

FISCAL NOTE
 Requested by Legislative Council
 03/24/2011

Amendment to: HB 1124

1A. **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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Except for sections 3, 9, 11 and 12, the bill is a set of technical changes to the income and financial institution tax laws. Sections 3 and 9, which expand the energy device income tax credit for individuals, and sections 11 and 12, which expand the refund offset program, are substantive changes.

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.*

Those sections of HB 1124 with Senate Amendments that make technical changes (sections 1-2, 4-8, 10, 13, and 14) have no fiscal impact.

Section 3 of the bill, as originally introduced, would have made a technical change to clarify the law governing the geothermal energy device income tax credit for individual income tax purposes. However, the Senate amendments to the bill changed section 3 (and added section 9) to expand the credit to allow an individual to also claim the credit for the installation of a wind energy device. This change also allows an individual who owns an interest in a passthrough entity, such as a partnership, to claim a share of a wind energy device credit earned by the passthrough entity for installing a wind energy device.

The credit is 3 percent of the cost of acquisition and installation of a wind energy device on property owned or leased in North Dakota, which is allowed in each of 5 tax years for a total credit of 15 percent.

Based on limited information indicating there may be sales of residential-size wind turbines, particularly in rural settings, during the next biennium, this change in the law will likely result in a decrease in state general fund revenues for the 2011-13 biennium. Typically these devices for home and farm use will cost \$50,000 or more, resulting in a tax credit under these provisions of \$7500 for each home/farm installation. Estimating the likely overall decrease is not possible because the extent of those sales are unknown.

In addition, information on potential commercial installations by passthrough entities and the extent any tax credits might be passed through to individual owners also is unknown.

Sections 11 and 12 of the bill were added by the Senate amendments. These sections amend the income tax law governing the individual income tax refund offset program, under which an individual's refund may be taken and applied to debts owed by the individual to specified state agencies. Section 11 of the bill adds the Internal Revenue

nave priority over any claims submitted by the Internal Revenue Service. Although the figures will vary, recent figures provided by the Internal Revenue Service show approximately 3,200 federal tax claims. The changes made by sections 11 and 12 of the bill have no fiscal impact.

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.*

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 is also included in the executive budget or relates to a continuing appropriation.*

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