

1999 SENATE FINANCE AND TAXATION

SB 2304

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2304

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 01/26/99

Tape Number	Side A	Side B	Meter #
2,304		B	1735-END
Committee Clerk Signature <i>Anita Wald</i>			

Minutes:

SEN. URLACHER-Opened the hearing on bill 2304, A BILL RELATING TO AN INCOME TAX CREDIT OR REBATE FOR PROPERTY TAXES PAID CONTINGENT UPON EXCESS GENERAL FUND BALANCES.

Sen. Krauter-Submitted testimony & handouts of amendments. Issue of property taxes is very important, because it keeps coming up in every discussion. One of the issues is that if we could fund things properly at the State level, we could get reduction property taxes at home. It is not a fix, but its on the road of debate to make changes to property taxes. Evaluations keep going up in the rural area, mills may go down, but increase seems to come up year after year. Evaluations are on the past 4 years. I am putting in front of you, a concept that we could give a rebate back to individuals of ND., based on property taxes that are paid. Not raising taxes. I am proposing that if we have an ending balance, that exceeds a certain amount, lets rebate it back to people

who pay property taxes. Use the receipt of paid taxes as the rebate. When we have revenues beyond what was projected, that when we have additional dollars, above and beyond lets use that in the rebate form to people who have paid property taxes in ND. The amendments I have prepared for the bill, on 1, A is that actively farming, on 2, gen. fund has been explained already, on 3, estimated gen. fund ending balance, has been explained, B. you must own it and you must occupy it, primary residence, C, You live there, and get receipt for the rent you paid and 19% has been proven that too are property taxes. F, is rebate of whole amount, 2 times the projected ending balance. G, explains residential property.

Sen. Stenehjem - Page 3, Section 7 - taxes paid, property taxes x 11%, get a rebate, how would you end up under no 7, that you get more money back then you paid in?

Sen. Krauter - That is part of the process of giving relief to property taxes. Based on property tax paid as a rebate to your State tax liability. Income tax.

Sen. Christmann - 1. Would be an incentive to adjust ending fund balance one way or another, what ever the goals are if we do something it should be paid at a % of the fund?

Sen. Krauter- If the books are cooked, change sm. amount to large amt., spend money on what we see what is forecast such as education. What we are going to spend our money on.

Sen. Christmann - If a credit, would that be subject to income tax?

Sen. Krauter - It is limited to \$7,500, and \$10,000 to agricultural.

Sen. Stenehjem -Would it be considered a rebate or a credit? Then the excess can be held up to 3 years. What happens if I have a credit going forward for 3 years and I get to the 4 year, and there is money due me, but I don't qualify, where does that money go?

Sen .Krauter - That goes to the General Fund.

Sen. Stenehjem - I really like this bill, because those who live in the city, and are working on a fixed income or salaried income, we are going to be great on this. People in rural ND, living on farm income, that don't have the income to cover their taxes, they won't get any of this back, and in 4 years, it falls off and they don't get it. This is good for urban ND.

Sen. Kinnoin - Any rebate received, the next taxable year, I would have to declare that as income? It would fall in the next year?

Sen. Stenehjem - You would have to pay it one way or another, and may put you in the next bracket.

Donnita Wald - Legal Council, If you adopt Sen. Krauters amendment, those that refer to pg. 3, getting rid of any refund provisions, carry it forward next year would be like a tax payment to your next years tax liability, if the amendment is adopted. Any refund you would receive, if amendments were not adopted, you would get a 1099 on the income. It depends on if you itemized it. If you double up and pay your taxes for the following year, this allows that. The % could be taken times that doubled amount. This amendment takes care of the unconstitutional problem, it does a number things. The 1099, unconstitutional gift problem, and also I would like to propose an additional amendment, If you do adopt amendment on pg. 3, we need to remove line 26 and 27, these lines would not be necessary. Donnita said she would drop off the amendments.

DISCUSSION 01/26/99 TAPE #2 A - 0-572 ADDRESS THE AMENDMENTS BROUGHT UP, KRAUTER & DONNITA WALD AMENDMENTS. IF WE ADOPT THE AMENDMENTS APPROPRIATIONS NO LONGER NECESSARY, KRAUTER AMENDMENTS-ANY DISCUSSION? JOHN WALSTAD, SAID IT IS LEAVING THE

Page 4
Senate Finance and Taxation Committee
Bill/Resolution Number Sb 2304
Hearing Date 01/26/99

LANGUAGE THE WAY IT IS, IS ALL RIGHT. MOTION TO ACCEPT OR REJECT
KRAUTERS AMENDMENTS. CALL ATTY GEN OFFICE FOR EXPLANATION. CALL
TAX DEPT. TO GET EXPLANATION.

DISCUSSION 02/03/99 TAPE 2, 290-3000 , A MOTION MADE BY SEN CHRISTMANN TO
DO NOT PASS AND SECONDED BY SEN WARDNER. VOTE TAKEN 5 Y 2 N 0

ABSENT. LATER DISCUSSION TAPE 3, 5077-END

2-16-99 TAPE B 1760-2132 MOTION TO BRING THE BILL BACK INTO COMMITTEE IN
ITS ORIG. FORM, VOICE VOTE. SEN CHRISTMANN MADE A MOTION TO ADOPT
AMENDMENT 0204 AND SECONDED BY SEN KINNOIN. SEN CHRISTMANN MADE A
MOTION TO DO NOT PASS AS AMENDED. 5 Y 2 N .

Revised

FISCAL NOTE

(Return original and 14 copies)

Resolution No.: SB 2304

Amendment to: _____

Requested by Legislative Council

Date of Request: 1/20/99

- 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, SB 2304 would provide an income tax credit for property taxes paid contingent upon the general fund ending balance exceeding the estimate by more than 200%. The forecast assumes an accurate estimate of the general fund ending balance and therefore, there is no estimatable fiscal impact to SB 2304.

- 2. State fiscal effect in dollar amounts:

Table with 3 main columns: 1997-99 Biennium, 1999-2001 Biennium, 2001-03 Biennium. Sub-columns: General Fund, Other Funds. Rows: Revenues, 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:

Table with 3 main columns: 1997-99 Biennium, 1999-2001 Biennium, 2001-03 Biennium. Sub-columns: Counties, Cities, School Districts.

If additional space is needed attach a supplemental sheet.

Signed: [Signature]

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: February 3, 1999

Phone Number: 328-3402

FISCAL NOTE

(Return original and 14 copies)

Resolution No.: SB 2304

Amendment to: _____

Requested by Legislative Council

Date of Request: 1/20/99

- 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, SB 2304 would provide an income tax credit for property taxes paid contingent upon the general fund ending balance exceeding the estimate by more than 200%. The forecast assumes an accurate estimate of the general fund ending balance and therefore, there is no estimatable fiscal impact to SB 2304. (Note: This bill may result in an unconstitutional delegation of legislative authority and possibly unconstitutional gifts from refundable rebate provisions.)

- 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						
Expenditures						

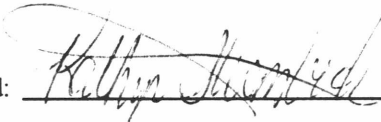
- What, if any, is the effect of this measure on the budget for your agency or department:

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

- 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 22, 1999

Phone Number: 328-3402

Date: 2/3/99
Roll Call Vote #: 0

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2304

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen Christmann Seconded By Sen. Wardner

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN		✓			
SENATOR KROEPLIN		✓			

Total (Yes) 5 No 2

Absent _____

Floor Assignment Sen Christmann

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

REPORT OF STANDING COMMITTEE (410)
February 5, 1999 9:38 a.m.

Module No: SR-24-2016
Carrier: Christmann
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2304: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2304 was placed on the Eleventh order on the calendar.

90457.0200
Title.

Prepared by the Office of State Tax
Commissioner
January 26, 1999

PROPOSED AMENDMENTS TO SENATE BILL NO. 2304

Page 3, remove lines 26 and 27

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2304

Page 2, line 7, after "taxes" insert "or mobile home taxes"

Page 2, line 8, remove "and occupied"

Page 2, line 9, remove "as a primary residence"

Page 2, line 13, remove "occupied as a primary residence by the taxpayer"

Page 2, after line 17, insert:

"g. "Residential property" means living quarters, including a mobile home,
occupied by the taxpayer as a primary residence."

Page 3, line 16, replace "the tax commissioner shall refund the excess" with "any excess may
be carried forward for up to three taxable years"

Re-number accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2304

Page 2, line 7, after the second "taxes" insert "or mobile home taxes"

Page 2, line 8, remove "and occupied"

Page 2, line 9, remove "as a primary residence"

Page 2, line 13, remove "occupied as a primary residence by the taxpayer"

Page 2, after line 17, insert:

"g. "Residential property" means living quarters, including a mobile home,
occupied by the taxpayer as a primary residence."

Re-number accordingly

Date: 2-16-99
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2304

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken As Amended -

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM					
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 6 No _____

Absent _____

Floor Assignment _____

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

Date: 2-16-99
Roll Call Vote #: 2

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2304

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass w/ Amend

Motion Made By Sen Christmann Seconded By Sen. Schobinger

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN		✓			
SENATOR KROEPLIN		✓			

Total (Yes) 5 No 2

Absent _____

Floor Assignment for Christmann

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

REPORT OF STANDING COMMITTEE

SB 2304: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2304 was placed on the Sixth order on the calendar.

Page 2, line 7, after the second "taxes" insert "or mobile home taxes"

Page 2, line 8, remove "and occupied"

Page 2, line 9, remove "as a primary residence"

Page 2, line 13, remove "occupied as a primary residence by the taxpayer"

Page 2, after line 17, insert:

"g. "Residential property" means living quarters, including a mobile home, occupied by the taxpayer as a primary residence."

Renumber accordingly

1999 TESTIMONY

SB 2304



RICK CLAYBURGH
COMMISSIONER

STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT. 127, BISMARCK, NORTH DAKOTA 58505-0599

701-328-2770

FAX 701-328-3700


Hearing/Speech Impaired 800-366-6888 (TTY Relay North Dakota)

[HTTP://WWW.STATE.ND.US/TAXDPT](http://www.state.nd.us/taxdpt)

January 26, 1999

MEMORANDUM

To: Chairman Urlacher, Members of the Senate Finance and Taxation Committee

From: Donnita A. Wald, Legal Counsel, Office of State Tax Commissioner 

Re: Senate Bill 2304

Senate Bill 2304, as introduced, provides for refunds of excess property tax rebate tax credits and also provides for a continuing appropriation for payment of the refunds. During the hearing on this bill, Senator Krauter proposed amendments which would eliminate the refund provisions, substituting in its place a three year carry forward.

In the event that the committee adopts Senator Krauter's amendments, the continuing appropriation is no longer necessary. Therefore, the enclosed amendment, which removes the appropriation, will also need to be adopted by the committee.

If you have any questions please do not hesitate to contact me at 328-2777.

Thank you.

ADAMS COUNTY

	1994	1995	1996	1997	% IN 4 YRS
TRUE & FULL VALUE	\$19,339.00	\$20,092.00	\$21,552.00	\$23,708.00	22.59%
MILL LEVY	352.32	360.10	349.34	339.39	-3.67%
STATE	\$0.97	\$1.01	\$1.08	\$1.19	22.68%
COUNTY	\$139.41	\$141.72	\$149.47	\$165.97	19.05%
EDUCATION	\$169.27	\$187.99	\$194.26	\$202.53	19.65%
FIRE	\$4.74	\$5.03	\$5.39	\$5.93	25.11%
TWPSHIP	\$26.30	\$26.15	\$26.39	\$26.56	0.99%
TOTAL TAX	\$340.69	\$361.90	\$376.59	\$402.18	18.05%
PER/ACRE	\$2.13	\$2.26	\$2.35	\$2.51	

**1999-2001 BUDGET STATUS SUMMARY
 AS OF JANUARY 21, 1999**

Beginning Balance		
Executive budget unobligated general fund cash balance - July 1, 1999		<u>\$57,980,659</u> ^{1,2}
Legislative action affecting the July 1, 1999, balance		
None		<u>\$0</u>
Total legislative changes affecting the beginning balance		<u>\$0</u>
Estimated unobligated general fund cash balance - July 1, 1999		<u>\$57,980,659</u> ²
Revenues		
Add proposed executive budget general fund revenues		<u>\$1,567,585,848</u>
Legislative revenue actions:		
Major increases:		
None		\$0
Major decreases:		
Decrease interest income transferred from the coal development trust fund to the general fund (SB 2041)		(525,000)
Other increases (decreases) net		<u>(11,600)</u>
Total legislative changes affecting revenues		<u>(\$536,600)</u>
Estimated general fund revenues - 1999-2001		<u>\$1,567,049,248</u>
Total general fund estimated revenues and beginning balance		<u>\$1,625,029,907</u>
Appropriations		
General fund appropriations recommended for the 1999-2001 biennium		<u>\$1,615,319,416</u>
Legislative appropriations changes:		
Major increases:		
None		\$0
Major decreases:		
None		0
Other increases (decreases) net		<u>0</u>
Total legislative changes affecting appropriations		<u>\$0</u>
Current status of 1999-2001 general fund appropriations		<u>\$1,615,319,416</u>
Estimated Ending Balance		
Executive budget estimated general fund balance - June 30, 2001		\$10,247,091
Total legislative changes		<u>(536,600)</u>
Estimated general fund balance - June 30, 2001		<u>\$9,710,491</u> ³

**Comparison of 1999-2001 General Fund Appropriations
to 1997-99 Legislative Appropriations**

1999-2001 budget status general fund appropriations	\$1,615,319,416
1997-99 legislative general fund appropriations	<u>1,489,240,087</u>
Increase (decrease)	<u>\$126,079,329</u>

- ¹ This amount includes the effect of recommended general fund deficiency appropriations of \$22,142,447 and estimated agency general fund turnback of \$20,930,654. The executive budget assumes \$13,000,000 of unspent general fund appropriation authority relating to Department of Public Instruction foundation aid payments.
- ² The beginning balance may be more or less depending on the general fund payment made to counties pursuant to a continuing appropriation if telecommunications gross receipts tax collections are less than \$8.4 million per year (1997 HB 1068). The executive budget assumes a general fund payment of \$582,000 will be paid to counties in March 1999, the same amount estimated by the 1997 Legislative Assembly.
- ³ The estimated ending balance may be more or less depending on the amount of revenues generated from the telecommunications gross receipts tax or the general fund payments made to counties pursuant to a continuing appropriation if these revenues are less than \$8.4 million per year (1997 HB 1068). The executive budget assumes a neutral general fund fiscal impact for the 1999-2001 biennium resulting from the provisions of 1997 House Bill No. 1068.

January 18, 1999

COMPARISON OF ESTIMATED TO ACTUAL END-OF-BIENNIUM GENERAL FUND BALANCE - 1985-87 TO 1999-2001 BIENNIUMS

	Estimated General Fund Balance ¹	Actual General Fund Balance	Increase (Decrease)
June 30, 1987	\$31,597,855	\$18,659,019	(\$12,938,836)
June 30, 1989	\$5,833,040	\$40,000,000 ²	\$34,166,960
June 30, 1991	\$4,172,285	\$105,668,764	\$101,496,479
June 30, 1993	\$18,462,285	\$19,763,191 ³	\$1,300,906
June 30, 1995	\$8,923,898	\$31,151,278	\$22,227,380
June 30, 1997	\$11,215,742	\$65,000,000 ⁴	\$53,784,258
June 30, 1999	\$10,855,936	\$57,980,659*	\$47,124,723*
June 30, 2001	\$10,247,091*		

*1999-2001 executive budget estimate

¹ The estimated end-of-biennium balance is the amount estimated at the close of the legislative session which adjourned prior to the start of the biennium.

² The balance shown is after the transfer of \$25.3 million to the budget stabilization fund, pursuant to North Dakota Century Code Section 54-27.2-02.

³ The balance shown is after the transfer of \$8.7 million to the regional rural development revolving loan fund, pursuant to 1991 House Bill No. 1046.

⁴ The balance shown is after the transfer of \$17.1 million to the Bank of North Dakota, pursuant to 1997 House Bill No. 1015.