total funding of \$18,745,000	\$2,445,000	\$0	\$2,445,000
6. Adds one-time funding for GenTax support enhancements	\$500,000	\$0	\$500,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Line item transfers - Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.

Motor vehicle fuel tax revenue transfer - Section 4 would provide for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

Continuing Appropriations

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

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2021-22 interim identified an opportunity to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

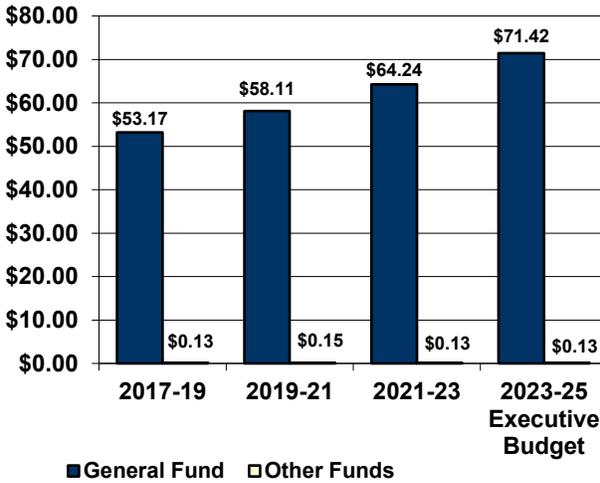
Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

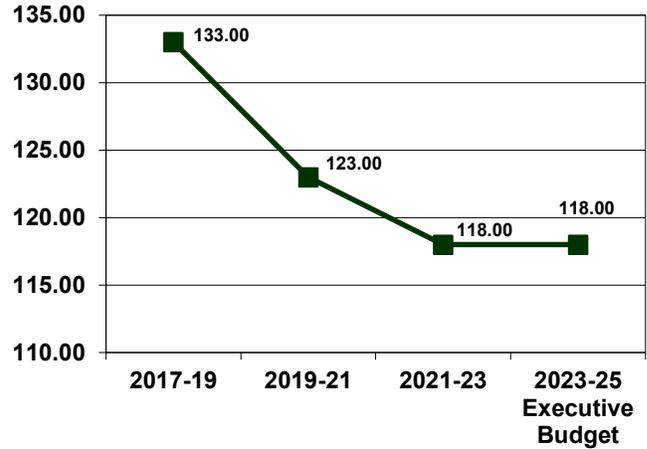
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$54,912,488	\$51,264,499	\$54,071,616	\$64,241,316	\$70,917,694
Increase (decrease) from previous biennium	N/A	(\$3,647,989)	\$2,807,117	\$10,169,700	\$6,676,378
Percentage increase (decrease) from previous biennium	N/A	(6.6%)	5.5%	18.8%	10.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(6.6%)	(1.5%)	17.0%	29.1%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 (IT) software support \$300,589
4. Increased funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium

1. Removed 5 undesignated unfunded FTE vacant positions and reduced funding for salaries and wages for anticipated savings from vacant positions and employee turnover (\$1,074,515)
2. Increased funding for GenTax IT software support \$294,339
3. Increased funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$7,889,800) \$10,089,800

2023-25 Biennium (Executive Budget Recommendation)

1. Increases funding for GenTax support to provide total funding of \$4.4 million \$400,000
2. Adds funding for a new Capitol space rent model \$614,654
3. Increases funding for the homestead tax credit program to provide total funding of \$18 million \$900,000

4. Increases funding for the disabled veterans' tax credit program to provide total funding of \$2,445,000
 \$18,745,000

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$8,000	\$1,910,000	\$4,040,000	\$0	\$500,000

Major One-Time General Fund Appropriations

2017-19 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1,212,000) and the disabled veterans' tax credit program (\$698,000) \$1,910,000

2019-21 Biennium

1. Provided a deficiency appropriation for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million) \$4,040,000

2021-23 Biennium

1. None \$0

2023-25 Biennium (Executive Budget Recommendation)

1. Adds one-time funding for GenTax support enhancements \$500,000

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE	General	Other	Total
	Positions	Fund	Funds	
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes				
Cost to continue salary increases		\$159,434		\$159,434
Salary increase		1,484,574		1,484,574
Health insurance increase		540,120		540,120
Increase in ITD rates		36,596		36,596
Increases funding for GenTax support		400,000		400,000
Increases funding for IT data processing		96,000		96,000
Adds funding for a new Capitol space rent model		614,654		614,654
Increases funding for the homestead tax credit		900,000		900,000
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378
One-time funding items				
Adds one-time funding for GenTax support		\$500,000		\$500,000
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694
<i>Federal funds included in other funds</i>			\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

SENATE BILL NO. 2006
(Governor’s Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans’ tax credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the salary of the state tax commissioner; to provide an exemption; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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’ tax credit, for the biennium beginning July 1, 2023 and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$22,594,196	\$2,184,128	\$24,778,324
Operating Expenses	7,466,120	1,647,250	9,113,370
Capital Assets	6,000	0	6,000
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total All Funds	\$64,366,316	\$7,176,378	\$71,542,694
Less Estimated Income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total General Fund	\$64,241,316	\$7,176,378	\$71,417,694
Full-time Equivalent Positions	118.00	0.00	118.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
GenTax Service Consultant	<u>\$0</u>	<u>\$500,000</u>
Total General Fund	\$0	\$500,000

SECTION 3. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, 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 4. MOTOR VEHICLE FUEL TAX REVENUE 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 \$1,844,424 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, 2023, and ending June 30, 2025.

SECTION 5. 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 twenty one thousand eight hundred fourteen dollars through June 30, 2022, and one hundred twenty four thousand two hundred fifty dollars~~ one hundred thirty-one thousand seven hundred five dollars through June 30, 2024, and one hundred thirty-six thousand nine hundred seventy-three dollars thereafter.

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes								
Cost to continue salary increases		\$159,434		\$159,434				\$0
Salary increase		1,484,574		1,484,574				0
Health insurance increase		540,120		540,120				0
Increase in ITD rates		36,596		36,596				0
Increases funding for GenTax support		400,000		400,000				0
Increases funding for IT data processing		96,000		96,000				0
Adds funding for a new Capitol space rent model		614,654		614,654				0
Increases funding for the homestead tax credit		900,000		900,000				0
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000				0
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378	0.00	\$0	\$0	\$0
One-Time Funding Items								
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000				0
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378	0.00	\$0	\$0	\$0
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694	118.00	\$64,241,316	\$125,000	\$64,366,316
<i>Federal funds included in other funds</i>			\$125,000				\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%	0.0%	0.0%	0.0%	0.0%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation	Senate Version
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.	
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.	

**Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434				\$0
Salary increase		1,484,574		1,484,574		1,110,808		1,110,808		(373,766)		(373,766)
Health insurance increase		540,120		540,120		552,545		552,545		12,425		12,425
Removes an undesignated vacant FTE position				0	(1.00)	(167,444)		(167,444)	(1.00)	(167,444)		(167,444)
Adds funding for Tax Commissioner salary equity increase				0		859		859		859		859
Increase in ITD rates		36,596		36,596		36,596		36,596				0
Increases funding for GenTax support		400,000		400,000		400,000		400,000				0
Increases funding for IT data processing		96,000		96,000		96,000		96,000				0
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654				0
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000				0
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000				0
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378	(1.00)	\$6,148,452	\$0	\$6,148,452	(1.00)	(\$527,926)	\$0	(\$527,926)
One-Time Funding Items												
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		500,000		500,000				0
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378	(1.00)	\$6,648,452	\$0	\$6,648,452	(1.00)	(\$527,926)	\$0	(\$527,926)
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694	117.00	\$70,889,768	\$125,000	\$71,014,768	(1.00)	(\$527,926)	\$0	(\$527,926)
<i>Federal funds included in other funds</i>			\$125,000				\$125,000				\$0	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%	(0.8%)	9.6%	0.0%	9.6%				
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%	(0.8%)	10.3%	0.0%	10.3%				

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation	Senate Version
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.



Testimony of Samantha Vangsness
Executive Director
North Dakota Ethanol Producers Association

In Support of SB 2006
March 15, 2023

Chairman Monson and members of the House Appropriations Committee- Government Operations Division:

Thank you for the opportunity to testify before you today, I am Samantha Vangsness. I am executive director for the North Dakota Ethanol Producers Association (NDEPA), which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. I am here today on behalf of NDEPA to voice support for SB 2006, which adds a sale and use tax exemption for materials used to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel (SAF).

North Dakota's ethanol industry contributes nearly \$1.7 billion annually to the state's economy and provides thousands of direct and indirect jobs. It converts 40-60% of the state's corn crop into 550 million gallons of high-performance, cost-effective fuel (ethanol); 1.5 million tons of high-quality livestock feed (distillers grains); and 20 million gallons of corn oil which is a low carbon feedstock for renewable diesel production. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity of 550 million gallons per year is more than five times the production a decade ago.

North Dakota's ethanol plants are continually improving in efficiency and diversification to ensure sustainability and respond to the needs of our customers. Most recently, several plants have worked to lower the carbon intensity of our fuel by implementing carbon capture and

storage projects. SAF is a promising opportunity that would open a new market for low carbon North Dakota ethanol. Demand for SAF will only grow over time as the aviation industry works to decrease its carbon footprint. North Dakota is in a great position to capitalize on this growing market. In fact, Midwest AgEnergy, which operates two plants in North Dakota, is currently engaged in evaluating the potential to produce SAF from low carbon ethanol. Other plants have also expressed interest. The sales and use tax exemption outlined in this bill would assist in this effort.

NDEPA greatly appreciates the work done by the Senate to add the sales and use tax exemption as these types of state incentives are important to making our state an attractive location for a SAF project.

Thank you for your continued support of the state's ethanol industry and we urge your support of SB 2006. Thank you for your time, and I stand for any questions you may have.



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
BRIAN KROSHUS, COMMISSIONER

Senate Bill No. 2006
March 15, 2023

BUDGET PRESENTATION

HOUSE APPROPRIATIONS – GOVERNMENT OPERATIONS COMMITTEE

REPRESENTATIVE DAVID MONSON, CHAIRMAN

Agency Overview and Purpose

The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively.

Our office is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2021-2023 biennium, the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues.

The Office of State Tax Commissioner collects and administers over 30 tax types, including local taxes administered on behalf of and allocated to political subdivisions.

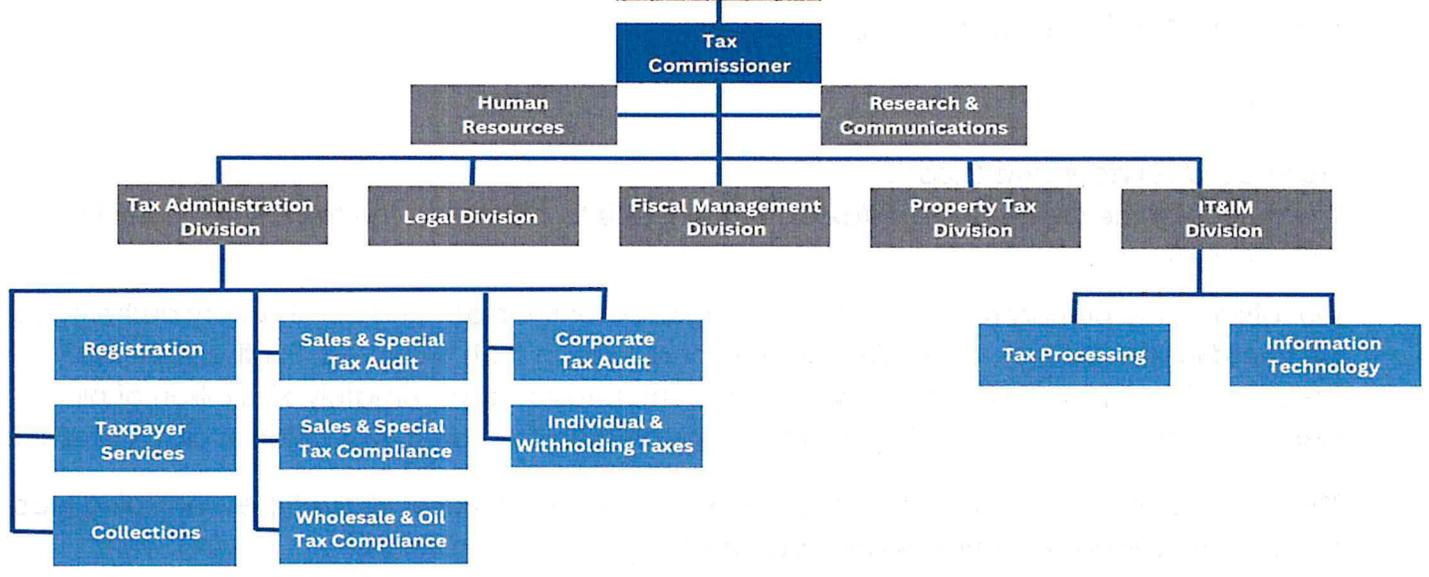
Certain taxes, such as electric transmission lines, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties providing an important source of revenue for local government.

Our agency serves as an informative resource to taxpayers, effectively and efficiently processes returns, analyzes statistical data, conducts discovery work, and conducts audits to ensure statutory compliance.

Information about the purpose and function of each of our divisions can be found in the following organizational chart.

Organizational Chart
118 Funded FTEs

**NORTH DAKOTA OFFICE OF
STATE TAX COMMISSIONER**



Audit Findings

The operational audit for the Office of State Tax Commissioner conducted by the State Auditor's Office during the 2021-2023 interim identified no significant findings and one recommendation that "The Tax Commissioner has an opportunity to enhance monitoring procedures to confirm eligibility determined by counties for two types of property tax credits." The two tax credits noted were the Homestead Property Tax Credit and Disabled Veterans Tax Credit. The Office of State Tax Commissioner appreciates the recommendation.

Accomplishments

In addition to effectively and efficiently collecting revenue for the state, the Office of State Tax Commissioner has achieved numerous, important objectives this biennium.

- **Enhancing Citizen Experience – GenTax and ND Taxpayer Access Point (ND TAP)**
Platform improvements continue to enhance citizen experience and incentivizes use of our digital channels to support:
 - **Digital Transformation** – Transitioning taxpayers to electronic filing. Tax types currently converting to fully digital reporting by the end of 2023 include sales and use tax, local lodging and restaurant tax, motor fuels tax, prepaid wireless, and income tax withholding.
 - **Unclaimed Checks** – Implementation of new processes and digital enhancements has resulted in a more effective reissuance of checks to taxpayers. In 2022 alone, our efforts generated the return of \$577,230 to 692 taxpayers.
 - **Website Enhancement** – Shifting to a new web platform in 2022 has improved navigation, content placement and improved user access to tax information.
 - **Artificial Intelligence (AI) Chatbot** - The launch of "Teddy," our AI assistant/chatbot for ND TAP, has generated more than 19,500 interactions with questions from users, and provided almost 27,000 responses.
- **Single Point of Entry** – Creation of a single point of entry at the State Capitol has significantly enhanced customer service.
- **Reduction in Office Space** – Our agency reduced its physical footprint in July of 2021 by shifting 16 FTEs from the State Library to within the Capitol tower, utilizing existing office space.
- **Encourage & Verify Compliance** – Continued work to ensure taxpayers remain in compliance with tax laws by performing audits and compliance reviews. During the 2021-2023 biennium, over 1,000 sales and corporate audits were conducted with assessments of over \$90.0 million.
- **IT Security** – Continued focus on partnerships with the IRS, tax industry and other stakeholders supports our mission of keeping taxpayer information confidential and secure.
- **Remote & Marketplace Seller Taxation** – Instituted new processes to identify and register out-of-state sellers doing business in North Dakota because of the Supreme Court decision in June 2018, South Dakota v. Wayfair, that overturned the physical presence requirements or sales tax collection and remittance. This has resulted in an additional \$219 million in total collections as of June 2022.

Challenges

Future challenges affecting the Office of State Tax Commissioner include:

Digital Transformation Funding – Support for Integrated Systems - Approximately 50 percent of the department's operating budget is dedicated to IT contractual services for the integrated tax system (GenTax) and Taxpayer Access Point (ND TAP). These platforms are the core of our customer service activities and tax return processing system.

The complexity and depth of GenTax requires ongoing support from FAST Enterprises (FAST) to maintain GenTax and ND TAP and to ensure we remain current from a technology and security standpoint. Investment in the current "Service Level 3" has allowed implementation of services like the ND Taxpayer Access Point, the addition of an AI assistant (Teddy), upgrades, and other core services at no additional cost.

Enhancing existing processes in GenTax, and the introduction of new tax types into the system, or citizen experience enhancements, improves the overall customer digital experience. These types of improvements/enhancements are not covered by our current maintenance contract and are included in our change package request.

Also, the addition of new tax types or changes to existing tax types creates two critical issues:

- 1) the need for additional staff to administer
- 2) technology enhancements requirements and customization to Gen Tax not currently covered under our maintenance contract (ex., legislative changes related to tax policy, changes to oil taxation, etc.)

Cybersecurity Threats - Safeguarding taxpayer information and data are vital functions of our IT infrastructure. Our agency is tasked with safeguarding both physical documents and IT systems where taxpayer data is stored. Growing threats related to identity theft and cyber-crime requires that our agency proactively and constantly address and implement new cybersecurity measures.

The Internal Revenue Service requires the Office of State Tax Commissioner to have log management protocol that is managed for the agency by NDIT. Safeguarding data protects the public and is an investment in taxpayer trust.

Workforce Recruitment & Retention – Salary adjustments have not kept pace with the market. Consequently, we have struggled with staff retention and recruitment. This has been especially pronounced in the current, high inflation environment.

The Office of State Tax Commissioner continues to be adversely impacted by lack of competitive salary increases over the past several biennia. These impacts have put various positions, including auditor and compliance, at a competitive disadvantage from a pay standpoint impeding our ability to attract and retain staff.

Tax knowledge is a specialized skillset for virtually all position types at our agency. It is imperative that salaries and the benefit package remain competitive, enabling us to recruit and retain the expertise required to best serve the citizens of the state.

Equally important is the need for resources to support continued training of our team members, an investment in them and our agency.

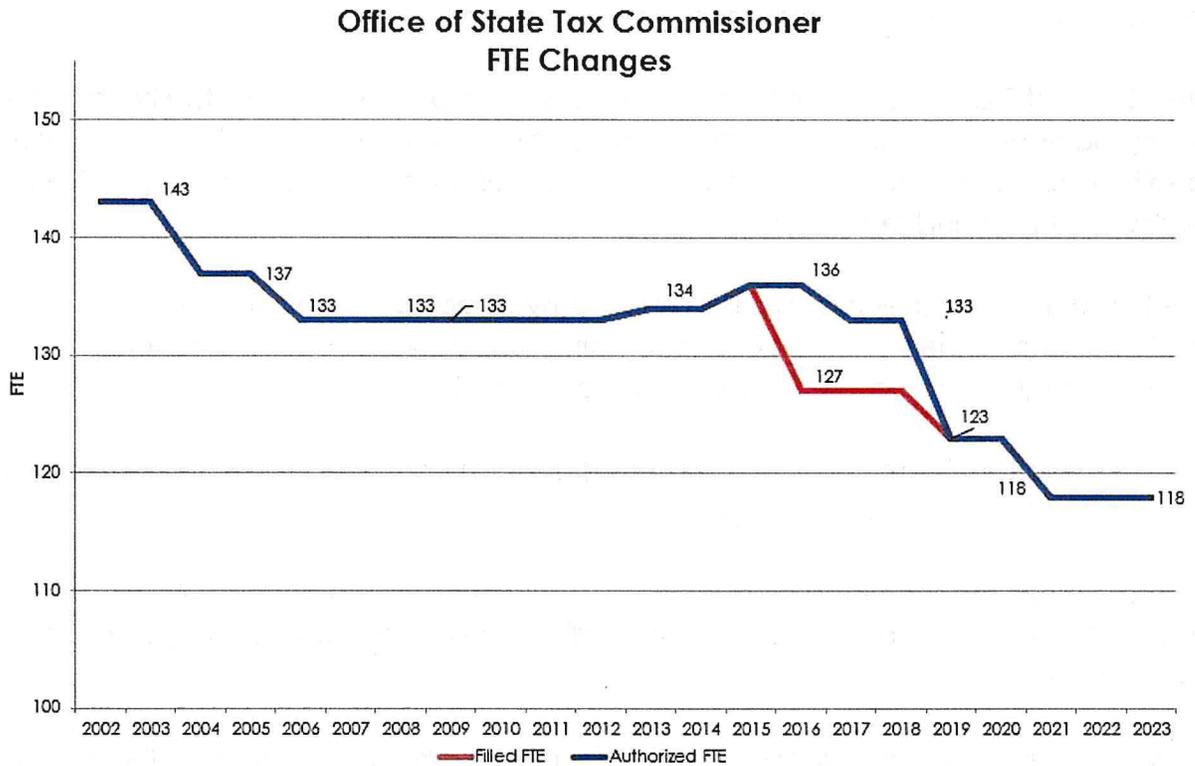
As more filings are submitted electronically, staffing needs also change. As we continue to transition to digital filing, the need for new skillsets and corresponding wages to support those positions exists.

As the primary revenue collection agency for North Dakota, it is important that we remain adequately and effectively staffed to:

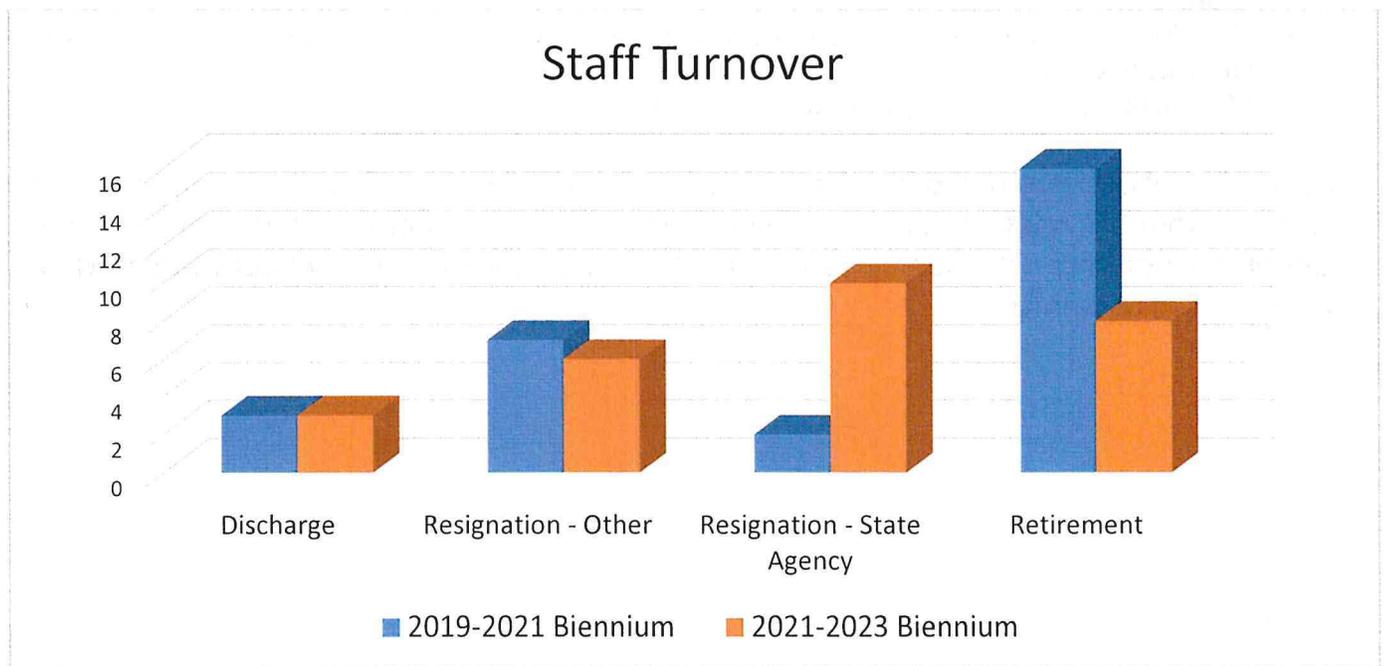
- Provide exceptional customer service.
- Meet citizen (taxpayer) expectations - Processing returns in an accurate and timely manner.
- Conduct appropriate audits and compliance activities to ensure compliance with North Dakota tax laws.
- Effectively and efficiently implement new tax laws.

The number of positions authorized for the agency has declined significantly over the past two decades, from 143 in 2002 to 118 in the current biennium. Reduction in staff has been possible through restructuring, advancements in technology and implementation of our integrated tax system known as GenTax.

Long-term history of the staffing level for the Office of State Tax Commissioner:



Staff turnover analysis:



Agency Funding Request and Comparisons to 2021-2023 Biennium

Description/ Object Series	2021-23 Legislative Base Budget	2021-23 Appropriation Total	Percent of Total
Salaries & Wages	22,867,956	22,594,196	75.0%
Operating Expenses	7,112,460	7,466,120	24.8%
Capital Assets	6,000	6,000	0.2%
Total	29,986,416	30,066,316	100%

As an administrative agency we rely heavily on staff to meet our statutory obligation and perform work the legislature has directed us to do. In direct correlation to that responsibility, approximately 75 percent of the current biennium operating budget is for salaries and wages. The appropriation for salaries and wages for the 2021-23 biennium is \$22.5 million.

The Office of State Tax Commissioner is authorized for 118 full-time equivalent positions for the 2021-23 biennium. Due to retirements of long-tenured employees and hiring delays related to the competitive recruitment environment, budget savings in salaries will be generated in the current biennium.

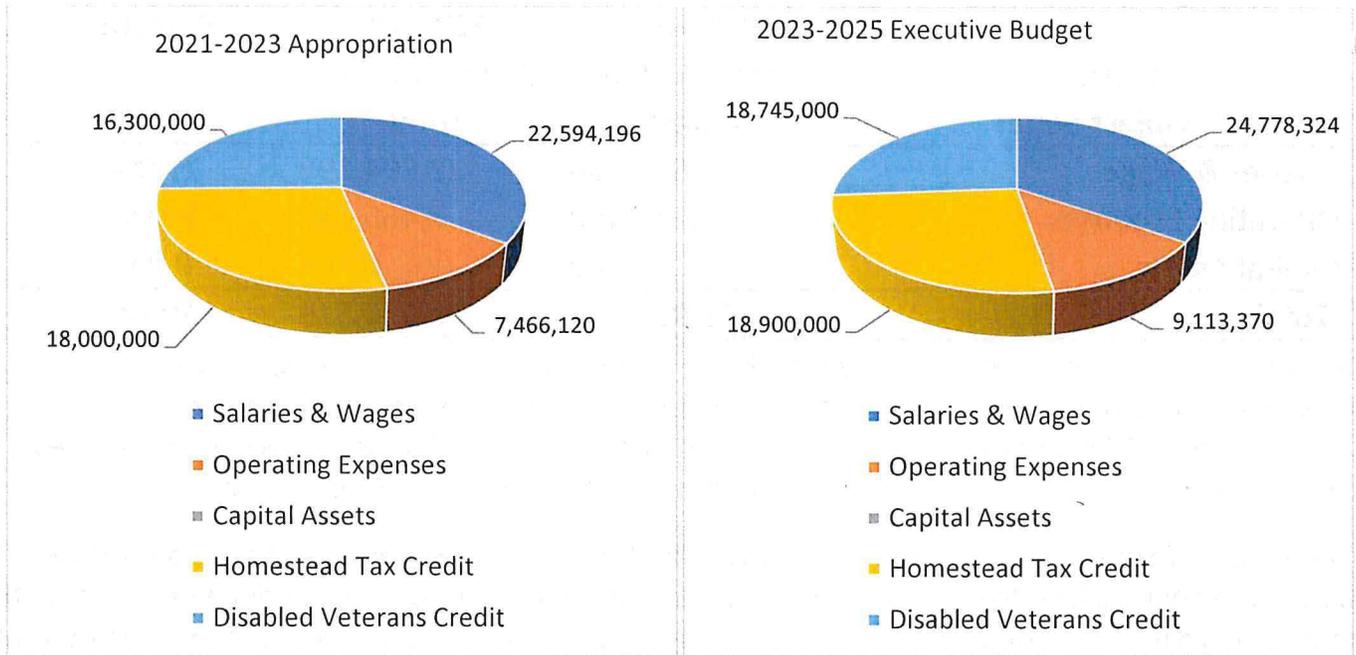
2021-23 Estimated Spending

The Office of State Tax Commissioner has analyzed estimated expenditures and the following unspent amounts are anticipated.

Description/ Object Series	2021 - 2023 Appropriation	Estimated Expenses 2021 - 2023	Variance
Salaries & Wages	22,594,196	20,969,196	1,625,000
Operating Expenses	7,466,120	7,250,120	216,000
Capital Assets	6,000	5,500	500
Total Operating	30,066,316	28,224,816	1,841,500
Less Federal Funds	125,000	32,000	93,000
Total General Fund Operating	29,941,316	28,192,816	1,748,500
Homestead Tax Credit	18,000,000	17,775,000	225,000
Disabled Veterans Credit	16,300,000	16,150,000	150,000
Total	64,366,316	62,149,816	2,216,500
Total General Fund	64,241,316	62,117,816	2,123,500
Total Special Funds	-	-	-
Total Federal Funds	125,000	32,000	93,000

The projected underspend in Salaries is due to savings from vacant positions resulting from staff turnover and recruitment challenges. As of 03/13/2023 the agency has 18 vacant positions.

2023-25 Executive Budget



The 2023-25 base budget operating expenses are \$9 million. The operating expenses line item includes a scheduled maintenance contract increase of \$400,000 for GenTax to continue support at Level 3 service – total cost of \$4,400,000 for the biennium.

In addition, we are requesting the following for the 2023-25 biennium budget:

- \$500,000 to support an additional 2,500 hours of GenTax software programming costs which will allow us to enhance citizen experience, promote electronic filing, improve fraud detection, and further heighten security as well as addressing other needs not currently covered in our current general maintenance contract.
- \$96,000 to cover a Centralized Log Management System required by NDIT for safeguards to meet IRS IT security requirements.
- \$535,000 in an equity package adjustment plan to address salary inequities.
- \$614,654 to cover rent charged by OMB for Capitol space.

Analysis of Senate Recommended Budget

Description/Object Series	2021-2023	Senate	Appropriation
	Appropriations	Adjustments	
Salaries & Wages	22,594,196	1,656,202 (1)	24,250,398
Operating Expenses	7,466,120	1,647,250 (2)	9,113,370
Capital Assets	6,000	-	6,000
Total Operating	30,066,316	3,303,452	33,369,768
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	16,300,000	2,445,000	18,745,000
Total Funds	94,432,632	9,951,904	104,384,536
Less Estimated Income (Federal)	125,000	-	125,000
Total General Fund	94,307,632	9,951,904	104,259,536
FTE Employees	118	(1)	117

(1) Salaries & Wages

Cost to Continue Salaries	159,434
Funding for Salary & Benefit Increases	1,663,353
Remove FTE	(167,444)
Salary Funding Elected Officials	859
(1) Total Salaries & Wages Adjustments	1,656,202

(2) Operating Expenses

NDIT Increased Rates	36,596
GenTax Level III Maintenance (Total Funding \$4.4 million)	400,000
GenTax System Enhancements	500,000
NDIT Centralized Management - IRS required Log Service	96,000
Rent Capitol Space	614,654
(2) Total Operating Expenses Adjustments	1,647,250

Agency Collections

The following chart shows the various tax types administered by the agency and a ten-year comparison for amounts collected in fiscal year 2012 versus 2022. In most cases, the growth is reflective of growing business activity in the state and increase in the number of filers and returns processed by the agency.

Fiscal Years 2012 and 2022

DESCRIPTION	FY 2012 NET COLLECTIONS	FY 2022 NET COLLECTIONS	CHANGE
Sales & Use Tax	\$1,121,264,409	\$1,074,641,837	-\$46,622,572
Motor Vehicle Excise Tax	\$210,939	\$357,143	\$146,204
Local Occupancy Tax	\$3,438,749	\$3,143,331	-\$295,418
Local Sales Tax	\$191,754,625	\$315,887,274	\$124,132,649
Local Restaurant and Lodging Tax	\$5,478,371	\$9,252,883	\$3,774,512
Local Motor Vehicle Rental Tax	\$192,917	\$131,433	-\$61,484
Individual Income Tax	\$432,132,062	\$458,606,976	\$26,474,914
Corporate Income Tax	\$198,746,771	\$223,786,315	\$25,039,544
Financial Institutions Tax	\$13,418,653	\$116,669	-\$13,301,984
Cigarette Tax (Cities)	\$1,530,254	\$1,198,976	-\$331,278
Cigarette Tax (Tribe)	\$75,371	\$76,401	\$1,030
Cigarette Tax (GF)	\$20,944,702	\$16,545,221	-\$4,399,481
Tobacco Tax	\$5,663,312	\$6,827,551	\$1,164,239
Oil & Gas Gross Production Tax	\$795,681,003	\$1,494,531,005	\$698,850,002
Oil Extraction Tax	\$865,121,628	\$1,303,104,198	\$437,982,570
Telecommunications Tax	\$12,215,209	\$6,273,262	-\$5,941,947
Wholesale Liquor/beer Tax	\$8,523,427	\$9,903,036	\$1,379,609
Estate Tax	\$1,112	\$0	-\$1,112
Miscellaneous Remittances	\$9,347	\$9,558	\$211
Coal Severance Tax	\$11,001,918	\$10,343,540	-\$658,378
Coal Conversion Tax	\$25,430,529	\$6,671,229	-\$18,759,300
Electric Generation Tax	\$7,391,798	\$25,789,719	\$18,397,921
Music and Composition Tax	\$147,883	\$221,882	\$73,999
Sales & Use Tax Cash Bonds	\$883,342	\$12,384	-\$870,958
Fuel Dealers & Inspection Fees	\$344,829	\$253,378	-\$91,451
Motor Vehicle Fuel Tax	\$97,635,813	\$95,554,536	-\$2,081,277
Special Fuel Tax	\$107,261,416	\$84,386,493	-\$22,874,923
Motor Fuel Tax - Cash Bond	\$22,500	-\$12,000	-\$34,500
Nongame Wildlife Fund	\$21,970	\$34,002	\$12,032
Centennial Tree Trust Fund	\$22,745	\$42,534	\$19,789
Veterans' Postwar Trust Fund	\$0	\$31,213	\$31,213
Organ Transplant Support Fund	\$15,478	\$18,679	\$3,201
Airline Tax	\$216,968	\$257,109	\$40,141
Aircraft Excise Tax	\$0	\$21,649	\$21,649
Prepaid Wireless Emergency 911 Fee	\$0	\$1,209,813	\$1,209,813
Provider Assessment	\$4,719,614	\$6,420,261	\$1,700,647
TOTAL COLLECTIONS	\$3,931,519,664	\$5,155,649,489	\$1,224,129,825

Dynamic economic growth in the state has resulted in a corresponding increase in workload at the Office of State Tax Commissioner. The number of returns received for nearly all tax types continues to grow.

The following chart illustrates the growth in the Office of State Tax Commissioner's workload since 2012:

Type	2012	2017	2022	2012 - 2022 Increase (Decrease)	Percent Change
Sales tax – original returns filed	177,782	204,687	269,201	91,419	51%
Individual income tax withholding - original returns filed	134,708	145,635	157,771	23,063	17%
Individual income tax - original returns filed	419,034	474,970	468,023	48,989	12%
Partnership and S Corp - original returns filed	31,300	42,414	46,266	14,966	48%
Corporate income tax - original returns filed by out of state corporations	6,529	7,566	8,698	2,169	33%
Canadian resident sales tax refund requests	28,001	10,823	2,968	-25,033	-89%
Fraudulent Claims/ID Theft – Identification of over 1,800 fraudulent claims, totaling over \$4.5 million since 2015.					

For estimated changes related to these collections, refer to the December 2022 Revenue Forecast.

Legislation Impacting Budget

The Legislature has various tax related bill proposals that have potential impacts to the agency for new tax types or changes to existing taxes. These proposals have potential impacts for additional funding for programming hours, staffing, administrative functions, and compliance activities.

Federal Funding Changes

No changes in federal funding are expected for the 2023-25 biennium.

2023-25 Biennium Requested Budget

Priority 1– Equity Package

As previously mentioned, salary adjustments have not kept pace with the market.

Our request is the legislative body recognize these challenges and approve an equity adjustment package for our agency, so we are not at risk of losing additional knowledgeable staff to competitors within state government, i.e., agencies paying more for the same job classification, and to the private sector due to salary inequities.

The Senate reduced authorized FTEs from 118 to 117 due to length of the position vacancy. The agency is requesting the position and associated salary funding of \$167,444, be restored to allow this position to be filled in the 2023-2025 biennium.

The Office of State Tax Commissioner requests \$535,000 of the OMB equity enhancement package (same as Executive recommendation) as well as additional consideration for market supported adjustments.

Priority 2 – Digital Transformation – GenTax Support

The Office of State Tax Commissioner implemented GenTax in the 2005-07 biennium as its integrated tax platform. To maintain current support levels, which include upgrades and other technological enhancements, a total of \$4.4 million is needed for the 2023-2025 biennium, including an adjustment of \$400,000 to our base budget for planned maintenance cost growth.

Our budget also includes one-time funding of \$500,000 to cover 2,500 hours of time and labor costs which would allow us to address existing needs and associated processes, enhance electronic filing, improve fraud detection and system security, provide greater AI assistance, and improve overall citizen experience.

The proposed budget also includes \$96,000 to support a Centralized Log Management System required under IRS security standards that is managed by NDIT which supports safeguarding taxpayer data.

The Office of State Tax Commissioner requests \$996,00 continue to enhance GenTax and support digital transformation and fraud protection (same as Senate's recommendation).

RENT

The Governor's recommended budget includes \$614,654 for rent of Capitol space.

The Office of State Tax Commissioner requests \$614,654 for rent of Capitol space (same as Senate's recommendation).

Grant Programs Budget – Homestead Tax Credit and Disabled Veteran's Credit

2021-23 Biennium Base Level Budget and 2023-25 Biennium Senate Recommended Budget

The Homestead Tax Credit program provides property tax relief for qualifying low-income persons who are 65 years of age or older or who are disabled. The credit is up to 100 percent of the taxes levied on the first \$125,000 of true and full value, for applicants with annual income below \$22,000. A reduced level of credit is available to applicants with annual income up to \$42,000.

The appropriation for this line for the 2021-23 biennium is \$18 million. Expenditures during the first year of the biennium totaled slightly more than \$8.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

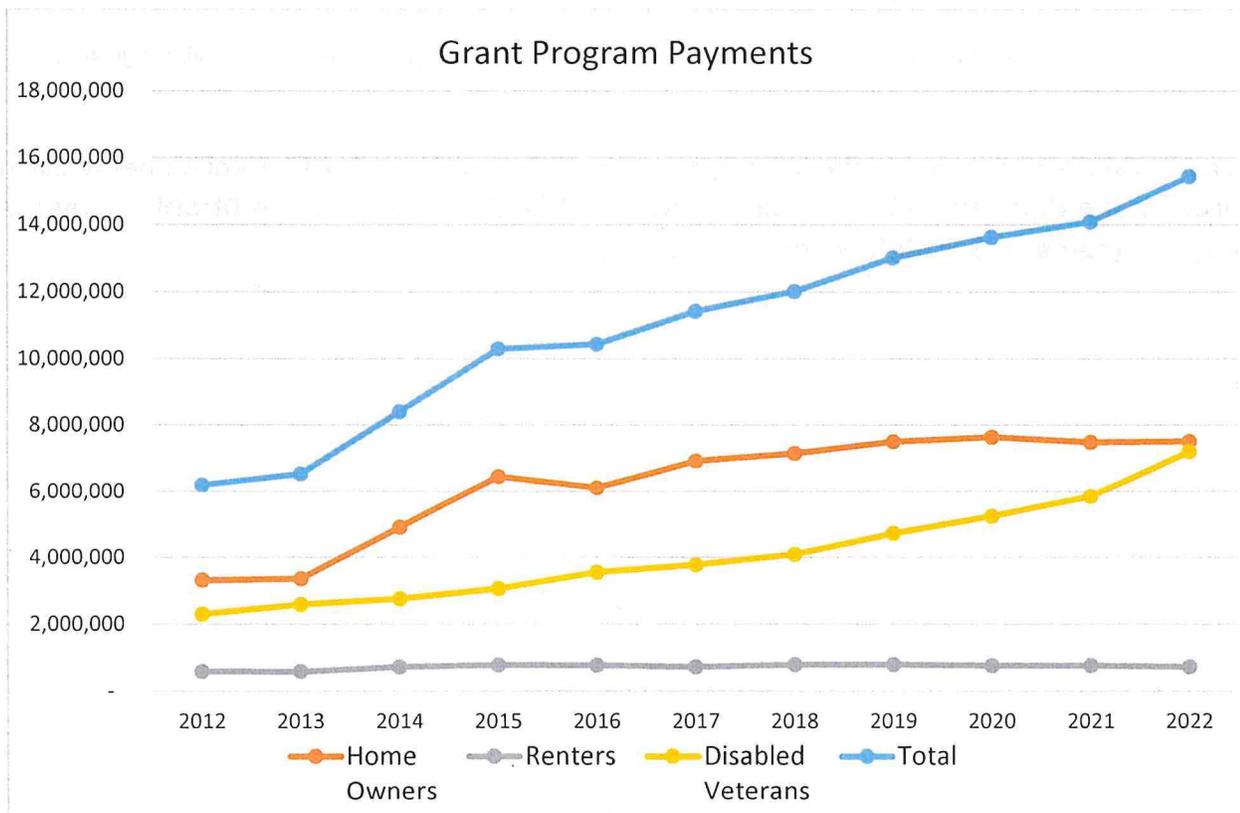
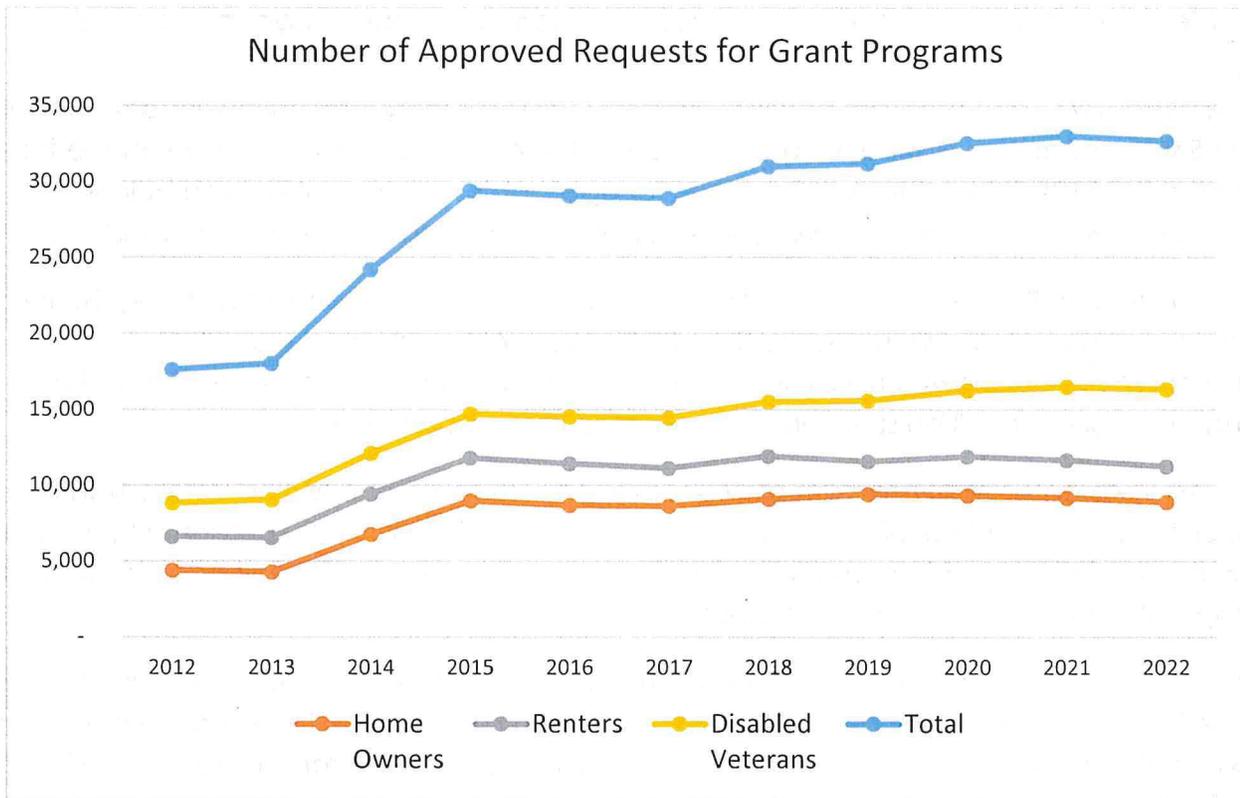
The Disabled Veteran's Credit program provides property tax relief for disabled veterans with a service-connected disability of 50 percent or greater. The credit is up to 100 percent of the taxes levied on the first \$150,000 of true and full value. The percentage of credit allowed is equal to the percentage of the disabled veteran's disability compensation rating.

The appropriation for this line for the 2021-23 biennium is \$16.3 million. Expenditures during the first year of the biennium totaled just over \$7.2 million. Although fiscal year 2022 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will be sufficient to cover projected expenditures.

After the credit is granted by counties to eligible taxpayers, the county receives reimbursement from the state.

Barring any legislative changes to these programs, the Office of State Tax Commissioner requests \$18.9 million for the Homestead Tax Credit program and \$18.745 million for the Disabled Veteran's Credit program (same as Senate's recommendation).

Grant Programs History – Homestead Tax Credit and Disabled Veteran's Credit



SB 2006 TESTIMONY MARCH 15, 2023

House Appropriations – Government Operations
Representative David Monson, Chairman

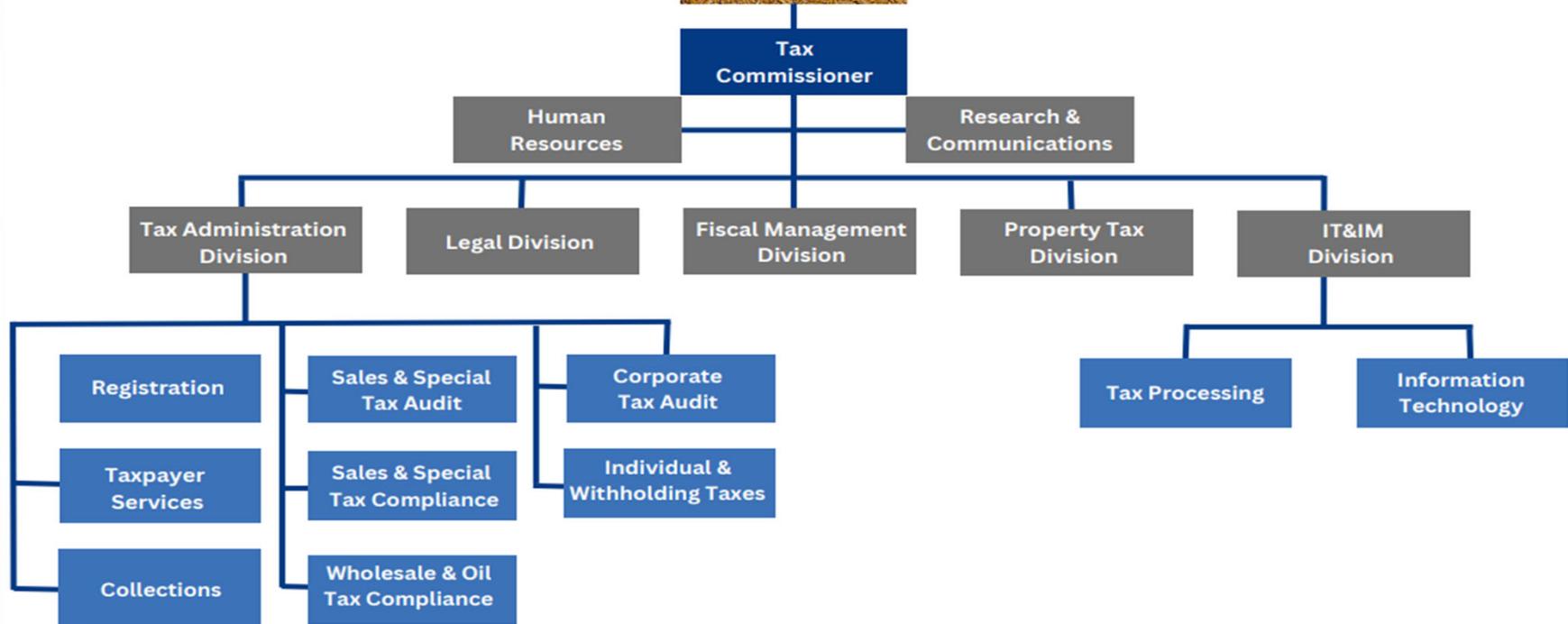


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- Statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03
- Primary revenue collection agency for the state
 - 2021-2023 biennium the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues
 - Collects and administers over 30 tax types, including local taxes administered on behalf of and allocated to political subdivisions
 - Certain taxes, such as electric transmission lines, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties providing an important source of revenue for local government
- Serves as an informative resource to taxpayers, effectively and efficiently processes returns, analyzes statistical data, conducts discovery work, and conducts audits to ensure statutory compliance

Organizational Chart – 118 Funded FTEs

NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER



Audit Findings

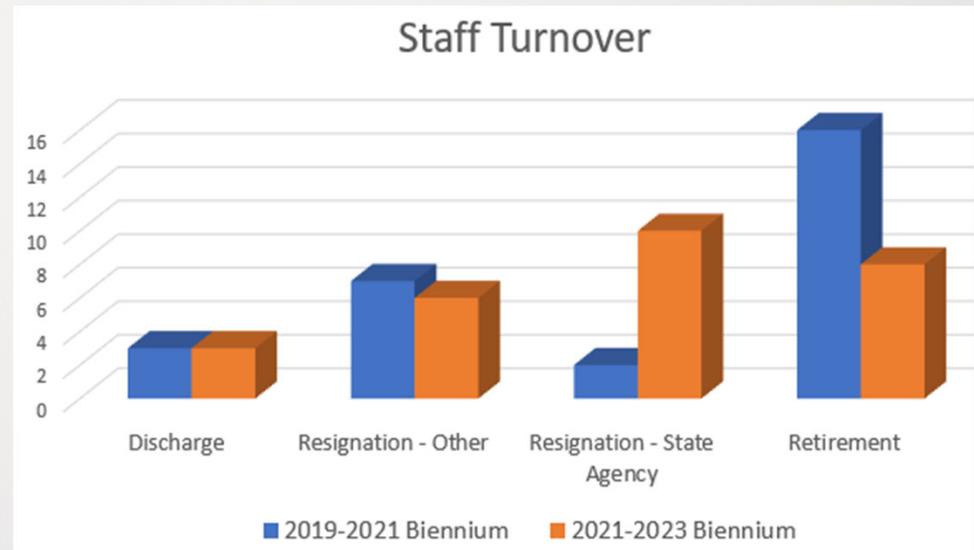
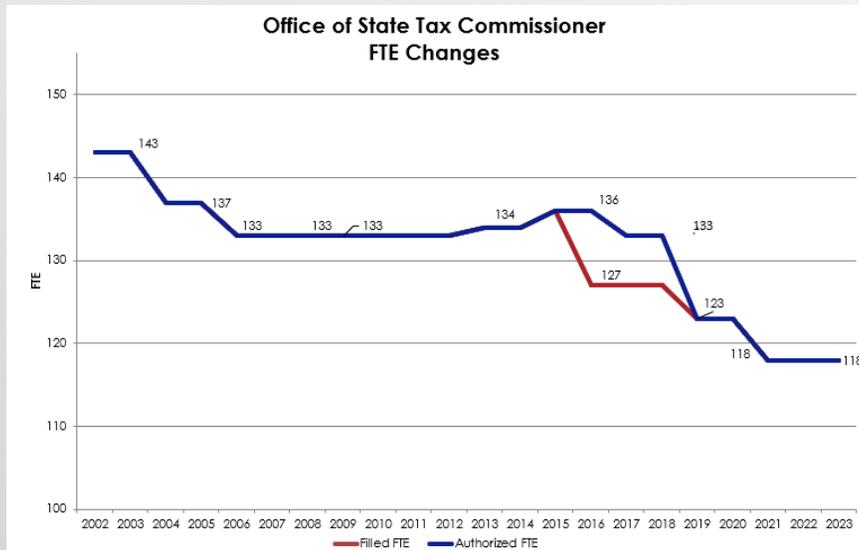
- No Findings
 - One recommendation that “The Tax Commissioner has an opportunity to enhance monitoring procedures to confirm eligibility determined by counties for two types of property tax credits.” The two tax credits noted were the Homestead Property Tax Credit and Disabled Veterans Tax Credit.

Agency Accomplishments

- Enhancing Citizen Experience – GenTax and ND Taxpayer Access Point (ND TAP)
 - Digital Transformation
 - Unclaimed Checks
 - Website Enhancement
 - Artificial Intelligence (AI)
- Single Point of Entry
- Reduction in Office Space
- Encourage & Verify Compliance
- IT Security
- Remote & Marketplace Seller Taxation

Agency Challenges

- Digital Transformation Funding
- Cybersecurity Threats
- Workforce Recruitment & Retention

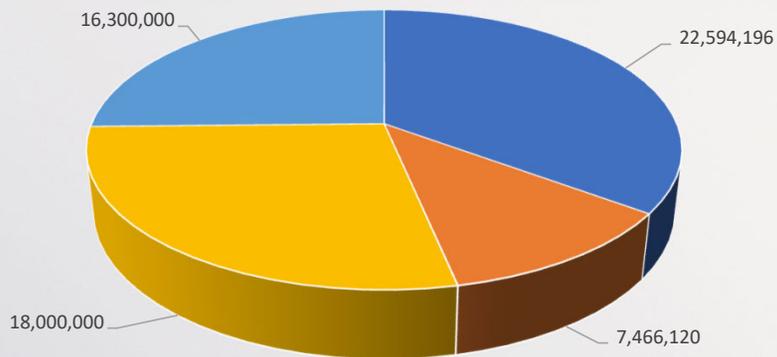


2021-2023 Estimated Spending

Description/ Object Series	2021 - 2023 Appropriation	Estimated Expenses 2021 - 2023	Variance
Salaries & Wages	22,594,196	20,969,196	1,625,000
Operating Expenses	7,466,120	7,250,120	216,000
Capital Assets	6,000	5,500	500
Total Operating	30,066,316	28,224,816	1,841,500
Less Federal Funds	125,000	32,000	93,000
Total General Fund Operating	29,941,316	28,192,816	1,748,500
Homestead Tax Credit	18,000,000	17,775,000	225,000
Disabled Veterans Credit	16,300,000	16,150,000	150,000
Total	64,366,316	62,149,816	2,216,500
Total General Fund	64,241,316	62,117,816	2,123,500
Total Special Funds	-	-	-
Total Federal Funds	125,000	32,000	93,000
Total All Funds	64,366,316	62,149,816	2,216,500

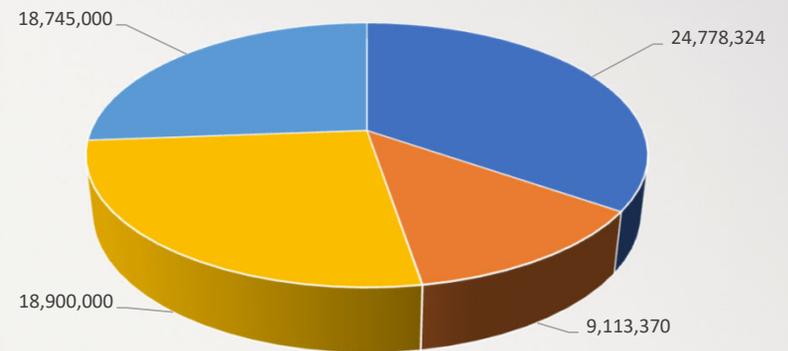
2023-2025 Executive Budget

2021-2023 Appropriation



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Homestead Tax Credit
- Disabled Veterans Credit

2023-2025 Executive Budget



- Salaries & Wages
- Operating Expenses
- Capital Assets
- Homestead Tax Credit
- Disabled Veterans Credit

Senate Recommended Budget

Description/Object Series	2021-2023 Appropriations	Senate Adjustments	Appropriation
Salaries & Wages	22,594,196	1,656,202 (1)	24,250,398
Operating Expenses	7,466,120	1,647,250 (2)	9,113,370
Capital Assets	6,000	-	6,000
Total Operating	30,066,316	3,303,452	33,369,768
Homestead Tax Credit	18,000,000	900,000	18,900,000
Disabled Veterans Credit	16,300,000	2,445,000	18,745,000
Total Funds	94,432,632	9,951,904	104,384,536
Less Estimated Income (Federal)	125,000	-	125,000
Total General Fund	94,307,632	9,951,904	104,259,536
FTE Employees	118	(1)	117

(1) Salaries & Wages

Cost to Continue Salaries	159,434
Funding for Salary & Benefit Increases	1,663,353
Remove FTE	(167,444)
Salary Funding Elected Officials	859
(1) Total Salaries & Wages Adjustments	1,656,202

(2) Operating Expenses

NDIT Increased Rates	36,596
GenTax Level III Maintenance (Total Funding \$4.4 million)	400,000
GenTax System Enhancements	500,000
NDIT Centralized Management - IRS required Log Service	96,000
Rent Capitol Space	614,654
(2) Total Operating Expenses Adjustments	1,647,250

Growth in Number of Returns

Type	2012	2017	2022	2012 - 2022 Increase (Decrease)	Percent Change
Sales tax – original returns filed	177,782	204,687	269,201	91,419	51%
Individual income tax withholding - original returns filed	134,708	145,635	157,771	23,063	17%
Individual income tax - original returns filed	419,034	474,970	468,023	48,989	12%
Partnership and S Corp - original returns filed	31,300	42,414	46,266	14,966	48%
Corporate income tax - original returns filed by out of state corporations	6,529	7,566	8,698	2,169	33%
Canadian resident sales tax refund requests	28,001	10,823	2,968	-25,033	-89%
Fraudulent Claims/ID Theft – Identification of over 1,800 fraudulent claims, totaling over \$4.5 million since 2015.					

Legislation Impacting Budget

Various tax-related bill proposals – new tax types increase need for:

- Additional Funding for programming hours
- Staffing
- Administrative Functions
- Compliance

Federal Funding

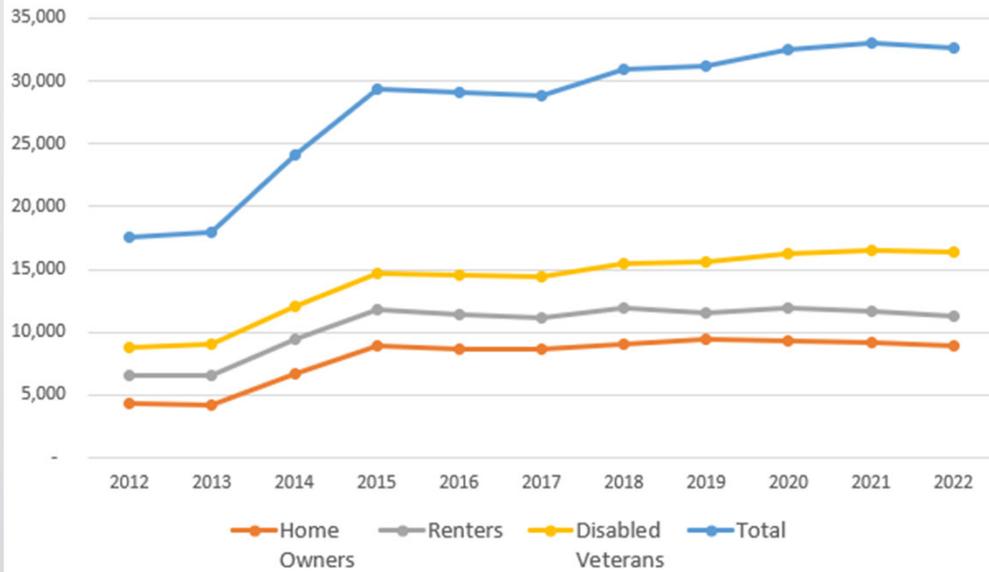
- Federal Highway Administration (FHWA) Grant
 - No expected Changes

Senate Approved Funding Requests

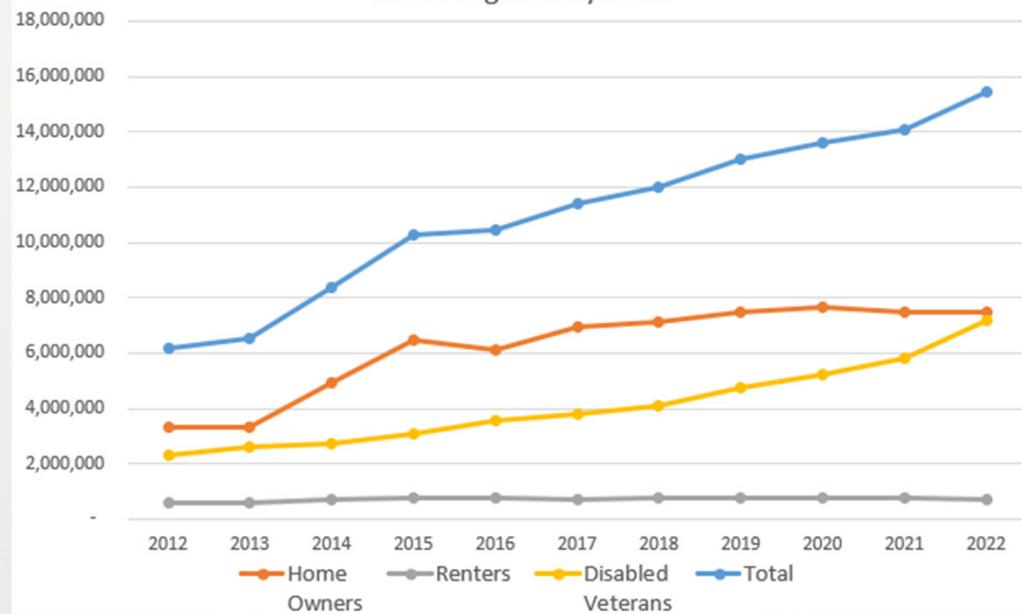
- Priority 1 - OMB Equity Package
- Priority 2 Digital Transformation – GenTax Support
 - \$400,000 Maintenance
 - \$500,000 One-time Funding
 - \$96,000 Centralized Log Management System
- OMB Rent Proposal
 - \$614,654 for Capitol space
- Grants Program Budget
 - Homestead Tax Credit
 - Disabled Veterans Credit

Grant Programs History

Number of Approved Requests for Grant Programs



Grant Program Payments



Requested Changes from Senate

- Equity Package
- Restore 1 FTE and Funding for Position Removed by Senate
 - \$167,444

Prepared for the House Appropriations Committee

**Department 127 - Tax Commissioner
Senate Bill No. 2006**

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$70,889,768	\$125,000	\$71,014,768
2023-25 Base Level	64,241,316	125,000	64,366,316
Increase (Decrease)	\$6,648,452	\$0	\$6,648,452

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

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 for the 2023-25 biennium.

Motor vehicle fuel tax revenue transfer - Section 4 provides for a transfer of \$1,844,424 from 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 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Continuing Appropriations

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

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2021-22 interim identified an opportunity to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

Major Related Legislation

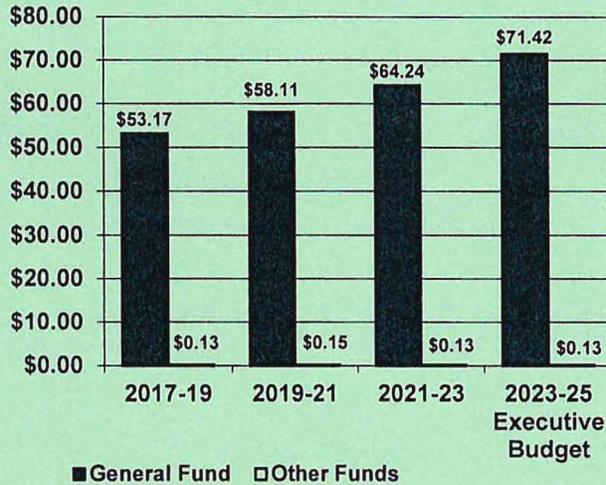
House Bill No. 1225 - Appropriates \$424,000 from the general fund to the State Tax Commissioner for the development of an online portal for electronically accessible statewide property and property tax information based on geographic information system data.

Senate Bill No. 2136 - Expands the homestead tax credit program and appropriates \$135 million of ongoing funding from the strategic investment and improvements fund to pay for the additional credits resulting from the expansion of the program.

Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$54,912,488	\$51,264,499	\$54,071,616	\$64,241,316	\$70,917,694
Increase (decrease) from previous biennium	N/A	(\$3,647,989)	\$2,807,117	\$10,169,700	\$6,676,378
Percentage increase (decrease) from previous biennium	N/A	(6.6%)	5.5%	18.8%	10.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(6.6%)	(1.5%)	17.0%	29.1%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 (IT) software support \$300,589
4. Increased funding for the homestead tax credit program (\$1 million) and the disabled veterans' tax credit program (\$300,000) \$1,300,000

2021-23 Biennium

1. Removed 5 undesignated unfunded FTE vacant positions and reduced funding for salaries and wages for anticipated savings from vacant positions and employee turnover (\$1,074,515)
2. Increased funding for GenTax IT software support \$294,339
3. Increased funding for the homestead tax credit program (\$2,200,000) and the disabled veterans' tax credit program (\$7,889,800) \$10,089,800

2023-25 Biennium (Executive Budget Recommendation)

1. Increases funding for GenTax support to provide total funding of \$4.4 million \$400,000
2. Adds funding for a new Capitol space rent model \$614,654
3. Increases funding for the homestead tax credit program to provide total funding of \$18 million \$900,000

4. Increases funding for the disabled veterans' tax credit program to provide total funding of \$2,445,000
 \$18,745,000

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$8,000	\$1,910,000	\$4,040,000	\$0	\$500,000

Major One-Time General Fund Appropriations

2017-19 Biennium

Provided a deficiency appropriation for the homestead tax credit program (\$1,212,000) and the disabled veterans' tax credit program (\$698,000) \$1,910,000

2019-21 Biennium

Provided a deficiency appropriation for the homestead tax credit program (\$1.31 million) and the disabled veterans' tax credit program (\$2.73 million) \$4,040,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

Adds one-time funding for GenTax support enhancements \$500,000

**Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316
2023-25 Ongoing Funding Changes								
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434
Salary increase		1,484,574		1,484,574		1,110,808		1,110,808
Health insurance increase		540,120		540,120		552,545		552,545
Removes an undesignated vacant FTE position				0	(1.00)	(167,444)		(167,444)
Adds funding for Tax Commissioner salary equity increase				0		859		859
Increase in ITD rates		36,596		36,596		36,596		36,596
Increases funding for GenTax support		400,000		400,000		400,000		400,000
Increases funding for IT data processing		96,000		96,000		96,000		96,000
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000
Total ongoing funding changes	0.00	\$6,676,378	\$0	\$6,676,378	(1.00)	\$6,148,452	\$0	\$6,148,452
One-Time Funding Items								
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		\$500,000		\$500,000
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000
Total Changes to Base Level Funding	0.00	\$7,176,378	\$0	\$7,176,378	(1.00)	\$6,648,452	\$0	\$6,648,452
2023-25 Total Funding	118.00	\$71,417,694	\$125,000	\$71,542,694	117.00	\$70,889,768	\$125,000	\$71,014,768
<i>Federal funds included in other funds</i>			\$125,000				\$125,000	
<i>Total ongoing changes as a percentage of base level</i>	0.0%	10.4%	0.0%	10.4%	(0.8%)	9.6%	0.0%	9.6%
<i>Total changes as a percentage of base level</i>	0.0%	11.2%	0.0%	11.1%	(0.8%)	10.3%	0.0%	10.3%

Other Sections in Tax Commissioner - Budget No. 127

	Executive Budget Recommendation	Senate Version
Line item transfers	Section 3 would authorize the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 would provide for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 would provide the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

SB 2006 Tax Commissioner Appropriation

Sustainable Aviation Fuel (SAF) sales and use tax exemption

North Dakota Ethanol Producers Association

- In response to the fuel market incenting low carbon fuels, North Dakota ethanol plants are evaluating and investing in lowering the carbon intensity of the fuel that they produce.
- Given that ethanol is a renewable fuel it already has a lower carbon intensity than fossil fuels.
- One of the single biggest carbon reduction technologies an ethanol facility can implement is carbon capture and storage. The second biggest is a carbon free fuel supply to the facility such as biomass for production energy needs.
- Ethanol with a very low carbon score opens additional market opportunities for ND plants beyond ground transportation fuel such as sustainable aviation fuel (SAF).
- SAF is a drop in fuel made from low carbon renewable sources that results in aviation grade fuel that has a 50% lower life cycle carbon intensity than conventional aviation fuels.
- There are currently over 6 American Society for Testing and Materials (ASTM) approved SAF production pathways that allow for blending up to 50% SAF with conventional jet fuel.
- Domestic jet fuel demand is approximately 20B gallons annually with international demand near 100B gallons projected to be 250B in 2050.
- The capital investment needed to produce SAF from ethanol is a significant investment. Today estimates are approximately \$20 /gallon.
- The IRA created the first tax incentive for SAF further advancing economics and viability of SAF production. This incentive starts in 2025 at \$1.75 per gallon.
- A sales and use tax exemption would help incentivize a SAF production facility in the state by alleviating these taxes on the investments needed for SAF production.

- SAF production will develop and expand and this incentive will help attract projects to ND. These facilities will ensure the sustainability of our current ethanol facilities and provide opportunities for processing agricultural products into the next generation fuels.
- SAF production facilities will create high paying long term career opportunities and ensure markets for energy and agriculture in ND.

House Appropriations - Government Operations Committee				
Representative David Monson, Chairman				
Senate Bill Number 2006 - March 27, 2023				
Fiscal Services Series Average C Ratio				Notes
Grade	Rank (lowest to highest)	Agency	Average C-Ratio For Grade	
102	1	ND Health and Human Services	0.95	
102	2	Secretary of State	1.07	
102	3	Information Technology Dept	1.18	
102	4	State Fair Association	1.43	
103	1	Veterans' Home	0.87	
103	2	State Tax Commissioner (11 FTEs)	0.88	2nd lowest out of 11 Agencies
103	3	Public Employees Retire System	0.93	
103	4	ND Health and Human Services	0.94	
103	5	Adjutant General	0.96	
103	6	Corrections & Rehab	1.02	
103	7	Workforce Safety & Insurance	1.03	
103	8	Attorney General	1.06	
103	9	Department of Transportation	1.09	
103	10	Historical Society	1.10	
103	11	Environmental Quality	1.15	
104	1	Public Instruction	0.84	
104	2	Workforce Safety & Insurance	0.86	
104	3	State Tax Commissioner (5 FTEs)	0.87	3rd lowest out of 6 Agencies
104	4	Housing Finance Agency	0.95	
104	5	Office of Mgmt & Budget	1.05	
104	6	ND Department of Trust Lands	1.09	
105	1	Adjutant General	0.79	
105	2	Public Instruction	0.79	
105	3	Department of Agriculture	0.80	
105	4	State Treasurer	0.85	
105	5	Corrections & Rehab	0.88	
105	6	Public Employees Retire System	0.90	
105	7	State Tax Commissioner (27 FTEs)	0.90	7th lowest out of 26 Agencies
105	8	ND Health and Human Services	0.90	
105	9	Attorney General	0.93	
105	10	State Wheat Commission	0.95	
105	11	Workforce Safety & Insurance	0.96	
105	12	Industrial Commission	0.98	
105	13	Highway Patrol	0.99	
105	14	ND Department of Trust Lands	0.99	
105	15	State Auditor	0.99	
105	16	ND Parks & Recreation Dept	1.01	
105	17	Office of Mgmt & Budget	1.03	
105	18	Secretary of State	1.03	
105	19	Information Technology Dept	1.06	
105	20	Department of Transportation	1.06	
105	21	ND Soybean Council	1.06	
105	22	Job Service ND	1.08	
105	23	Retirement & Investment Office	1.08	
105	24	Public Service Commission	1.12	
105	25	Environmental Quality	1.14	
105	26	Game and Fish Department	1.35	

Fiscal Services Series Average C Ratio				
Grade	Rank (lowest to highest)	Agency	Average C-Ratio For Grade	Notes
106	1	State Treasurer	0.84	
106	2	Job Service ND	0.86	
106	3	Public Instruction	0.87	
106	4	Adjutant General	0.88	
106	5	Historical Society	0.89	
106	6	Department of Agriculture	0.90	
106	7	Workforce Safety & Insurance	0.91	
106	8	Office of Mgmt & Budget	0.91	
106	9	State Tax Commissioner (14 FTES)	0.92	10th lowest out of 27 Agencies
106	10	Public Employees Retire System	0.95	
106	11	Insurance Department	0.96	
106	12	State Library	0.96	
106	13	Corrections & Rehab	0.97	
106	14	Environmental Quality	0.97	
106	15	Department of Water Resources	0.98	
106	16	Secretary of State	0.98	
106	17	ND Health and Human Services	0.98	
106	18	Retirement & Investment Office	0.98	
106	19	Attorney General	0.98	
106	20	Department of Transportation	1.02	
106	21	Career and Technical Education	1.03	
106	22	Seed Department	1.03	
106	23	Highway Patrol	1.05	
106	24	Housing Finance Agency	1.10	
106	25	Legal Counsel for Indigents	1.11	
106	26	State Auditor	1.12	
106	27	ND Department of Trust Lands	1.20	
107	1	School for the Deaf	0.81	
107	2	Information Technology Dept	0.85	
107	3	School for the Blind	0.85	
107	4	State Tax Commissioner (9 FTEs)	0.87	4th lowest out of 24 Agencies
107	5	ND Health and Human Services	0.89	
107	6	Public Employees Retire System	0.95	
107	7	Adjutant General	0.96	
107	8	Public Service Commission	0.97	
107	9	Office of Mgmt & Budget	0.97	
107	10	Workforce Safety & Insurance	0.98	
107	11	Dept of Financial Institutions	0.99	
107	12	Attorney General	1.00	
107	13	State Auditor	1.02	
107	14	ND Parks & Recreation Dept	1.02	
107	15	Housing Finance Agency	1.03	
107	16	State Treasurer	1.04	
107	17	Department of Transportation	1.05	
107	18	Industrial Commission	1.06	
107	19	Retirement & Investment Office	1.07	
107	20	Game and Fish Department	1.08	
107	21	Public Instruction	1.10	
107	22	ND Department of Trust Lands	1.12	
107	23	Job Service ND	1.17	
107	24	Corrections & Rehab	1.24	

Fiscal Services Series Average C Ratio				
Grade	Rank (lowest to highest)	Agency	Average C-Ratio For Grade	Notes
108	1	Environmental Quality	0.89	
108	2	Office of Mgmt & Budget	0.93	
108	3	Department of Transportation	0.99	
108	4	Workforce Safety & Insurance	1.00	
108	5	State Auditor	1.00	
108	6	Department of Water Resources	1.04	
108	7	State Tax Commissioner (2FTEs)	1.05	7th lowest out of 13 Agencies
108	8	Adjutant General	1.06	
108	9	Veterans' Home	1.06	
108	10	ND Health and Human Services	1.09	
108	11	Attorney General	1.10	
108	12	Housing Finance Agency	1.17	
108	13	Retirement & Investment Office	1.23	

**House Appropriations - Government Operations Committee
 Representative David Monson, Chairman
 Senate Bill Number 2006 - March 27, 2023
 Office of State Tax Commissioner
 Employee Transfers to Other State Agencies**

Job Title	Transfer Date	Tax Pay Grade	New Pay Grade	Tax Salary	New Salary	Net Increase	Percent Increase
Auditor IV	2022	107	107	7,085	7,500	415	5.9%
Accounting/Budget Spec II	2022	105	105	5,165	5,500	335	6.5%
Purchasing Agent I	2022	105	104	5,154	5,411	257	5.0%
Auditor II	2022	106	105	4,422	5,000	578	13.1%
Programmer Analyst III	2023	105	106	6,035	6,900	865	14.3%
Compliance Officer I	2023	105	105	4,200	4,780	580	13.8%
Compliance Officer I	2023	105	105	4,551	5,500	949	20.9%
Compliance Officer I	2023	105	104	4,409	5,000	591	13.4%



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
 BRIAN KROSHUS, COMMISSIONER

House Appropriations – Government Operations Committee
Representative Davind Monson, Chariman
Senate Bill No. 2006
March 27, 2023

Agency Overview and Purpose

The mission of the Office of State Tax Commissioner is to administer the tax laws of North Dakota fairly and effectively.

Our office is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2021-2023 biennium, the agency will collect over 90 percent, totaling approximately \$7.8 billion of all general fund revenues, excluding transfers, including an estimated \$3.7 billion in oil tax revenues.

The Agency has 118 Authorized Full Time Employees and hires temporary seasonal staff for tax processing season.

Budget Request & Restorations

Priority	Description	Agency Optional Request	Explanation
1	Salary & Wages Targeted Equity	642,000*	Staff Equity Adjustments in OMB Budget *Agency calculated \$1,723,308 equity to bring staff to midpoint of salary range
2	Restore Funding for Position	167,444	Restore Funding for one position cut by Senate
3	GenTax Service	400,000	Continue Level III Maintenance - Total Funding \$4.4 million
4	GenTax Enhancements	500,000	System Enhancements to GenTax
5	Centralized Management Log	96,000	NDIT Centralized Management - Log Service required by IRS
6	Rent Capitol Space	614,654	Proposed Rent By Governor
Total		1,778,098	*\$642,000 for equity is in OMB Budget Bill

- \$642,000 in an equity package adjustment plan to address salary inequities. The amount is currently in OMB's Budget. (Agency calculated \$1,723,308 to bring staff to midpoint of salary range)
- \$167,444 restore funding for one position cut by Senate.
- \$400,000 to continue Level III Maintenance for GenTax which is the software used to collect 90% of General Fund Revenue for the state.
- \$500,000 to support an additional 2,500 hours of GenTax software programming costs which will allow us to enhance citizen experience, promote electronic filing, improve fraud detection, and further heighten security as well as addressing other needs not currently covered in our current general maintenance contract.
- \$96,000 to cover a Centralized Log Management System required by NDIT for safeguards to meet IRS IT security requirements.
- \$614,654 to cover rent charged by OMB for Capitol space.



23.0260.02001
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
March 27, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, remove lines 20 through 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$22,594,196	\$898,282	\$23,492,478
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$5,890,532	\$70,256,848
Less estimated income	<u>125,000</u>	0	<u>125,000</u>
Total general fund	\$64,241,316	\$5,890,532	\$70,131,848
Full-time equivalent positions	118.00	(1.00)	117.00"

Page 3, line 2, replace "thirty" with "thirty-one"

Page 3, line 3, after "eight" insert "seven"

Page 3, line 3, remove the overstrike over "~~hundred~~"

Page 3, line 3, after "fourteen" insert "five"

Page 3, line 3, remove "thirty-"

Page 3, line 4, replace "five" with "thirty-six"

Page 3, line 4, overstrike "two" and insert immediately thereafter "nine"

Page 3, line 4, after "fifty" insert "seventy-three"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$22,594,196	\$24,250,398	(\$757,920)	\$23,492,478
Operating expenses	7,466,120	9,113,370		9,113,370
Capital assets	6,000	6,000		6,000
Homestead tax credit	18,000,000	18,900,000		18,900,000
Disabled veterans' credit	<u>16,300,000</u>	<u>18,745,000</u>		<u>18,745,000</u>
Total all funds	\$64,366,316	\$71,014,768	(\$757,920)	\$70,256,848
Less estimated income	<u>125,000</u>	<u>125,000</u>	0	<u>125,000</u>
General fund	\$64,241,316	\$70,889,768	(\$757,920)	\$70,131,848
FTE	118.00	117.00	0.00	117.00

Department 127 - State Tax Commissioner - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for a Vacant FTE and Equity Funding ²	Removes Salary Funding for a Funding Pool ³	Total House Changes
Salaries and wages	\$361,341	\$166,585	(\$1,285,846)	(\$757,920)
Operating expenses				
Capital assets				
Homestead tax credit				
Disabled veterans' credit				
Total all funds	\$361,341	\$166,585	(\$1,285,846)	(\$757,920)
Less estimated income	0	0	0	0
General fund	\$361,341	\$166,585	(\$1,285,846)	(\$757,920)
FTE	0.00	0.00	0.00	0.00

¹ Salaries and wages funding is adjusted for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$373,766	\$0	\$373,766
Health insurance adjustment	(12,425)	0	(12,425)
Total	\$361,341	0	\$361,341

The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

² Funding of \$166,585 from the general fund is adjusted as follows:

- \$167,444, which was removed by the Senate related to the removal of an undesignated vacant FTE position, is restored by the House. The House did not restore the FTE position.
- \$859, which was added by the Senate for a salary equity increase for the Tax Commissioner, is removed because the salary increase of 6 percent on July 1, 2023, exceeds the equity increase needed to provide a salary of \$130,000 for the Tax Commissioner.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
New FTE positions	\$0	\$0	\$0
Vacant FTE positions	(1,285,846)	0	(1,285,846)
Total	(\$1,285,846)	\$0	(\$1,285,846)

The Senate did not remove funding for a new vacant FTE funding pool.

A section is amended to provide the statutory changes necessary to increase the State Treasurer's annual salary to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024. The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

**Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes**

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434				\$0
Salary increase		1,110,808		1,110,808		1,484,574		1,484,574		373,766		373,766
Health insurance increase		552,545		552,545		540,120		540,120		(12,425)		(12,425)
Adjusts funding for an undesignated vacant FTE position	(1.00)	(167,444)		(167,444)	(1.00)	0		0		167,444		167,444
Adds funding for Tax Commissioner salary equity increase		859		859		0		0		(859)		(859)
Removes Salary Funding for Funding Pool				0		(1,285,846)		(1,285,846)		(1,285,846)		(1,285,846)
Increase in ITD rates		36,596		36,596		36,596		36,596				0
Increases funding for GenTax support		400,000		400,000		400,000		400,000				0
Increases funding for IT data processing		96,000		96,000		96,000		96,000				0
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654				0
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000				0
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000				0
Total ongoing funding changes	(1.00)	\$6,148,452	\$0	\$6,148,452	(1.00)	\$5,390,532	\$0	\$5,390,532	0.00	(\$757,920)	\$0	(\$757,920)
One-Time Funding Items												
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		\$500,000		\$500,000				0
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(1.00)	\$6,648,452	\$0	\$6,648,452	(1.00)	\$5,890,532	\$0	\$5,890,532	0.00	(\$757,920)	\$0	(\$757,920)
2023-25 Total Funding	117.00	\$70,889,768	\$125,000	\$71,014,768	117.00	\$70,131,848	\$125,000	\$70,256,848	0.00	(\$757,920)	\$0	(\$757,920)
<i>Federal funds included in other funds</i>			\$125,000				\$125,000				\$0	
<i>Total ongoing changes as a percentage of base level</i>	(0.8%)	9.6%	0.0%	9.6%	(0.8%)	8.4%	0.0%	8.4%				
<i>Total changes as a percentage of base level</i>	(0.8%)	10.3%	0.0%	10.3%	(0.8%)	9.2%	0.0%	9.2%				

Other Sections in Tax Commissioner - Budget No. 127

	Senate Version	House Version
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 for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 provides for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

Other Sections in Tax Commissioner - Budget No. 127

Senate Version

House Version

Sales and use tax exemption for sustainable aviation fuel

Sections 6 and 7 create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide effective and expiration dates related to the exemption. The sales and use tax exemption may decrease the collections deposited in the general fund and state aid distribution fund but the amount cannot be determined. Section 8 provides an effective date for the sales and use tax exemption.

23.0260.02002
Title.

Prepared by the Legislative Council staff for
Representative Mock
March 24, 2023

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, line 6, after "57-01-04" insert ", subsection 2 of section 57-02-53,"

Page 1, line 7, after "commissioner" insert ", property assessment increase notices,"

Page 3, after line 4, insert:

"SECTION 6. AMENDMENT. Subsection 2 of section 57-02-53 of the North Dakota Century Code is amended and reenacted as follows:

- 2. The form of notice prescribed by the tax commissioner must require a statement to inform the taxpayer that an assessment increase ~~does not~~ may mean property taxes on the parcel will increase. The notice may ~~not~~ contain an estimate of a tax increase resulting from the assessment increase."

Page 4, line 24, replace "6" with "7"

Page 4, line 24, replace "7" with "8"

Page 4, line 26, replace "6" with "7"

Page 4, line 26, replace "7" with "8"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment allows property assessment increase notices to include an estimate of a tax increase.

Tax Commissioner - Budget No. 127
Senate Bill No. 2006
Base Level Funding Changes

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	118.00	\$64,241,316	\$125,000	\$64,366,316	118.00	\$64,241,316	\$125,000	\$64,366,316	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increases		\$159,434		\$159,434		\$159,434		\$159,434				\$0
Salary increase		1,110,808		1,110,808		1,484,574		1,484,574		373,766		373,766
Health insurance increase		552,545		552,545		540,120		540,120		(12,425)		(12,425)
Adjusts funding for an undesignated vacant FTE position	(1.00)	(167,444)		(167,444)	(1.00)	(167,444)		(167,444)				0
Adds funding for Tax Commissioner salary equity increase		859		859		0		0		(859)		(859)
Removes salary funding for funding pool				0		(1,285,846)		(1,285,846)		(1,285,846)		(1,285,846)
Increase in ITD rates		36,596		36,596		36,596		36,596				0
Increases funding for GenTax support		400,000		400,000		400,000		400,000				0
Increases funding for IT data processing		96,000		96,000		96,000		96,000				0
Adds funding for a new Capitol space rent model		614,654		614,654		614,654		614,654				0
Increases funding for the homestead tax credit		900,000		900,000		900,000		900,000				0
Increases funding for the disabled veterans' tax credit		2,445,000		2,445,000		2,445,000		2,445,000				0
Total ongoing funding changes	(1.00)	\$6,148,452	\$0	\$6,148,452	(1.00)	\$5,223,088	\$0	\$5,223,088	0.00	(\$925,364)	\$0	(\$925,364)
One-Time Funding Items												
Adds one-time funding for GenTax support enhancements		\$500,000		\$500,000		\$500,000		\$500,000				0
Total one-time funding changes	0.00	\$500,000	\$0	\$500,000	0.00	\$500,000	\$0	\$500,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(1.00)	\$6,648,452	\$0	\$6,648,452	(1.00)	\$5,723,088	\$0	\$5,723,088	0.00	(\$925,364)	\$0	(\$925,364)
2023-25 Total Funding	117.00	\$70,889,768	\$125,000	\$71,014,768	117.00	\$69,964,404	\$125,000	\$70,089,404	0.00	(\$925,364)	\$0	(\$925,364)
<i>Federal funds included in other funds</i>			\$125,000				\$125,000				\$0	
<i>Total ongoing changes as a percentage of base level</i>	(0.8%)	9.6%	0.0%	9.6%	(0.8%)	8.1%	0.0%	8.1%				
<i>Total changes as a percentage of base level</i>	(0.8%)	10.3%	0.0%	10.3%	(0.8%)	8.9%	0.0%	8.9%				

Other Sections in Tax Commissioner - Budget No. 127

	Senate Version	House Version
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 for the 2023-25 biennium.	Section 3 authorizes the Tax Commissioner to transfer funds between the homestead tax credit line item and the disabled veterans' credit line item for the 2023-25 biennium.
Motor vehicle fuel tax revenue transfer	Section 4 provides for a transfer of \$1,844,424 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 4 provides for a transfer of \$1,844,424 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 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$130,000 (4.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.	Section 5 provides the statutory changes necessary to increase the Tax Commissioner's salary from the current salary of \$124,250 to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024.

Other Sections in Tax Commissioner - Budget No. 127

Senate Version

House Version

Sales and use tax exemption for sustainable aviation fuel

Sections 6 and 7 create a sales and use tax exemption for materials to construct, expand, or upgrade a facility that refines renewable feedstock into sustainable aviation fuel and provide effective and expiration dates related to the exemption. The sales and use tax exemption may decrease the collections deposited in the general fund and state aid distribution fund but the amount cannot be determined. Section 8 provides an effective date for the sales and use tax exemption.

23.0260.02003
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
March 27, 2023

Fiscal No. 2

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, remove lines 20 through 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$22,594,196	\$730,838	\$23,325,034
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$5,723,088	\$70,089,404
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$5,723,088	\$69,964,404
Full-time equivalent positions	118.00	(1.00)	117.00"

Page 3, line 2, replace "thirty" with "thirty-one"

Page 3, line 3, after "eight" insert "seven"

Page 3, line 3, remove the overstrike over "hundred"

Page 3, line 3, after "fourteen" insert "five"

Page 3, line 3, remove "thirty-"

Page 3, line 4, replace "five" with "thirty-six"

Page 3, line 4, overstrike "two" and insert immediately thereafter "nine"

Page 3, line 4, after "fifty" insert "seventy-three"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$22,594,196	\$24,250,398	(\$925,364)	\$23,325,034
Operating expenses	7,466,120	9,113,370		9,113,370
Capital assets	6,000	6,000		6,000
Homestead tax credit	18,000,000	18,900,000		18,900,000
Disabled veterans' credit	<u>16,300,000</u>	<u>18,745,000</u>		<u>18,745,000</u>
Total all funds	\$64,366,316	\$71,014,768	(\$925,364)	\$70,089,404
Less estimated income	<u>125,000</u>	<u>125,000</u>	0	<u>125,000</u>
General fund	\$64,241,316	\$70,889,768	(\$925,364)	\$69,964,404
FTE	118.00	117.00	0.00	117.00

Department 127 - State Tax Commissioner - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases¹	Adjusts Funding for a Vacant FTE and Equity Funding²	Removes Salary Funding for a Funding Pool³	Total House Changes
Salaries and wages	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Operating expenses				
Capital assets				
Homestead tax credit				
Disabled veterans' credit				
Total all funds	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
FTE	0.00	0.00	0.00	0.00

¹ Salaries and wages funding is adjusted for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	General Fund	Other Funds	Total
Salary increase	\$373,766	\$0	\$373,766
Health insurance adjustment	<u>(12,425)</u>	<u>0</u>	<u>(12,425)</u>
Total	\$361,341	0	\$361,341

The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

² Funding of \$859, which was added by the Senate for a salary equity increase for the Tax Commissioner, is removed because the salary increase of 6 percent on July 1, 2023, exceeds the equity increase needed to provide a salary of \$130,000 for the Tax Commissioner.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	General Fund	Other Funds	Total
New FTE positions	\$0	\$0	\$0
Vacant FTE positions	<u>(1,285,846)</u>	<u>0</u>	<u>(1,285,846)</u>
Total	(\$1,285,846)	\$0	(\$1,285,846)

The Senate did not remove funding for a new vacant FTE funding pool.

A section is amended to provide the statutory changes necessary to increase the State Treasurer's annual salary to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024. The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

23.0260.02004
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
March 30, 2023

Fiscal No. 3

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2006

Page 1, line 6, after "57-01-04" insert ", subsection 2 of section 57-02-53,"

Page 1, line 7, after "commissioner" insert ", property assessment increase notices,"

Page 1, remove lines 20 through 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$22,594,196	\$730,838	\$23,325,034
Operating expenses	7,466,120	1,647,250	9,113,370
Capital assets	6,000	0	6,000
Homestead tax credit	18,000,000	900,000	18,900,000
Disabled veterans' tax credit	<u>16,300,000</u>	<u>2,445,000</u>	<u>18,745,000</u>
Total all funds	\$64,366,316	\$5,723,088	\$70,089,404
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total general fund	\$64,241,316	\$5,723,088	\$69,964,404
Full-time equivalent positions	118.00	(1.00)	117.00"

Page 3, line 2, replace "thirty" with "thirty-one"

Page 3, line 3, after "eight" insert "seven"

Page 3, line 3, remove the overstrike over "hundred"

Page 3, line 3, after "fourteen" insert "five"

Page 3, line 3, remove "thirty-"

Page 3, line 4, replace "five" with "thirty-six"

Page 3, line 4, overstrike "two" and insert immediately thereafter "nine"

Page 3, line 4, after "fifty" insert "seventy-three"

Page 3, after line 4, insert:

"SECTION 6. AMENDMENT. Subsection 2 of section 57-02-53 of the North Dakota Century Code is amended and reenacted as follows:

2. The form of notice prescribed by the tax commissioner must require a statement to inform the taxpayer that an assessment increase ~~does not~~may mean property taxes on the parcel will increase. The notice may ~~not~~ contain an estimate of a tax increase resulting from the assessment increase."

Page 4, line 24, replace "6" with "7"

Page 4, line 24, replace "7" with "8"

Page 4, line 26, replace "6" with "7"

Page 4, line 26, replace "7" with "8"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2006 - State Tax Commissioner - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$22,594,196	\$24,250,398	(\$925,364)	\$23,325,034
Operating expenses	7,466,120	9,113,370		9,113,370
Capital assets	6,000	6,000		6,000
Homestead tax credit	18,000,000	18,900,000		18,900,000
Disabled veterans' credit	16,300,000	18,745,000		18,745,000
Total all funds	\$64,366,316	\$71,014,768	(\$925,364)	\$70,089,404
Less estimated income	125,000	125,000	0	125,000
General fund	\$64,241,316	\$70,889,768	(\$925,364)	\$69,964,404
FTE	118.00	117.00	0.00	117.00

Department 127 - State Tax Commissioner - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for a Vacant FTE and Equity Funding ²	Removes Salary Funding for a Funding Pool ³	Total House Changes
Salaries and wages	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Operating expenses				
Capital assets				
Homestead tax credit				
Disabled veterans' credit				
Total all funds	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
Less estimated income	0	0	0	0
General fund	\$361,341	(\$859)	(\$1,285,846)	(\$925,364)
FTE	0.00	0.00	0.00	0.00

¹ Salaries and wages funding is adjusted for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	General Fund	Other Funds	Total
Salary increase	\$373,766	\$0	\$373,766
Health insurance adjustment	(12,425)	0	(12,425)
Total	\$361,341	0	\$361,341

The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.

² Funding of \$859, which was added by the Senate for a salary equity increase for the Tax Commissioner, is removed because the salary increase of 6 percent on July 1, 2023, exceeds the equity increase needed to provide a salary of \$130,000 for the Tax Commissioner.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	General Fund	Other Funds	Total
New FTE positions	\$0	\$0	\$0
Vacant FTE positions	(1,285,846)	0	(1,285,846)
Total	(\$1,285,846)	\$0	(\$1,285,846)

The Senate did not remove funding for a new vacant FTE funding pool.

This amendment also:

- Provides the statutory changes necessary to increase the State Treasurer's annual salary to \$131,705 (6 percent) effective July 1, 2023, and to \$136,973 (4 percent) effective July 1, 2024. The Senate provided salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024.
- Adds a section to allow property assessment increase notices to include an estimate of a tax increase.