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' credit; to create and enact a new section to chapter 54-11 and a new section to chapter 54-27 of the North Dakota Century Code, relating to an income tax rate reduction fund and the transfer of legacy fund earnings; 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 a continuing appropriation; to provide for a transfer; and to provide an effective date.

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, 2019, and ending June 30, 2021, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Base Level</th>
<th>Enhancements</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$21,724,004</td>
<td>$880,914</td>
<td>$22,604,918</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>6,749,295</td>
<td>363,165</td>
<td>7,112,460</td>
</tr>
<tr>
<td>Capital assets</td>
<td>6,000</td>
<td>0</td>
<td>6,000</td>
</tr>
<tr>
<td>Homestead tax credit</td>
<td>14,800,000</td>
<td>1,000,000</td>
<td>15,800,000</td>
</tr>
<tr>
<td>Disabled veterans' tax credit</td>
<td>8,110,200</td>
<td>300,000</td>
<td>8,410,200</td>
</tr>
<tr>
<td>Total all funds</td>
<td>51,389,499</td>
<td>2,544,079</td>
<td>53,933,578</td>
</tr>
<tr>
<td>Less estimated income</td>
<td>125,000</td>
<td>0</td>
<td>125,000</td>
</tr>
</tbody>
</table>
SECTION 2. LINE ITEM TRANSFERS. 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 and the legislative council of any transfers made pursuant to this section.

SECTION 3. 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 $1,991,024 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, 2019, and ending June 30, 2021.

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

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

1. There is created in the state treasury the legacy income tax rate reduction fund. The fund consists of all moneys deposited in the fund pursuant to section 5 of this Act. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of providing transfers to the general fund to reduce the individual income tax imposed under section 57-38-30.3 and the corporate income tax imposed under section 57-38-30.

2. If money is transferred into the fund pursuant to section 5 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.

b. Any reductions to the individual income tax rates and the corporate income tax rates apply to tax years after December 31, 2021.

c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.

d. The reductions to the individual income tax rates and the corporate income tax rates must be applied equally to all tax brackets for each tax.

e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.

3. If no money is transferred to the fund pursuant to section 5 of this Act, the tax commissioner may not reduce the individual and corporate income tax rates currently in effect.

4. a. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.

b. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.

5. In April of each year, the state treasurer shall transfer the amounts certified by the tax commissioner from the legacy fund income tax reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.

6. For purposes of this section:

a. "Base funding amount" means the total amount transferred from the legacy income tax rate reduction fund to the general fund in the preceding biennium.
Sixty-sixth
Legislative Assembly

b. “Estimated tax collections” means the income tax collection amounts included in
the revenue forecast of the current biennial state budget as approved by the most
recently adjourned special or regular session of the legislative assembly.

c. “Rate reduction amount” means one-third of any legacy fund earnings deposited
in the legacy income tax rate reduction fund exceeding the base funding amount.

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

Transfer of legacy fund earnings - Limitations.

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

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


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

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