

FISCAL NOTE
Requested by Legislative Council
01/24/2019

Amendment to: HB 1061

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(2,800,000)			
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Engrossed HB 1061 will exclude from income tax payments received for active duty service in the U.S. armed forces, National Guard, or their reserve components.

- 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 will exclude 100% of payments received for active duty service in the U.S. armed forces, National Guard, or their reserve components. The income tax exclusion applies to payments made to the servicemember or to the servicemember's surviving spouse.

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.*

If enacted, Engrossed HB 1061 is expected to reduce state general fund revenues by an estimated \$2.8 million for the 2019-21 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.*

Name: Kathryn L.Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/25/2019

FISCAL NOTE
Requested by Legislative Council
12/21/2018

Bill/Resolution No.: HB 1061

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(5,800,000)			
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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 1061 changes the income tax law to provide for an income tax deduction for individuals, including their survivors, for active duty and retirement pay received for service in the U.S. armed forces, National Guard, or their reserve components.

- 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 will change a current provision of individual income tax law to provide for a 100% exclusion of payments received for services performed as an active or reserve member of the U.S. armed forces or the National Guard. It will also provide for a 100% exclusion of retirement benefits received that are attributable to such service. The exclusions apply whether made to the servicemember or to the servicemember's surviving spouse.

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.*

If enacted, HB 1061 is expected to reduce state general fund revenues by an estimated \$5.8 million for the 2019-21 biennium. Of this amount, approximately \$2.8 million is attributable to the active duty pay exclusion and \$3 million is attributable to the military retirement pay exclusion. Of the \$3 million attributable to the military retirement pay exclusion, approximately \$132,000 is attributable to payments to survivors of retired military members.

- 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.*

Name: Kathryn L.Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/04/2019

2019 HOUSE FINANCE AND TAXATION

HB 1061

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1061
1/7/2019
30459

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to an income tax deduction for service payments and retirement benefits received by an active or reserve member of the armed forces or the national guard or a surviving spouse; and to provide an effective date.

Minutes:

Attachment #1

Chairman Headland: Opened hearing on HB 1061.

Representative Roers Jones: Introduced HB 1061. This is a bill to exempt not only the retired benefits but also the active duty pay. This bill comes out of the recommendations from the Workforce Development Council and the guard to attempt to bring more integration to the state of North Dakota and to be less susceptible to BRACs in the future. The difference between HB 1053 and this bill is the fiscal note, this bill is higher at \$5.8 million. Depending on how many people are coming into the state it could be offset or cash flow positive in five to ten years. This is a great opportunity to bring new people into the state and have access to more of those federal dollars. This would also bring in more people to fill those jobs. There are potentially as many as 30,000 unfilled jobs, some posted and some not posted. If we can get more of these new and young active military to make North Dakota their home base then we have greater opportunity to bring their spouses and families to the state and into our workforce as well.

Chairman Headland: Are there any questions?

Representative Kading: Does the federal government exempt active military pay from taxes?

Representative Roers Jones: I don't believe they do. We are competing with other states. Many of the states have a workforce shortage but they have lower tax rates and other things that allow them to attract and retain the employees that we're not able to attract and retain. If we are going after this workforce and want them to come and stay in North Dakota, then I would encourage support of this bill more than the bill that exempts only retirement pay. I

see that bill as half pay where I see this bill as a much stronger resource for attracting and retaining the younger members.

Chairman Headland: You make a strong point. Since we're trying to attract workforce we need them to stay and work starting in their twenties.

Representative Roers Jones: There are a number of states that offer tax exemptions and different benefits to bring them to the state. North Dakota has a lot to compete against when you're looking at our environment outside to encourage people to come to North Dakota. I think exempting active duty pay will be a large step into bringing people into the state. I believe that once you get here and have those ties to the state it's much harder to leave but getting people here in the first place is the biggest barrier.

Chairman Headland: Would you support relieving every North Dakota taxpayer of their burden of income taxes?

Representative Roers Jones: I think that would encourage more people, military and non-military, to come to the state of North Dakota. If I saw a bill like that I would certainly give it a hard look.

Chairman Headland: Is there further support?

Tom Ford, Director of Administration at County of Grand Forks County Direction, Base Retention and Investment Committee: This is another piece of legislation we support for the reasons of BRAC and strategic basing. Grand Forks Air Force base has been BRAC five times but still open to this day. With the new emphasis on strategic basing it is either current mission growth, new missions, or even losing missions, this is one more box the state of North Dakota could check to encourage the decision makers and the pentagon not to put us on BRAC and grow not downsize.

Chairman Headland: I believe the BRAC strengthens the argument for sure. Is there any further testimony in support? Is there any opposition? Neutral testimony?

Major Al Dohrmann, Adjutant General of the North Dakota National Guard: Neutral testimony. See written testimony #1. Ended testimony at 14:33.

Chairman Headland: It appears to me that if we were to consider providing relief to active duty there is nothing in this bill that is different from the other bill for retired military. We wouldn't need both bills really or am I missing something?

Major Al Dohrmann: I think that's a fair statement.

Chairman Headland: Is there further testimony? Seeing none we will close the hearing on HB 1061.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1061
1/21/2019
31133

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax deduction for service payments and retirement benefits received by an active or reserve member of the armed forces or the national guard or a surviving spouse.

Minutes:

Attachment 1

Chairman Headland: We're going to be looking at Representative B. Koppelman's amendments.

Representative B. Koppelman: Distributed proposed amendments, see attachment #1. We're removing retirement benefits for military personnel. On page 1 line 10 we're removing the words: "or retirement benefits related to services performed" and on line 11 we're removing "services performed." **MADE A MOTION TO ADOPT THE AMENDMENT.**

Representative Steiner: SECONDED. I think we need to keep the two issues separate for the floor because you actually recoup the state investment faster on the retired than the active. You wouldn't want to jeopardize the concept of retired by throwing in the active. The fiscal note is also higher when you put them together.

Chairman Headland: Looking at it from a workforce recruitment tool is there any belief in which one would encourage workforce to stay more than the other?

Representative Dockter: I clearly think it would be the retired rather than the active. We have two air bases, the national guard, and the air guard so I believe that would be much better to help retain the workforce. I'd probably vote for both but I think the retired one would be the one.

Chairman Headland: Let me rephrase that. Let's assume neither one of these bills will be passed, who is more likely to stay?

Representative Dockter: I'd say the retiree.

Chairman Headland: Do we know the number of active duty versus those who would be eligible for the retiree benefits?

Vice Chairman Grueneich: I did some research and between the two bases there are 400 that retire a year and that's a high number. Historically it's more in the 250 range. I think the numbers that Representative Vetter gave us is pretty accurate for the number of people that would stay.

Representative Dockter: With military you can retire after 20 years so they may be age 40 with young children so it would be a determining factor for them to stick around. They have a job skill set that could help our state and help these sectors that are looking for skilled labor.

Representative B. Koppelman: I think active duty are least likely to stay. I think the retiree duration would be longer since they would likely have a career and that career would be fully taxed. When we look at the total taxes they are going to pay under our system I think the retirees are the better bang for your buck.

Chairman Headland: Let's do a voice vote on the proposed amendment to remove the retiree benefits from HB 1061.

VOICE VOTE: MOTION CARRIED TO ADOPT AMENDMENT.

Chairman Headland: What are your wishes?

Representative B. Koppelman: MADE A MOTION FOR A DO NOT PASS

Representative Kading: SECONDED

Representative Toman: How many active duty members do we have and how many are paying North Dakota income tax at a resident of North Dakota currently?

Chairman Headland: I don't think we got that information.

Representative Dockter: In the testimony he states 2,000 new airmen are transferred to Minot and Grand Forks airbase each year. There are about 600 soldiers in North Dakota National Guard who are residents of Minnesota and South Dakota. There's a federal program to try and get 200 new citizens each year because each year it generates \$382,000 in federal program funding.

Chairman Headland: According to his testimony if they took an offer from the state that provides the greatest benefits I don't know what else we would provide them with that other states wouldn't. But it seems that there may be some encouragements to claim residency in North Dakota when they're here.

Representative B. Koppelman: If they have any income outside their active duty pay then some of that would be exempted for those living here. I don't know if he can demonstrate a large benefit to the state on dollars and cents on the short term.

Representative Eidson: When you get close to ending your career in the military you are going to start looking for places you could potentially be stationed and then live directly after that. They are going to start transitioning into a career and/or furthering their education. I think that's an important thing to keep in mind. It could attract a lot of veterans here. Speaking as somebody who just got out four years ago that is something we pay attention to.

Chairman Headland: Is there any relevance to the fact that South Dakota doesn't have an income tax? In the General's testimony he indicated there were about 600 of our guard members who either claim residency in South Dakota or Minnesota. Minnesota doesn't tax military pay and South Dakota doesn't tax anybody. We have a do not pass on the table.

Representative Hatlestad: If we're looking at transition maybe the tax money would be better spent with free tuition.

Chairman Headland: There's a subject that is new to the bill. I think there are things that could be discussed but this bill is pretty clear. I like the amended version of this bill more than the military retiree benefit package but that still doesn't mean I'm going to vote for it. This will reduce revenue. We need to find some kind of reduction in spending in order to balance. The fact is that we're still several hundred million underwater.

Representative Steiner: It's an investment. I'll be voting no on the do not pass. I think sometimes you have to invest. Both bills show that we possibly could attract people and capture workforce. There's no assurance we're going to be able to remove income tax from all citizens so at least some of them escaped.

Representative Fisher: With the Ground Base Strategic Deterrent upgrade coming to Minot it was said that these folks are 40-50 years old with a career so I feel there is a need for this to stay with the positive workforce development that could be here. They do tend to stay around Minot and contribute.

Chairman Headland: I had a conversation with Senator Cramer's staff and when they start to have a conversation on base closing they are going to look at military friendly states.

ROLL CALL VOTE: 5 YES 8 NO 1 ABSENT
MOTION FAILED

Representative Steiner: MADE A MOTION FOR A DO PASS AS AMENDED AND REREFER TO APPROPRIATIONS

Representative Mitskog: SECONDED

Chairman Headland: Discussion.

ROLL CALL VOTE: 7 YES 6 NO 1 ABSENT
MOTION CARRIED

Representative Fisher will carry this bill.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1061
1/23/2019
31317

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax deduction for service payments and retirement benefits received by an active or reserve member of the armed forces or the national guard or a surviving spouse.

Minutes:

No attachments

Representative Dockter: MADE A MOTION TO RECONSIDER

Representative Steiner: SECONDED

VOICE VOTE: MOTION CARRIED

Chairman Headland: Let's discuss.

Representative Dockter: We have two bills before us; one was for active and one was for retired veterans. We voted them both out of committee and they both have about a \$3 million fiscal note. I was on the prevailing side for HB 1061 but I'm reconsidering for us to have a chance to decide which of the two bills we should go with. I'd much rather support the retirement benefits versus the active duty. **MADE A MOTION FOR A DO NOT PASS AS AMENDED.**

Representative B. Koppelman: SECONDED

I think this is the right choice to just send one vehicle to appropriations that you have to defend as opposed to two. We need to be realistic. I think one has a better chance than both.

Chairman Headland: The Veterans' Organization made it clear that their priority was the remaining bill. I can certainly go along with the change.

ROLL CALL VOTE: 11 YES 3 NO 0 ABSENT

MOTION CARRIED

Representative Trottier will carry this bill.

19.0470.01001
Title.02000

Prepared by the Legislative Council staff for
Representative B. Koppelman
January 10, 2019

DA 1/2/19

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1061

Page 1, line 2, remove "and"

Page 1, line 3, remove "retirement benefits"

Page 1, line 10, remove ", or retirement benefits related to"

Page 1, line 11, remove "services performed,"

Renumber accordingly

Date: 1-21-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1061

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 19.0470.01001 Koppelman amendment
(attachment #1) 1-10-19

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. Koppelman Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Eidson		
Vice Chairman Grueneich			Representative Mitskog		
Representative Blum					
Representative Dockter					
Representative Ertelt					
Representative Fisher					
Representative Hatlestad					
Representative Kading					
Representative Koppelman					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote = Motion carried
Remove retiree benefits

Date: 1-21-19
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1061**

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. Koppelman Seconded By Rep. Kading

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum		✓			
Representative Dockter		✓			
Representative Ertelt	✓				
Representative Fisher		✓			
Representative Hatlestad		✓			
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner		✓			
Representative Toman		✓			
Representative Trottier	A				

Total (Yes) 5 No 8

Absent 1

Floor Assignment X

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

Motion failed.

Date: 1-21-19
 Roll Call Vote #: 3

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1061**

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. Mitskog

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland		✓	Representative Eidson	✓	
Vice Chairman Grueneich		✓	Representative Mitskog	✓	
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt		✓			
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading		✓			
Representative Koppelman		✓			
Representative Steiner	✓				
Representative Toman		✓			
Representative Trottier	A				

Total (Yes) 7 No 6

Absent 1

Floor Assignment Rep. Fisher

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

Date: 1-23-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1061**

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. Dockter Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Eidson		
Vice Chairman Grueneich			Representative Mitskog		
Representative Blum					
Representative Dockter					
Representative Ertelt					
Representative Fisher					
Representative Hatlestad					
Representative Kading					
Representative Koppelman					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote = Motion carried

Date: 1-23-19
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1061**

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. Dockter Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum		✓			
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Trottier

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

REPORT OF STANDING COMMITTEE

HB 1061: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). HB 1061 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and"

Page 1, line 3, remove "retirement benefits"

Page 1, line 10, remove ", or retirement benefits related to"

Page 1, line 11, remove "services performed,"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1061: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1061 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and"

Page 1, line 3, remove "retirement benefits"

Page 1, line 10, remove ", or retirement benefits related to"

Page 1, line 11, remove "services performed,"

Renumber accordingly

2019 TESTIMONY

HB 1061

TESTIMONY OF
MAJOR GENERAL AL DOHRMANN
NORTH DAKOTA NATIONAL GUARD
BEFORE THE
HOUSE FINANCE AND TAXATION COMMITTEE
07 JANUARY 2019
HOUSE BILL 1061

Mr. Chairman, members of the committee, my name is Al Dohrmann, the Adjutant General of the North Dakota National Guard. I am here today to provide testimony on House Bill 1061.

Similar to House Bill 1053 this bill is not about providing benefits to individuals or saying thank you to our military and veterans, but rather about increasing the skilled workforce in North Dakota and potentially growing our population for years to come.

As recommended in the Governor's budget address and in North Dakota Department of Labor's Workforce Development Council's recent report, this bill could serve as a tool to entice military retirees to remain in or become citizens of North Dakota. This could contribute to increasing the skilled workforce and assist in filling current and future job vacancies across the state.

At a recent summit, that included more than 30 state-wide community leaders, representatives from both Air Force Bases, the Navy Reserve, and the North Dakota National Guard, we discussed how to improve North Dakota as a military friendly state. During our discussion and subsequent research, we discovered that North Dakota is 1 of only 8 states that still taxes retired military pay, putting us at a competitive disadvantage to attract this skilled and disciplined workforce, and a competitive disadvantage during any future base closure and realignment processes.

Based on the figures provided from the Tax Department there would be a \$5.5 million fiscal note to exempt military and retiree pay. When debating this Bill and its fiscal note, a factor that may weigh into your deliberations, is the fact that about 2000 new airmen are transferred to Minot and Grand Forks Air Force Bases each year. Military members generally become residents of states that provides the greatest benefits and retain that residency throughout their time in service. This is why you see Texas, Florida, and Alaska licenses plates at bases here in North Dakota and in other states that tax military pay; these are all states that either have no state tax, or exempt military pay.

It may also be relevant, from a regional workforce competition view, to understand that North Dakota is surrounded by states that don't tax military pay, either because they don't have a state tax or decided specifically to exclude military pay from taxation. This, in part, could account for 15% of the North Dakota National Guard members, or about 600 soldiers and airmen, having a home of record in Minnesota or South Dakota. In many, possibly a majority of cases, this is due to their civilian employment; in some case, it may be a calculated decision to live in a state with a better tax benefit, especially in our cross border metro areas such as Fargo/Moorhead and Grand Forks/East Grand Forks

If HB 1061 were to pass, this could result in a census growth for North Dakota each year, with accompanying \$1,910 in federal program dollars that the state would receive for each new resident. If just 10% of the newly stationed Airmen selected North Dakota as their residence we

HB 1061

#1. p. 2

1-7-19

could gain 200 new citizens each year, generating \$382,000 in federal program funding. At this rate of 200 new resident a year, not taxing military pay would be revenue positive in 6 years.

Regarding retirees, most military retirees are between 38-50 years of age and have proven to be a reliable, ready workforce with strong values. In almost all cases, they pursue a second career after retiring from the military at this young age. With known workforce requirements in our unmanned aerial systems industry and the upcoming Ground Based Strategic Deterrent upgrade near Minot, we need to be in a strong position to recruit skilled workforce, preferably with a security clearance. The strongest demographic to fill this requirement is our veteran population. Income earned from these second careers would be fully taxed. Additionally, in many cases, they are accompanied by dependents who are often employed, further reducing the potential fiscal impact of this Bill. Lastly, the military member and their family are often active in their community's public, private, and civic organizations further contributing to the betterment of North Dakota. They have become North Dakotans and we want them to stay North Dakotans.

I will stand for any questions you may have.

19.0470.01001

Sixty-sixth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1061

1
HB 1061
1-27-19
P. 1

Introduced by

Representatives Roers Jones, Pyle, Trottier

Senators Meyer, D. Larson

1 A BILL for an Act to amend and reenact subdivision g of subsection 2 of section 57-38-30.3 of
2 the North Dakota Century Code, relating to an income tax deduction for service payments ~~and~~
3 ~~retirement benefits~~ received by an active or reserve member of the armed forces or the national
4 guard or a surviving spouse; and to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Subdivision g of subsection 2 of section 57-38-30.3 of the
7 North Dakota Century Code is amended and reenacted as follows:

8 g. Reduced by the amount of any payment received by the taxpayer as ~~payment for~~
9 services performed ~~when mobilized under title 10 United States Code federal~~
10 ~~service as a member of the national guard, or retirement benefits related to~~
11 ~~services performed,~~ as an active or reserve member of the armed forces of the
12 United States. ~~This subdivision does not apply to federal service while attending~~
13 ~~annual training, basic military training, or professional military education or the~~
14 ~~national guard, regardless of whether the payment is made to the service~~
15 ~~member or the service member's surviving spouse.~~

16 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
17 December 31, 2018.

19.0470.01001
Title.

Prepared by the Legislative Council staff for
Representative B. Koppelman
January 10, 2019

1
HB 1061
1-27-19
p. 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1061

Page 1, line 2, remove "and"

Page 1, line 3, remove "retirement benefits"

Page 1, line 10, remove ", or retirement benefits related to"

Page 1, line 11, remove "services performed,"

Renumber accordingly