

1999 HOUSE FINANCE AND TAXATION

HB 1258

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1258

House Finance and Taxation Committee

Conference Committee

Hearing Date January 19, 1999

Tape Number	Side A	Side B	Meter #
1	x		0.6
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. OLE AARSVOLD, DIST. 20 Introduced the bill as the prime sponsor.

He stated this bill is a product of several years of thought of he and several of his constituents who have expressed concern in maintaining and attracting residents to North Dakota. He stated there is an incentive for military and federal retirees who stay in North Dakota, who file on the long-form. The incentive is only five thousand dollars. He felt there would be a possibility that more of these retirees would stay in North Dakota if there were an income tax deduction of up to fifteen thousand dollars.

REP. BELTER Asked what the state of Minnesota does?

REP. AARSVOLD Was unable to get that information.

REP. JIM POOLMAN, DIST. 32 Testified in support of the bill. Stated he supported the concept and that we need to do anything we can to keep people in North Dakota, especially those that come in to work in our military institutions, we need to do what we can to keep them here. He stated he is in the banking business in Grand Forks, and you would be surprised to see how many people shop around for states that have a tax benefit for military personnel where they are going to retire.

REP. SCHMIDT, Asked whether this includes federal employees?

REP. POOLMAN It includes federal employees.

JOSEPH BECKER, , STATE TAX DEPARTMENT. Appeared before the committee to answer questions and to explain the fiscal note. He stated the fiscal note had a couple of components to it. There are about 300 federal civil service employees using the long-form, there are about 113 military retirees using the long-form. We know these people will benefit from this. The second component has to do with how many folks will jump from the short to the long-form. We know from using some averages, we feel that the federal adjusted gross income threshold from zero to about forty five thousand or so, will benefit from this bill. About 73% of those filers are in that range, so we feel there will be quite a number of folks benefitting. The fiscal note only envisions about twelve hundred folks making that move. That might be quite conservative.

REP. GRANDE What stops them from going from the short-form to the long-form and what if we left them in the short-form and gave them five thousand dollars?

JOSEPH BECKER With a system where we have a short and long-form, the bulk of our tax payers are using the short form for one reason, and that is, the computation there yields a lower

tax then the long form does, even with the current deduction. Those various credits and deductions that are now on the long form have become, to a large extent, obsolete, as the short form is just so much better. In the second component of our fiscal analysis, we have to try to determine how much of a gap there is between the short form and long form. The fiscal note is trying to account for that first before the fifteen thousand dollar deduction will actually help them overcome the short form rate.

REP. GRANDE Why are we making them go to a long-form?

JOSEPH BECKER They aren't required to, it is just a state of affairs with the two forms. You can choose to use either one, it is just that if you go to the long form and take the current five thousand dollar deduction, the tax is still higher than if you just use the short form.

REP. WINRICH You indicated that a portion of this \$880,000 of the fiscal note, is based on the number of people who currently file the long form, it is pretty easy to determine what impact that would have, do you have any idea what the relative size of the two components are on the fiscal note?

JOSEPH BECKER There are 300 federal civil service people there now, it is felt that another 600 would make the move over.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-19-99 Tape #2, Side B, Meter #16

REP. RENNER Made a motion for a DO NOT PASS.

REP. GRANDE Second the motion. MOTION CARRIED

13 Yes 1 No 1 Absent

REP. GRANDE Was given the floor assignment.

FISCAL NOTE

(Turn original and 14 copies)

Bill/Resolution No.: HB 1258

Amendment to: _____

Requested by Legislative Council

Date of Request: 1/13/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: If enacted, HB 1258 is expected to reduce general fund revenues by \$880,000 in the 1999-2001 biennium.

2. **State fiscal effect in dollar amounts:**

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			-\$880,000			
Expenditures						


3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: _____

4. **County, city, and school district fiscal effect in dollar amounts:**

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed
attach a supplemental sheet.

Signed: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 18, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 1-19-99

Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1258

House HOUSE FINANCE & TAX Committee

Subcommittee on _____

Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Renner Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH		✓
RENNERFELDT	A				
CLARK	✓				
FROELICH	✓				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER	✓				

Total 13 1
(Yes) (No)

Absent 1

Floor Assignment Rep. Grande

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)
January 19, 1999 4:11 p.m.

Module No: HR-11-0862
Carrier: Grande
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1258: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (13 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1258 was placed on the Eleventh order on the calendar.