

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2006**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax
2 commissioner and for payment of state reimbursement under the homestead tax credit and
3 disabled veterans' credit; to create and enact a new section to chapter 54-11 and a new section
4 to chapter 54-27 of the North Dakota Century Code, relating to an income tax rate reduction
5 fund and the transfer of legacy fund earnings; to amend and reenact section 57-01-04 of the
6 North Dakota Century Code, relating to the salary of the state tax commissioner; to provide a
7 continuing appropriation; to provide for a transfer; and to provide an effective date.

8 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

9 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
10 as may be necessary, are appropriated out of any moneys in the general fund in the state
11 treasury, not otherwise appropriated, and from special funds derived from federal funds and
12 other income, to the tax commissioner for the purpose of defraying the expenses of the tax
13 commissioner and paying the state reimbursement under the homestead tax credit and disabled
14 veterans' tax credit for the biennium beginning July 1, 2019, and ending June 30, 2021, as
15 follows:

	<u>Base Level</u>	Adjustments or <u>Enhancements</u>	<u>Appropriation</u>
18 Salaries and wages	\$21,724,004	\$880,914	\$22,604,918
19 Operating expenses	6,749,295	363,165	7,112,460
20 Capital assets	6,000	0	6,000
21 Homestead tax credit	14,800,000	1,000,000	15,800,000
22 Disabled veterans' tax credit	<u>8,110,200</u>	<u>300,000</u>	<u>8,410,200</u>
23 Total all funds	\$51,389,499	\$2,544,079	\$53,933,578
24 Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>

1	Total general fund	\$51,264,499	\$2,544,079	\$53,808,578
2	Full-time equivalent positions	133.00	(10.00)	123.00

3 **SECTION 2. LINE ITEM TRANSFERS.** The state tax commissioner may transfer funds
4 between the homestead tax credit and disabled veterans' tax credit line items in section 1 of this
5 Act if one line item does not have sufficient funds available for state reimbursement of eligible
6 tax credits. The state tax commissioner shall notify the office of management and budget and
7 the legislative council of any transfers made pursuant to this section.

8 **SECTION 3. MOTOR VEHICLE FUEL TAX REVENUE TRANSFER.** There is transferred to
9 the general fund in the state treasury out of motor vehicle fuel tax revenue collected pursuant to
10 section 57-43.1-02, the sum of \$1,991,024 for the purpose of reimbursing the general fund for
11 expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the
12 administration of these taxes for the biennium beginning July 1, 2019, and ending June 30,
13 2021.

14 **SECTION 4.** A new section to chapter 54-11 of the North Dakota Century Code is created
15 and enacted as follows:

16 **Legacy income tax rate reduction fund - State treasurer - Tax commissioner - Income**
17 **tax rate adjustment - Transfers to the general fund - Continuing appropriation.**

- 18 1. There is created in the state treasury the legacy income tax rate reduction fund. The
19 fund consists of all moneys deposited in the fund pursuant to section 5 of this Act. All
20 moneys in the fund are appropriated to the state treasurer on a continuing basis for
21 the purpose of providing transfers to the general fund to reduce the individual income
22 tax imposed under section 57-38-30.3 and the corporate income tax imposed under
23 section 57-38-30.
- 24 2. If money is transferred into the fund pursuant to section 5 of this Act, the tax
25 commissioner shall publish reduced individual and corporate income tax rates and
26 notify taxpayers of the reduced rates by November first of the first fiscal year of the
27 biennium. The tax commissioner may determine the form and manner for publishing
28 the reduced rates and notifying taxpayers, including any notification that taxpayers are
29 not required to file returns or pay taxes. The tax commissioner shall reduce the
30 individual income tax rates and the corporate income tax rates based on the following:

- 1 a. The percentage reduction to the individual and corporate income tax rates is
2 equal to the rate reduction amount divided by the total estimated tax collections,
3 including both the individual tax collections and corporate income tax collections,
4 for the second year of the biennium.
- 5 b. Any reductions to the individual income tax rates and the corporate income tax
6 rates apply to tax years after December 31, 2021.
- 7 c. The reductions to the individual income tax rates and the corporate income tax
8 rates must be proportional to the estimated tax collections for each tax relative to
9 the combined total estimated tax collections for both taxes.
- 10 d. The reductions to the individual income tax rates and the corporate income tax
11 rates must be applied equally to all tax brackets for each tax.
- 12 e. The reduced individual income tax rates and corporate income tax rates must be
13 rounded to the nearest one-hundredth of a percent.
- 14 3. If no money is transferred to the fund pursuant to section 5 of this Act, the tax
15 commissioner may not reduce the individual and corporate income tax rates currently
16 in effect.
- 17 4. a. If the income tax rate reduction results in a disproportionate amount of tax to be
18 deducted and withheld under section 57-38-59, the tax commissioner may adjust
19 the percentage that, when withheld, will as closely as possible pay the income
20 tax liability imposed.
- 21 b. This section does not limit or suspend any provision in chapter 57-38 which is not
22 in conflict with this section, including provisions for assessment and refund under
23 sections 57-38-34.4, 57-38-38, and 57-38-40.
- 24 5. In April of each year, the state treasurer shall transfer the amounts certified by the tax
25 commissioner from the legacy fund income tax reduction fund to the general fund. The
26 amount transferred to the general fund each year may not be less than the rate
27 reduction amount determined for the current biennium plus the rate reduction amount
28 determined for each preceding biennium.
- 29 6. For purposes of this section:
30 a. "Base funding amount" means the total amount transferred from the legacy
31 income tax rate reduction fund to the general fund in the preceding biennium.

- 1 b. "Estimated tax collections" means the income tax collection amounts included in
2 the revenue forecast of the current biennial state budget as approved by the most
3 recently adjourned special or regular session of the legislative assembly.
4 c. "Rate reduction amount" means one-third of any legacy fund earnings deposited
5 in the legacy income tax rate reduction fund exceeding the base funding amount.

6 **SECTION 5.** A new section to chapter 54-27 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Transfer of legacy fund earnings - Limitations.**

9 Fifty percent of any legacy fund earnings transferred to the general fund at the end of each
10 biennium in accordance with section 26 of article X of the Constitution of North Dakota must be
11 transferred immediately by the state treasurer to the legacy income tax rate reduction fund. The
12 state treasurer may not transfer legacy fund earnings to the income tax rate reduction fund if the
13 amount of legacy fund earnings to be transferred to the legacy income tax rate reduction fund is
14 less than fifty million dollars.

15 **SECTION 6. AMENDMENT.** Section 57-01-04 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-01-04. Salary.**

18 The annual salary of the state tax commissioner is ~~one hundred eleven thousand four~~
19 ~~hundred forty eight dollars through June 30, 2016, and one hundred fourteen thousand seven~~
20 ~~hundred ninety one dollars thereafter~~ one hundred seventeen thousand eighty-seven dollars
21 through June 30, 2020, and one hundred twenty thousand fourteen dollars thereafter.

22 **SECTION 7. EFFECTIVE DATE.** Sections 4 and 5 of this Act become effective on June 1,
23 2021.