

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1418

2007 HOUSE FINANCE AND TAXATION

HB 1418

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1418 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1515

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1418. The clerk read the roll and all were present except Rep. Weiler. The Chairman asked for testimony in support.

Rep. Blair Thoreson: (See attachment#1) I'm before your committee in support of HB 1418.

I have a handout for the committee, not testimony but a listing of the States which currently are exempting military pay for retirement. This Bill came about due to a conversation I had with someone I had known for many years who spent 43 years serving our country in the US Air Force. In the fall of 2005 this person retired and returned home to ND and in conversation one day he said, by coming home I incurred a penalty. I was curious as to what he meant by that and he explained that he could have stayed in the State where he struggled living or moved to several other States and by doing so he would not be paying a portion of his income tax on his military retirement. As I researched this more I realized that there are right now 22 States that do not tax military retirement. However ND does have such a tax. We do provide an exemption currently.

What HB 1418 does is simple. It expands the reduction for military retirement by removing both the age requirement and the limits on the retirement pay to be deducted. This Bill just changes some language which currently is in the Century Code. It also adds a new part in section 3,

which we see reduced by the amount received by that person. This Bill is simple and straight forward, it has a language we can say thank you to those who have served our country so honorably for many years, by inviting them to return home to North Dakota and not incur penalty. For those who are currently here, I think it is the right thing to do, that we take this burden off of them. They are already paying taxes in many other areas and this is one place where they probably shouldn't be taxed.

Chairman Belter: Was there any thought to giving this just too disabled veterans?

Rep. Blair Thoreson: That did come up in conversation with several people, however as prime sponsor of the Bill, I thought it was important to include all who've served the Country and are retired.

Representative Pinkerton: Has there been any kind numbers put together of what this would generate in the State as far as people who would stay here or would move back here?

Rep. Blair Thoreson: No, I have not generated any numbers. I have had conversations with Legislatures in the local Minot and Grand Forks areas. I know that those areas especially have quite a few people who decide to stay here in ND. I would think by giving this option to persons, we would probably capture quite a few more. These may be people not originally from our State but would choose to make this home since they've lived here, hopefully established their roots in the State during their service here.

Representative Owens: I believe if we do this, we're going to create a whole new opportunity for people to stay here. Here you have States that exempt all military retirement pay. Alabama for many, many years, it was exempted to the first \$10,000. Are you aware of a change recently?

Rep. Blair Thoreson: The information that I have obtained from military.com which has quite extensive information on taxation. It indicates that all retirement is exempted there. There are

some instances where it had foot notes concerning various dates, such as those retiring prior to 1961. I do not recall anything for Alabama.

Representative Pinkerton: Do you think that you could guarantee if we passed this Bill to half of those who stay would be democrats? (Ha)

Representative Headland: Do you know what the average income is for retired military?

Rep. Blair Thoreson: I do not have a number on that; I do have a fiscal note which was prepared by the Tax Dept. showing the amount of \$706,000 total. I'm not certain on an average per person though. On the fiscal note, there is a comment about the Bill that's written in the law now that residents can deduct the entire amount of military retirement pay. I did have a conversation with the Tax Dept., and if the committee so chooses they have prepared some language which would make this Bill effective only for those who are residents of ND. As currently read it does allow all residents to use this.

Sen. Richard Marcellais: (See attachment#2) testimony in support.

Vern Fetch, Military Retiree: (See attachment #3) testimony in support.

Chairman Belter: Any other testimony in support of HB 1418? Oh, we have neutral testimony on HB 1418.

John L. Jacobson, Chairman of the Legislative Committee of the North Dakota Veterans

Coordination Council: (See attachment #4) testimony in neutral. I am personally in favor of the passage of this Bill. I know for a fact that there are over 275 retiree's living in Bismarck/Mandan area. I got that number from the Dept. of Veterans Affairs. This would benefit quite a few people.

Chairman Belter: Is there any other support in testimony?

Lyle Shukart, Secretary of the Administrative Committee on Veteran's Affairs of ND and on the Workforce Development Counsel: testimony in support. I represent 60,000 Veterans

of North Dakota on that counsel. I'm also a retired Sergeant Major from the US Army Reserves. The Administrative Committee consists of a total of 15 members with 3 members from each of the service organizations, the American Legion, the VFW, DAV, the AMVETS, and the Vietnam Veterans of America and I'm here to represent the Administrative committee. They have asked me to ask you for a Do Pass recommendation on this Bill.

Chairman Belter: Further testimony in support of HB 1418? Any opposition? If not, we'll close the hearing on HB 1418.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1418 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1587

Committee Clerk Signature

Mickie Schmidt

Minutes:

COMMITTEE WORK:

Chairman Belter opened the hearing on 1418 stating that he would like some discussion on this Bill. He stated that he would benefit from this particular piece of legislation being a retired military employee. He stated that the government is so good to the retiree's in salary as well as benefits and has trouble voting for this. There was general discussion between the committee about who was included in this, should this be capped, the levels of disability, buy outs or retired, they also wanted some figures from the Tax Dept, deceased Veterans, surviving spouses, the stipend, SBP survivors benefit plan, restricting the plan, limit it to DAV's, tax free incentives. Chairman Belter said he would hold this, won't act on it now and closed the hearing on HB 1418.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1418 C

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2186

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1418 stating that he has mixed feelings on this Bill. We have a natural tendency to say hey our veterans deserve it and the flip side of that is it's an awful lot of money. One of the things that does concern me is we're giving it to Military retirees, but what are we doing for the Vietnam Veteran that got drafted or the WWII Veteran who served our country in WWII but they didn't make a career? So we're giving a substantial financial benefit to people who made it a career but we're not giving anything to those who did not make it a career. I'm inclined not to vote for the Bill.

Representative Pinkerton: Is there a cap on it?

Chairman Belter: No

Representative Pinkerton: That would be one way to structure it so to make it more equitable if you put a cap on it.

Chairman Belter: I spent 28 years in the Military and I never saw the hell of war and maybe if I'd seen it I'd feel differently. But it does bother me that we're singling out a group who made it a career and the ones who have made it a career, like myself, Uncle Sam's being awfully good to me. To ask for more is; I have a problem with it.

Representative Headland: I think the intent of the Bill is to give some help to somebody who has served in a war. Is there a way to specify that if you've served in a war and retired?

Chairman Belter: I talked to Rep. Owens about limiting it to Disabled Veterans and just look at that aspect of it.

Representative Owens: I just wanted the committee to understand that the fiscal note, other than people moving in to the State is probably as high as it would get. It would actually start to shrink even as new retirees in ND start retiring. The reason because of that is the math that changes in the retirement program. I'm under the old GI, the Vietnam hero, as you are. But in 1981, they changed it and it's changed so much now, it's not what it used to be. The disabled veterans, they already get tax free, that's by federal law, and you can't touch that. The State can't tax it.

Chairman Belter: They're already getting the tax break then.

Representative Owens: They are getting a tax break for their disabled part. If you get \$2000 and \$500 of it is for disabled, that \$500 not taxed, but they pull that \$500 out of your retirement pay, so it's not concurrent pay, so you still pay taxes on the \$1500 a month. The point being, the people that really need this is the one's where their retirement pay is anywhere from \$200 to \$1000 a month, that's all they get. And some of those are living off of that and they depend on that. If they do have survivor benefit plans for their spouse and they die, it's automatically cut to 55%. So let's cap it and keep it on the long form. I'd be happy to bring that amendment.

Vice Chairman Drovdal: In the case that you presented to us, if someone was living on that retirement of \$12,000 a year. What would there federal and state tax liability be?

Representative Owens: Nothing.

Vice Chairman Drovdal: So they're not the people we're talking about at all anyway.

Representative Owens: Granted somebody making \$24,000 and they get that retirement. It's still not a lot to live on.

Chairman Belter: Most military retirees retire at such a young age that they have a second career, in most cases.

Representative Owens: I don't disagree with you, but it doesn't always generate an income for retirement off of that second career. All I'm saying is let's cap it for the lower, the ones who spent 20 and 30 years in and are still getting so little.

Chairman Belter: Then we put one more group on the list that can't use it.

Representative Owens: That list is already there. It's already on the long form. The long form already exempts up to \$5000 for military retirement pay.

Chairman Belter: Yes, so why put it on there?

Representative Owens: I'm just talking about increasing it.

Representative Wrangham: How do we handle the retirement pay on the fireman, police?

Representative Owens: I believe it's in the long form too.

Chairman Belter: We'll hold this one and wait for some numbers and amendment. We'll close the hearing on HB 1418.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1418 D

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2187

Committee Clerk Signature

Mickie Schmiel

Minutes:

Chairman Belter opened the hearing on HB 1418 saying that there are some proposed amendments on this Bill. There was committee discussion on the amendment between Rep. Owens, Chairman Belter, Vice Chairman Drovdal and Rep. Weiler on whether you had to be a resident in order to apply. Upon discussion they decided to hold this one and work on it further and the hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1418 E

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2671

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1418. Rep. Owens stated that he has an amendment.

Representative Owens: These amendments simply still do what the Bill's original intent was and that was to carry it through to make the full military retirement a deduction, but it takes 4 years to get there. At \$5000 or 25%, which ever is greater, the first year, because we already have \$5000 in there.

Chairman Belter: So you're just working it in over 4 years before the full amount is achievable?

Representative Owens: Yes.

Representative Weiler: Have you run these by Rep. Thoreson?

Representative Owens: No. I just got these this morning.

Representative Pinkerton: I think we should go with the original Bill and I would support it as a Do Pass. Should I make it as a motion?

Representative Owens: I would move the amendments.

Representative Weiler: Second it.

Chairman Belter: Is there any discussion?

Representative Weiler: It's on the original Bill, correct?

Representative Pinkerton: I would support the original Bill.

Representative Weiler: The motion was for the original Bill?

Vice Chairman Drovdal: No, it's the amendments.

Representative Weiler: I withdraw my second it.

Chairman Belter: Ok, the motion to accept the amendments, we do not have a second on it. Committee members, what are your wishes on the Bill?

Representative Wrangham: I applaud the people who brought this Bill forward but, we could do this for a lot of different classes, individuals, people who served in many different ways including as was mentioned during testimony, people who gave a great deal of their heart and their soul serving in the military that maybe didn't choose to make it a career.

Representative Wrangham: I move a Do Not Pass.

Representative Froseth: Second it.

Chairman Belter: Any discussion? I'm going to support the Do Not Pass. It's a very difficult decision because all of us are very indebted to our people who served in the military. From my point of view, I would be a recipient of this because I am a retiree. What concerns me about this is that if we are singling out those who made a career in the military and we're very appreciative of those people. But I also have to think as I was in Washington DC last week and see the 280,000 graves in Arlington Cemetery, it makes you realize that a lot of Veterans have made great sacrifices and there's a lot of veterans that have lived through the war and spent their two or four year tour of duty and this Bill does not do anything for their service and so that's why I am opposed.

Vice Chairman Drovdal: I applauded the people who brought this forward, but I support the Do Not Pass.

Representative Owens: I got a couple of e-mails from those people, the WWII, Korean veterans that didn't stay in the military asking us to support this. He went on to talk about how he'd only stayed in the military but stayed on in the National Guard.

Chairman Belter: Any other discussion? If not will the clerk read the roll: 8-y; 5-n; 1-absent; Rep. Belter will carry the Bill. We'll close the hearing on HB 1418.

FISCAL NOTE

Requested by Legislative Council

01/26/2007

REVISION

Bill/Resolution No.: HB 1418

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$5,330,000)			
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1418 expands the tax deduction for military retirement pay by removing the age requirement, the limit on the amount of retirement pay allowed to be deducted, and the social security offset. It also allows the deduction to be claimed on the state's primary individual income tax form, Form ND-1.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1418 is expected to reduce state general fund revenues by an estimated \$5.330 million in the 2007-09 biennium. This fiscal note has been revised because additional information on the number of military retirees in the state has been gathered. The source used previously covered only one type of military retiree and was, therefore, incomplete. That source cited 553 military retirees, when in fact, there are nearly 4,000.

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.*

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/28/2007

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: HB 1418

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$706,000)			
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1418 expands the tax deduction for military retirement pay by removing the age requirement, the limit on the amount of retirement pay allowed to be deducted, and the social security offset. It also allows the deduction to be claimed on the state's primary individual income tax form, Form ND-1.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1418 is expected to reduce state general fund revenues by an estimated \$706,000 in the 2007-09 biennium. This assumes only North Dakota residents are allowed to deduct the entire amount of military retirement pay. It appears that the bill as written would allow nonresidents to deduct the entire amount of military retirement pay, offsetting the North Dakota share of their income. There is no information available regarding military retirement pay received by nonresident filers.

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.*

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/21/2007

HB 1418 D

#1

70582.02tx
Title.

Prepared for the Finance and Taxation
Committee

January 24, 2007

1-29-07 pm

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1418

Page 2, line 6, after the period insert "The adjustment provided in this subdivision is allowed only to the extent the retired military personnel pay is allocated to this state."

Re-number accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1418

Page 1, line 15, after "Aet" insert " , limited to the greater of five thousand dollars or:

- (1) Twenty-five percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2007;
and
- (2) Fifty percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2008"

Page 1, line 24, after "Aet" insert " , limited to the greater of five thousand dollars or:

- (1) Seventy-five percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2009;
and
- (2) The total amount of retired military personnel pay received by the taxpayer in a taxable year after 2009"

Page 2, line 6, after "corps" insert " , limited to the greater of five thousand dollars or:

- (1) Twenty-five percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2007;
- (2) Fifty percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2008;
- (3) Seventy-five percent of the total amount of retired military personnel pay received by the taxpayer in taxable year 2009;
and
- (4) The total amount of retired military personnel pay received by the taxpayer in a taxable year after 2009"

Renumber accordingly

Date: 2-1-07 4pm
Roll Call Vote #: 1418

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Not Pass

Motion Made By Rep. Wrangham Seconded By Rep. Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens		✓			
Rep. Weller		✓			
Rep. Wrangham	✓				

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Belter

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

REPORT OF STANDING COMMITTEE

HB 1418: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1418 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

HB 1418

HB 1418-A

#1 1-22-07

R.P. Thoreson

State which exempt all military retirement pay:

Alabama
Hawaii
Illinois
Kansas
Kentucky
Louisiana
Massachusetts
Michigan
Mississippi
New Jersey
New York
Pennsylvania
Wisconsin

States with no personal income tax:

Alaska
Florida
Nevada
New Hampshire
South Dakota
Tennessee
Texas
Washington
Wyoming

1-22-07

#2 HB 1418

Sen. Marcellais

Testimony

**House Bill No. 1418 – Income Tax deduction for retired
military personnel pay**

Finance & Taxation Committee

Representative W. Belter, Chairman

January 22, 2007

**Chairman Belter, members of the Finance & Taxation
Committee, I am Senator Richard Marcellais, from District 9,
of Belcourt I am here today to provide you with testimony on
behalf of the retired veterans of the state of North Dakota.**

**I am a Vietnam Veteran and feel that our veterans deserve to
have their income tax reduced by the state of North Dakota.**

**Request that you support House Bill No. 1418 relating to the
income tax deduction for retired military personnel pay.**

**Thank you very much for the opportunity to appear in support
of this bill today.**

1-22-07

HB 1418A

#3

Mr. Vern Fetch

TESTIMONY OF

MR. VERN FETCH - MILITARY RETIREE

4231 SHAUN LANE, UNIT 4, MANDAN, ND

HOUSE FINANCE AND TAXATION COMMITTEE

Mr. Chairman, Members of the Committee

I am a North Dakota military retiree having served two years in the US Army and 39 years in the North Dakota National Guard. I am a member of the North Dakota National Guard Retiree's Advisory Board that represents approximately 2000 National Guard Retirees. I come today to testify in support of House Bill 1418 that provides retirement tax benefits for military retirees that reside in North Dakota.

Foremost, we depend on the men and women in the armed forces to secure and maintain the quality of life we have in this state and nation. North Dakota should show their appreciation for this long and faithful service by giving back to those who served.

Further, the passage of this bill would certainly aid retention efforts of the Guard and Reserve in North Dakota. Members contemplating leaving the Guard or Reserve prior to qualifying for military retirement would take a closer look at what they would be giving up in terms of tax-free retirement benefits.

We also believe that military retirees would look closer at staying in North Dakota because of this benefit, thereby contributing to the state economy in house purchases, automobiles, and all those other marketing ventures. We may even lure military retirees from other states to move to North Dakota because of the state tax benefit. And these are

the type of people we want.....solid, community serving, hard working people.

As a point of information, HF 0082, a very similar bill, has been introduced to the Minnesota State Legislature. That bill is more comprehensive in that it provides tax benefits not only to the military retiree, but also to their survivors who inherit the benefits. That bill is now in committee.

Other states that provide special tax benefits to military retirees. The states that do not tax retired military pay are: Alabama, Alaska, Florida, Hawaii, Illinois, Kansas, Kentucky*, Louisiana, Massachusetts, Michigan, Mississippi*, Missouri*, Nevada, New Hampshire, New Jersey, New York, North Carolina*, Oregon*, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming. (*With conditions)

On behalf of all current and future military retirees in North Dakota, we respectfully request a Do Pass on HB 1418.

Mr. Chairman, I would be pleased to respond to any questions.

1-22-07

HB 1418 A

#4

NORTH DAKOTA VETERANS COORDINATING COUNCIL

My name is John L. Jacobsen. I am the Chairman of the Legislative Committee of the North Dakota Veterans Coordinating Council. I am also a member of the American Legion and the Veterans of Foreign Wars.

I served in the North Dakota National Guard and the US Army Reserve for a total of 30 years. I retired in 1995 as a Colonel. I served on Active Duty in 1991 during Operation Desert Shield/Desert Storm in the Persian Gulf, stationed in the United Arab Emirates.

The Coordinating Council is made up of 15 members, 3 from each of the five Veterans Organizations in North Dakota:

- American Legion
- AMVETS
- Disabled American Veterans
- Veterans of Foreign Wars
- Vietnam Veterans of America

It is the policy of the Coordinating Council to support legislation that will benefit the welfare of the members of the Armed Forces. The committee **MUST** concur totally, that is all 15 members must agree on the legislation to be supported or else it does not get the support.

In this case, this bill was submitted late and has not been discussed within the council, and based on that, we are neutral to this bill.

HB 1418.

