

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Bill/Resolution No.: HB 1239

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(8,000)			
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1239 creates a new income tax deduction for individuals who suffer a stillbirth.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows an income tax deduction to an individual for a stillbirth, as evidenced by a fetal death certificate issued by the North Dakota Health Department’s Division of Vital Records.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The provisions of the bill allow a deduction that is equal to the amount of the dependency exemption allowed under federal income tax law, which is to be claimed on the income tax return filed for the tax year in which the stillbirth occurred. The federal dependency exemption, which is adjusted for inflation each year, is \$4,050 for the 2017 tax year.

A \$4,050 deduction would result in a tax reduction ranging from \$45 to \$117 depending on the tax brackets in which the individual’s income falls. Based on statistics from the North Dakota Division of Vital Records, the number of fetal deaths over the years 2001 through 2015 ranged from 34 to 75 per year, with an average of 49 per year. Assuming the average number of 49, and applying an average tax rate of 2%, the enactment of HB 1239 would reduce state general fund revenues by an estimated \$8,000 for the 2017-19 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Date Prepared: 01/13/2017

2017 HOUSE FINANCE AND TAXATION

HB 1239

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1239
1/16/2017
26900

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for a birth resulting in stillbirth.

Minutes:

No attachments

Chairman Headland: Opened hearing on HB 1239.

Representative K. Koppelman: Introduced bill. This bill is designed to extend a tax deduction to families who find themselves in the tragic circumstance of having a stillborn child in the year that it occurs. Several states have done this. The amount of the exemption is equal to the amount available under the internal revenue code. The federal code does not have this provision in it. Our state has a provision where if a family has a stillborn child you can obtain a death certificate. I have a personal connection to this bill because I had a grandchild who was stillborn. This is something for those families that have been through it and recognizes that this is a life. It is only appropriate for families to have that tax deduction that they would have if their child was alive born child but doesn't live long due to certain circumstances. This would do the same for those families born with a stillborn child. It makes sense because they are not only going through the normal expense of a birth but also the expense of a funeral in many cases. I believe the fiscal note is \$8,000 a biennium which translates to \$4,000 a year so it's not a lot of money. When people ask how we're going to pay for a tax deduction I remind them that it is not correct because allowing people to keep more of their own money is not something we have to pay for, that is simply something that we're taking less of from someone.

Chairman Headland: Are there any questions for Representative Koppelman?

Representative Steiner: On a fetal death certificate, is there a certain age in the womb that is required?

Representative K. Koppelman: I believe that there is but I can't tell you off the top of my head. This is not the same as a miscarriage.

Representative Steiner: Our daughter was pregnant with twins at five months in the womb and was stillborn. Would she have qualified under this?

Representative K. Koppelman: I'm not sure but I believe so. This is something that your committee can look at.

Representative Hogan: I believe the cutoff is four months. That is applied to the number of benefits, particularly burial benefits and GA policies for counties.

Representative Olson: You said that a tax deduction exists for a child who has died after birth. Is there a cutoff at the age at which that no longer applies to the child? Is the deduction being extended to a stillbirth the exact same as the deduction that is extended for the death of a child?

Representative K. Koppelman: The deduction for the child is for the year the child was alive. There is no time limit for the first answer to your question. For your second question, it would be the same because in the bill it refers to the amount equal to the exemption available for a qualifying child under the internal revenue code.

Chairman Headland: Is there further testimony in support of HB 1239?

Mary Rennich, resident of Bismarck: I was asked by Representative K. Koppelman to tell my story. Ms. Rennich experienced the grief of a stillbirth. She told her story. Her child was nine months in the womb on her due date and was alive until she got to the hospital. She went through labor and delivery. The costs of the burial were high. HB 1239 could make a real difference for parents. For parents who have already experienced unspeakable hardships this act could make a difference to families in recognizing a child was born, was dreamt about, and was planned for.

Chairman Headland: Are there any questions? Thank you for sharing your gut wrenching story with us. Is there further testimony in support of HB 1239? Is there any opposition? We may have some questions for the tax department. Joe, it is my assumption that the calculation would be fairly easy to do. It is going to be based on what it would be if the child was born alive? Will this be an additional line item or will it be on the same line? Can you explain to the committee how it will be handled on the tax form?

Joe Becker, Tax Department: The current federal exemption is \$4,050 per dependent child. I would presume we would add an additional line on the form to accomplish that. The statute would indicate that they would provide a fetal death certificate as support for that.

Vice Chairman Dockter: I prepare tax returns so in this case or when anyone else passes away, in your program you list the date of death so it is marked on the tax return that they know it's just for this tax year.

Chairman Headland: We will hold this bill until Representative B. Koppelman can be present to discuss the bill. We will recess for now.

Chairman Headland: Any discussion? I'm going to support this bill. I think there is a valid argument that the cost incurred with a stillborn is there.

Representative Trottier: The fiscal note has \$8,000 per biennium but there is a \$4,050 per claimant that is federal?

Chairman Headland: That is a federal deduction.

Joe Becker, Tax Department: The amount of the break in the bill is a deduction from income. The fiscal note is reflecting taking that amount and applying an average tax rate to get down to what the state is actually absorbing.

Representative B. Koppelman: I wanted to share my support for this bill. This particular bill is near and dear to my heart as I had a sibling with a stillborn child. Somebody who has a stillborn child still has all the same costs of giving birth but they also have to deal with a funeral and various other hardships. The benefit for the families would come from the feds on their federal tax. I'm definitely supporting this.

Chairman Headland: The fiscal note points out, it's not a big amount for anyone no matter what your income level is. I agree with Representative B. Koppelman.

Representative Olson: As you all know I am very opposed to carving out tax breaks, exemptions, or incentives for any particular section or class but I am supporting this bill. It's not really granting a new exemption or a new incentive but it's correcting an oversight in the law perhaps. In this bill it is considering a stillborn child to have been a live child for the year in which it was still born. I am in favor of recognizing the fact that this was a child.

Representative Steiner: MADE A MOTION FOR A DO PASS

Representative Grueneich: SECONDED

Chairman Headland: Is there any discussion?

**ROLL CALL VOTE: 13 YES 0 NO 1 ABSENT
MOTION CARRIED**

Representative Steiner will carry this bill.

Date: 1-16-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1239**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Steiner Seconded By Rep. Grueneich

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	AB				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Steiner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1239: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1239 was placed on the Eleventh order on the calendar.

2017 SENATE FINANCE AND TAXATION

HB 1239

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1239
3/6/2017
Job #: 28742

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an individual income tax deduction for a birth resulting in stillbirth; and to provide an effective date.

Minutes:

No Attachments

All Senators present.

Chairman Cook: Opened the public hearing on HB 1239.

Representative Kim Koppelman, District 13: HB 1239 is a very simple bill. The reason the bill was introduced is that many families have experienced the tragedy of a stillbirth. Stillbirth is a challenging and trying situation for any family. A few years ago we passed legislation allowing for a death certificate to be issued when a stillbirth occurred. However, this bill contemplates something a little bit different. We give tax deductions for the number of children you have. We haven't made that recognition for stillborn children. This would make that step. It makes a lot of sense, only in the year the stillbirth would occur. It would not only be a recognition that a life is a life. It would also be a financial blessing to those families, they probably incur more expense in the year that a stillbirth occurs, then a live birth. They have the expense of the birth, the funeral, and possibly additional medical bills.

Closed the public hearing on House Bill 1239.

Vice Chairman Bekkedahl move a do pass on HB 1239.

Senator Meyer seconded the bill.

A roll call vote was taken. 6 yeas, 0 nays, 0 absent.

Motion passes.

Senator Bekkedahl will carry the bill.

Date: 3-6-2017
 Roll Call Vote #: 1

**2017 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1239**

Senate _____ Finance and Taxation _____ Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Bekkedahl Seconded By Meyer

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chair Brad Bekkedahl	X				
Senator Lonnie J. Laffen	X				
Senator Jessica Unruh	X				
Senator Scott Meyer	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Bekkedahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1239: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1239 was placed on the Fourteenth order on the calendar.