

2011 HOUSE FINANCE AND TAXATION

HB 1178

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1178
January 19, 2011
#13070

Conference Committee

Committee Clerk Signature *Mary Bruckner*

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax deduction for retired military personnel pay; and to provide an effective date.

Minutes:

Please refer to testimony #1

Representative Mark S. Owens: Co-sponsor. Support. Please refer to attached testimony #1.

John Jacobsen, Lobbyist for ND Veterans Coordinating Council: The Coordinating Council is neutral on this bill.

Chairman Wesley R. Belter: Would this require an additional line on the tax form?

Joseph Becker, ND Tax Department: That is correct.

Chairman Wesley R. Belter: No further testimony. Closed hearing on HB 1178.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1178
January 31, 2011
#13723

Conference Committee

Committee Clerk Signature	<i>Mary Bricker</i>
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Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax deduction for retired military personnel pay; and to provide an effective date.

Minutes:

Representative Roscoe Streye: I move a DO NOT PASS.

Vice Chairman Craig Headland: Seconded.

A roll call vote was taken: YES 10 NO 4 ABSENT 0

MOTION CARRIED—DO NOT PASS.

Chairman Wesley R. Belter will carry HB 1178.

FISCAL NOTE

Requested by Legislative Council
01/08/2011

Bill/Resolution No.: HB 1178

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$4,851,000)			
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 1178 exempts 100% of military retirement benefits from individual income tax.

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.*

If enacted, HB 1178 is expected to reduce state general fund revenues by an estimated \$4.851 million for the 2011-13 biennium.

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:	01/18/2011

Date: 1-31-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1178

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Streyle Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande	✓		Steven L. Zaiser		✓
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Belter

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

REPORT OF STANDING COMMITTEE

HB 1178: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1178 was placed on the Eleventh order on the calendar.

2011 TESTIMONY

HB 1178

- Regular retirement – payments to retirees after at least 20 years of active duty service.
- Disability retirement – payments to those injured while on active duty.
- Reserve retirement – payments to members of the National Guard and reserves who have accumulated enough service credit to retire at age 60.

“Military retired pay” does not include payments to military survivors, which are considered annuities and are payable under 10 U. S. C. A. § 1450 et seq.

Some states provide special tax benefits to military retirees. Others simply follow the federal tax rules. The states that do not tax retired military pay are: Alabama, Alaska, Arizona, Connecticut, Florida, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming.

New Jersey exempts “military pension payments or military survivor’s benefit payments” (NJSA § 54A: 6-26)

Massachusetts exempts “any income received from the United States government as retirement pay for a retired member of the Uniformed Services of the United States.”

Kentucky - State Income Tax Exemption for Federal Retiree Pay (including military) up to \$41,000

Mississippi State Tax Advantage: \$5,000.00 military pay exempt.

AZ Military retirement payments and/or survivor benefits up to \$2,500.00 per year are exempt.

Connecticut applies a 50 percent exemption from the state income tax on federally taxable military retirement pay to members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, and Army and Air National Guard.

Maryland income tax exempts the first \$5000 of Military retirement income. In addition, military retirees who are over the age of 65, totally disabled, or who have a spouse who is totally disabled, receive an additional subtraction.

NC waives taxes on the first \$4,000 of retirement income.

Missouri has a Public Pension Exclusion which covers a portion of pension income.

Testimony #1
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States With Disability Retired Pay Exemptions

Arizona*	Arkansas*	California*
Colorado	Connecticut	Delaware*
DC**	Georgia*	Idaho*
Indiana*	Iowa***	Maine*
Maryland*	Michigan	Minnesota
Montana	Nebraska	Missouri
New Mexico	North Dakota	Ohio*
Oklahoma**	Oregon++	Puerto Rico
Rhode Island	Utah****	Vermont
Virginia*	West Virginia	South Carolina**

* Does not tax Social Security or railroad retirement benefits.

** Does not tax Social Security benefits.

*** Does not tax Railroad Retirement Benefits

**** Does not tax Railroad Retirement Benefits; however, Social Security Benefits may be taxed

++ Possible exemption on all Federal pensions