

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1316

2001 HOUSE FINANCE AND TAXATION

HB 1316

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1316

House Finance and Taxation Committee

Conference Committee

Hearing Date January 23, 2001

Tape Number	Side A	Side B	Meter #
1		X	3,830
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN. Opened the hearing.

REP. RICK BERG, DIST. 45. Introduced the bill. Today, if a couple is unmarried, they pay one tax, a month later they get married, they pay a higher tax, because of the way the schedules are on the federal returns, they end up paying higher taxes. Between 50,000 to 70,000 people in North Dakota, pay what is referred to as, marriage tax penalty. We have the short-form and the long-form. The short-form is coupled with federal taxation and we pay fourteen percent of our federal liability. I don't believe we can do anything on the short-form which relates to marriage tax penalty. We can address it on the long-form, that is what the bill does. The fiscal note, is \$500,000. That means there are married people paying \$500,000 more then if they weren't married. The break even point, in essence, is \$30,000. We don't think it is right for a married couple to pay a penalty.

REP. HERBEL You said the break even point is \$30,000, is that they each make \$30,000?

REP. BERG It is a couple together earning \$30,000.

In my opinion, the long-form and the short-form should be revenue neutral. So if anyone in North Dakota said, they wanted to file the long-form instead of the short-form, North Dakota should earn the same amount of revenue. According to the tax department, there is no more work. One of my recommendations on the decoupling bill would be to take the tax rate in the decoupling bill and apply that to the long-form, creating a revenue neutral, but at the same time, giving an individual the ability to choose which form they want.

One of the fallacies in our tax system, over the years, we have given all kinds of tax breaks, then we put them on the long-form, where no one can use them. If the tax breaks aren't being used on the long-form, lets eliminate them. Then, set a rate structure on the long-form that is more realistic, as if we were going to decouple the short-form, then let the people decide how they would like to file.

JOSEPH BECKER, STATE TAX OFFICE, Explained portions of the bill. He gave examples of the numbers worked with in the three categories. The thirty thousand dollar mark mentioned, is a family of four. The twenty five thousand dollar figure, we drop it to three children. In those categories, it represented about eight million dollars. We are assuming an equal split of income, that is where the greatest penalty lies, and where this would be the greatest benefit. As the income shifts more to one spouse, the benefit diminishes.

REP. HERBEL What kind of impact does it affect as you go to forty or fifty years old?

JOSEPH BECKER The higher up the scale goes, they won't find the benefit shifting. They will have to shift over into the long form to get the benefit of the rates.

With no further testimony, the hearing was closed.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1316
Hearing Date January 23, 2001

COMMITTEE ACTION 2-06-01, Tape #1, Side B, Meter #1129

REP. DROYDAL Made a motion for a **DO NOT PASS**.

REP. HERBEL Second the motion. **MOTION CARRIED**.

11 YES 3 NO 1 ABSENT

REP. CLARK Was given the floor assignment.

FISCAL NOTE
 Requested by Legislative Council
 01/17/2001

Bill/Resolution No.: HB 1316

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,120,000)			
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1316 allows married couples filing joint federal returns to file separate state long form returns, and provides each separate filer with a \$300 deduction.

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.*

HB 1316 is expected to reduce state general fund revenues by approx. -\$560,000 per year.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	01/22/2001

Date: 2-6-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1316

House FINANCE & TAXATION Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Drovdal Seconded By Rep. Herbel

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN		✓	NICHOLAS, EUGENE	A	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL		✓	RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD		✓			

Total (Yes) 11 No 3

Absent 1

Floor Assignment Rep. Clark

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

REPORT OF STANDING COMMITTEE (410)
February 6, 2001 12:00 p.m.

Module No: HR-21-2468
Carrier: Clark
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1316: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (11 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1316 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1316

1999

7-51316 - Carlson

ITEM ON INCOME TAX

LINE ON RETURN PICK-UP POINT *** 1999 BASE DOLLARS ORIGINAL ENTRIES ***

BACKGROUND INFORMATION
FILING STATUS 2/4/5 EXEMPTIONS, SCHEDULE E 2
FILING STATUS 2/4/5 EXEMPTIONS, SCHEDULE E 3

TAX COMPUTATION SCHEDULE E

NORTH DAKOTA TAXABLE INCOME (FROM SCHEDULE 2 OR 3)
TAX CREDIT FOR CONTRIBUTIONS TO NONPROFIT PRI. COLLEGES
INFLATION CREDIT
TAX CREDIT FOR NONPROFIT PRIVATE HI-SCHOOLS
RESIDENTS AMOUNT FROM LINE 7, SCHEDULE E
VENTURE CAPITAL CORP. CREDIT
NORTH DAKOTA SMALL BUSINESS INVESTMENT COMPANY CREDIT
NONPROFIT DEVELOPMENT CORPORATION CREDIT
CREDIT FOR PURCHASING LONG-TERM CARE INSURANCE
SEED CAPITAL INVESTMENT CREDIT
OTHER CREDITS (IDENTIFY)
NET TAX LIABILITY
NORTH DAKOTA INCOME TAX WITHHELD
ADVANCE PAYMENTS (TOTAL OF LINE 8)*
OVER PAYMENT
AMOUNT OF LINE 16 YOU WISH TO APPLY TO 2000 ESTIMATED TAX
BALANCE DUE

25 1,282,200 4,274
25 2,087,700 6,959
1 60,295,889 13,804
1 3,507 37
5 2,158 36
8 30,700 126
9 0 0
10 0 0
11 140,661 0
12 15,864 0
13 3,100,599 10
14 1,139,596 27
15 1,906,834 5,072
16 917,075 1,763
17 415,658 8,025
21 1,361,831 9,638

SCHEDULE 2
ADJUSTED GROSS INCOME
ADD N.D. ADJUSTMENTS
FEDERAL TAXABLE INCOME
INTEREST INCOME ON STATE AND LOCAL GOVERNMENT OBLIGATIONS
ALL STATE INCOME TAXES DEDUCTED ON SCHEDULE A (FORM 1040)
OTHER
TOTAL ADDITIONS
SUBTRACT N.D. ADJUSTMENTS
INTEREST ON U.S. OBLIGATIONS
MILITARY PAY EXCLUSION (LIMITED TO \$1000)
ADDITIONAL MILITARY PAY EXCLUSION
MILITARY RETIREMENT PAY EXCLUSION
CIVIL SERVICE/FIRE/POLICE PENSION INCOME
INTEREST INCOME FROM LEASING LAND TO BEGINNING FARMER
RENTAL INCOME FROM LEASING LAND TO BEGINNING FARMER
GAIN FROM SALE OF LAND TO BEGINNING FARMER
INTEREST INCOME FROM NORTH DAKOTA FINANCIAL INSTITUTIONS
INTEREST INCOME FROM SALE TO BEGINNING BUSINESSMAN
RENTAL INCOME RECEIVED FROM A BEGINNING BUSINESSMAN
GAIN FROM SALE TO BEGINNING BUSINESSMAN
NORTH DAKOTA DOMESTIC DIVIDEND EXCLUSION (REG. CORP.)
INVESTMENT IN VENTURE CAPITAL CORPORATION
ADDITIONAL MEDICAL EXPENSES NOT ALLOWED ON SCHEDULE A (1040)
OTHER
TOTAL DEDUCTIONS
BALANCE
FEDERAL INCOME TAX DEDUCTION
ADJUSTED GROSS INCOME
INCOME NOT TAXABLE IN NORTH DAKOTA
LINE 27 LESS LINE 28
LINE 26 MULTIPLIED BY PERCENTAGE ON LINE 30 (N.D. TAXABLE INCOME)

1 141,352,349 7,492
1 48,473,600 6,884
2 233,519 115
3 679,754 1,311
4 33,445 24
5 946,718 1,380
7 6,340,502 1,173
8 320,822 86
9 214,109 86
10 357,925 78
11 981,609 249
12 79,351 15
13 210,801 21
14 139,863 14
15 984,863 2,938
16 11,028 4
17 0 0
18 10,244 3
19 86,803 3
20 119,977 44
21 3,119,607 1
22 18,322,147 1,612
23 28,436,316 7,017
24 35,098,171 6,752
25 8,007,050 0
26 141,352,349 5,971
27 23,119,747 7,492
28 118,232,602 4,415
29 5,754,803 0
31 5,946 5,946

(H) (I) (J) (K) (L) (M) (N) (O) (P) (Q) (R) (S) (T) (U) (V) (W) (X) (Y)

ALL FILERS

NORTH DAKOTA STATE TAX DEPARTMENT
 1998 INDIVIDUAL INCOME TAX MODEL (LONG FORM 37)
 1998 STATISTICS

TX2-598-CC

PAGE 001

ITEM ON INCOME TAX
 BACKGROUND INFORMATION
 FILING STATUS 2/4/5 EXEMPTIONS, SCHEDULE 2
 FILING STATUS 2/4/5 EXEMPTIONS, SCHEDULE 3

LINE ON PICK-UP ** * 1998 BASE ORIGINAL ** *
 RETURN POINT TOTAL DOLLARS NO. ENTRIES

TAX COMPUTATION SCHEDULE
 NORTH DAKOTA TAXABLE INCOME (FROM SCHEDULE 2 OR 3)
 TAX CREDIT FOR CONTRIBUTIONS TO NONPROFIT PRI. COLLEGES
 INFLATION CREDIT
 TAX CREDIT FOR NONPROFIT PRIVATE HI-SCHOOLS
 RESIDENTS AMOUNT FROM LINE 7, SCHEDULE 4
 VENTURE CAPITAL CORP. CREDIT
 NORTH DAKOTA SMALL BUSINESS INVESTMENT COMPANY CREDIT
 NONPROFIT DEVELOPMENT CORPORATION CREDIT
 CREDIT FOR PURCHASING LONG-TERM CARE INSURANCE
 SEED CAPITAL INVESTMENT CREDIT
 OTHER CREDITS (IDENTIFY)
 NET TAX LIABILITY
 NORTH DAKOTA INCOME TAX WITHHELD
 ADVANCE PAYMENTS (TOTAL OF LINE 8)*
 OVER PAYMENT
 AMOUNT OF LINE 16 YOU WISH TO APPLY TO 1999 ESTIMATED TAX
 BALANCE DUE

22 1,325,400 4,418
 25 1,996,500 5,655
 1 57,227,447 13,183
 4 4,383 38
 5 2,140 35
 3 62,017 149
 8 0 0
 9 0 0
 10 126,599 0
 11 0 0
 12 6,569 5
 13 2,935,473 12,679
 14 1,143,206 5,134
 15 2,063,049 1,680
 16 1,064,714 2,211
 17 437,337 662
 21 1,233,951 9,241

SCHEDULE 2
 ADD N.D. ADJUSTMENTS
 FEDERAL TAXABLE INCOME AND LOCAL GOVERNMENT OBLIGATIONS
 INTEREST INCOME ON STATE AND LOCAL GOVERNMENT OBLIGATIONS
 ALL STATE INCOME TAXES DEDUCTED ON SCHEDULE A (FORM 1040)
 OTHER**
 TOTAL ADDITIONS
 SUBTRACT N.D. ADJUSTMENTS
 INTEREST ON U.S. OBLIGATIONS LIMITED TO \$1000)
 MILITARY PAY EXCLUSION (LIMITED TO \$1000)
 ADDITIONAL MILITARY PAY EXCLUSION
 MILITARY RETIREMENT PAY EXCLUSION
 CIVIL SERVICE/FIRE/POLICE PENSION INCOME
 INTEREST INCOME FROM SALE OF LAND TO BEGINNING FARMER
 RENTAL INCOME FROM LEASING LAND TO BEGINNING FARMER
 GAIN FROM SALE OF LAND TO BEGINNING FARMER
 INTEREST INCOME FROM NORTH DAKOTA FINANCIAL INSTITUTIONS
 INTEREST INCOME FROM SALE TO BEGINNING BUSINESSMAN
 RENTAL INCOME RECEIVED FROM A BUSINESSMAN
 GAIN FROM SALE TO BEGINNING BUSINESSMAN
 NORTH DAKOTA DOMESTIC DIVIDEND EXCLUSION (REG. CORP.)
 INVESTMENT IN VENTURE CAPITAL CORPORATION
 ADDITIONAL MEDICAL EXPENSES NOT ALLOWED ON SCHEDULE A (1040)
 OTHER***
 TOTAL DEDUCTIONS
 BALANCE
 FEDERAL INCOME TAX DEDUCTION
 ADJUSTED GROSS INCOME
 INCOME NOT TAXABLE IN NORTH DAKOTA
 LINE 27 LESS LINE 28
 LINE 26 MULTIPLIED BY PERCENTAGE ON LINE 30 (N.D. TAXABLE INCOME)

(H) 141,967,205 7,651
 (I) 50,108,879 6,742
 (J) 262,544 86
 (L) 1,034,316 1,156
 (M) 25,235 21
 1,322,195 1,223
 (N) 6,355,880 1,093
 (O) 337,808 340
 (P) 291,359 116
 (Q) 420,968 94
 (R) 1,072,219 272
 (S) 53,282 12
 (T) 273,338 24
 (U) 125,735 13
 (V) 961,476 173
 (W) 15,779 9
 (X) 1,945 1
 (Y) 12,089 4
 (Z) 104,737 46
 (AA) 899 2
 (AB) 2,742,623 1,457
 (AC) 13,852,666 1,007
 (AD) 27,956,338 6,814
 (AE) 37,578,408 0
 (AF) 9,257,999 5,851
 (AG) 141,967,205 7,651
 (AH) 22,774,952 4,314
 (AI) 119,192,253 0
 (AJ) 6,818,088 5,829